



Office of Internal Audit

**Audit of University Implementation
of Prior Years' Recommendations**

Report No. 13/14-06

October 10, 2013



Date: October 10, 2013

To: Mark Rosenberg, University President

From: Allen Vann, Audit Director

**Subject: Audit of University Implementation of Prior Years' Recommendations
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The objectives of this audit were to test, on a sample basis, management's self-reported implementation of past audit recommendations, to verify whether they were effectively completed. We selectively tested recommendations that were issued by the State of Florida Auditor General and Office of Internal Audit between May 1, 2010 and September 30, 2012.

Overall, our audit disclosed that 89% of past recommendations tested were either fully implemented (69%) or partially implemented (20%). In all, there were eleven recommendations that management agreed to complete.

We wish to express our appreciation for the cooperation and courtesies extended to us by all University personnel who assisted us during our audit fieldwork.

C: Sukrit Agrawal, Chair, BOT Finance and Audit Committee & Committee Members
Mark B. Rosenberg, University President
Douglas Wartzok, Provost and Executive Vice President
Kenneth A. Jessell, Chief Financial Officer and Senior Vice President
Javier I. Marques, Chief of Staff, Office of the President

BACKGROUND

Based upon direction from the Board of Trustees' Finance & Audit Committee, the Office of Internal Audit's practice for monitoring implementation of past recommendations include obtaining semiannual status reports from responsible/cognizant officials. The implementation status and date of implementation for those recommendations self-reported to us by management is compiled by our Office and routinely presented to the Committee. About every three years, our Office will test, on a sample basis, management's self-reported data to assure that they in-deed have implemented the recommendations. Our last follow-up report was issued in 2010.

Our Office follows the Institute of Internal Auditors' International (IIA) Standards for the Professional Practice of Internal Auditing. Those standards require our Office to establish a follow-up process to monitor and ensure that recommendations have been effectively implemented, and to make sure the Board of Trustees and senior management understand and assume the risks associated with inaction. In my opinion, the process described in the first paragraph of this section comports with the IIA standards.

OBJECTIVES, SCOPE, AND METHODOLOGY

As previously stated, the objectives of our audit was to test, on a sample basis, the self-reported management data regarding implementation of past audit recommendations, and to determine whether recommendations were effectively implemented as asserted by management.

Between May 1, 2010 and September 30, 2012 there were 351 implemented recommendations self-reported by management. We judgmentally selected 35 recommendations, representing 10% of the population. As in the past, this includes the State of Florida Auditor General's recommendations. Accordingly, included in our sample were five recommendations, which were identified by the State as "repeat" recommendations pursuant to newly established legislative requirements.¹

¹ Pursuant to F.S. Chapter §11.45(7)(j):

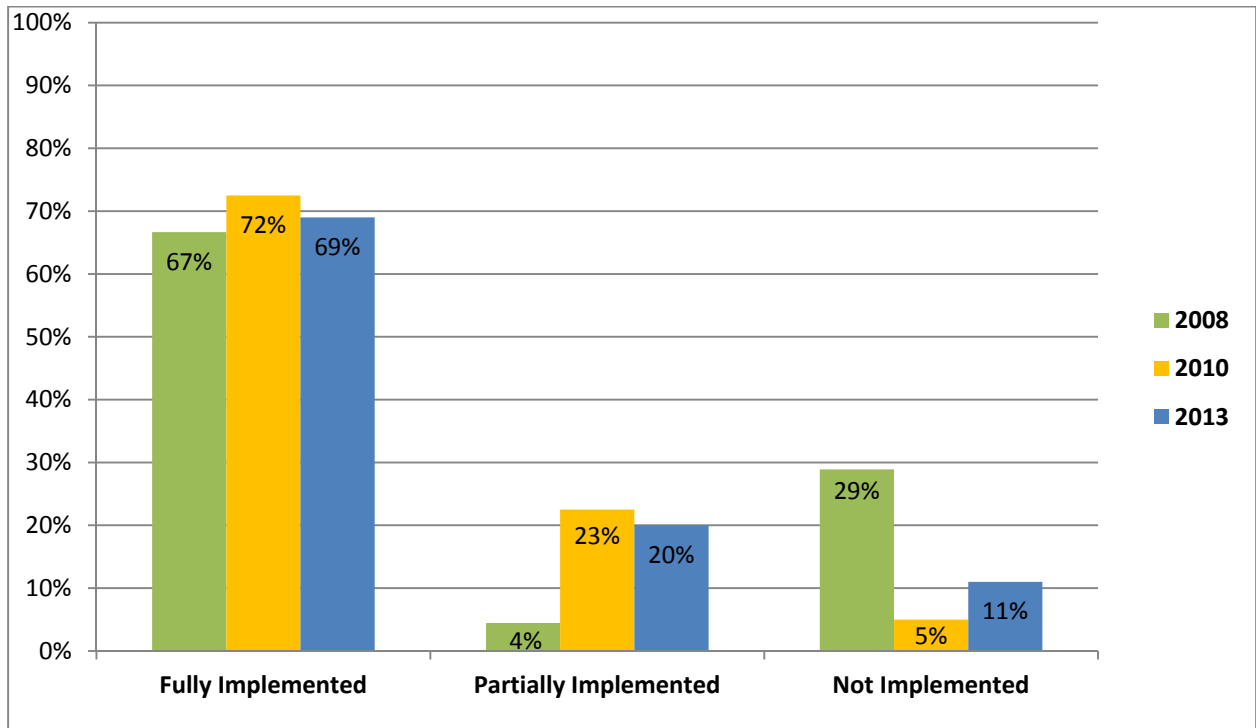
The Auditor General shall notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to this section which indicates that a state university or Florida College System institution has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.

1. The committee may direct the governing body of the state university or Florida College System institution to provide a written statement to the committee explaining why full corrective action has not been taken or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.
2. If the committee determines that the written statement is not sufficient, the committee may require the chair of the governing body of the state university or Florida College System institution, or the chair's designee, to appear before the committee.
3. If the committee determines that the state university or Florida College System institution has failed to take full corrective action for which there is no justifiable reason or has failed to comply with committee requests made pursuant to this section, the committee shall refer the matter to the State Board of Education or the Board of Governors, as appropriate, to proceed in accordance with s. 1008.32 or s. 1008.322, respectively.

Our examination included, but was not limited to, observation of actual practices and processing techniques, interviews with University personnel, and testing of selected transactions during the period audited, as considered necessary under the circumstances. Sample sizes and transactions selected for testing were determined on a judgmental basis.

OBSERVATIONS

Based on our testing we have concluded that management’s implementation rate has been comparable to the results of the last two follow-up audits issued in 2008 and 2010 as depicted in the following chart:



Most of the tested recommendations were overwhelmingly acted upon. A fifth of the recommendations were still being worked on. Only four of the 35 recommendations tested were not acted upon but according to management will be completed shortly.

With regard to the State Auditor General’s recommendations, the University in our opinion is still at risk of being cited in the future by the State for repeat findings. Management will need to redouble its efforts regardless of the relative immateriality of the items and/or subject matter involved.

Below are the results of each of the recommendations tested and the responsible area executives. Please note that due to personnel changes, not all of the executives listed were in the position for which the recommendation(s) was originally directed.

Report Recommendations	Fully Implemented	Partially Implemented	Not Implemented	Responsible Area Executives
Audit of University Housing & Residential Life (2010/11-06)				
1.2 – Fire Drills	✓			Lunsford/Paulick
2.5 – Attractive Property	✓			Lunsford/Paulick
Audit of the Herbert Wertheim College of Medicine (2010/11-03)				
2.1 – Payroll & Leave Administration		✓		Wartzok/Rock
2.3 – Payroll & Leave Administration	✓			Wartzok/Rock
Audit of the University Implementation of Prior Years' Recommendations (2010/11-05)				
6 – Audit of Controls Over University Vehicles Usage – Employee Driving Record Verification			✓	Jessell/Jaffus Raattama/Riddlemoser
6.2 – Audit of the College of Law – Property Accountability	✓			Wartzok/Acosta
Audit of the Controls Over Athletics Ticket Revenue (2010/11-07)				
11.2 – Identity Management	✓			Rosenberg/Garcia
12.4 – Least Privileged Account Access	✓			Rosenberg/Garcia
Audit of the Parking and Transportation Department's Revenue (2010/11-11)				
1.1 – Controls Over Parking Decals	✓			Jessell/Martinez
1.3 – Controls Over Parking Decals	✓			Jessell/Martinez
3.2 – Controls Over Citations/Fines			✓	Jessell/Martinez
Audit of Major Construction Projects-Selection Process of Architects/Engineers and Construction Managers (2010/11-12)				
4.2 Follow-up on Prior Audit Recommendations - Contractor Selection Process for Minor Construction Projects	✓			Jessell/Cal
Audit of the Disbursement Controls Over FIU Foundation Cash and Investment Accounts (2010/11-13)				
2.1 – Online Banking Access Controls	✓			Jessell/Martinez
Audit of the University's Fuel Inventory Controls (2011/12-01)				
1.1 – Recordkeeping Controls			✓	Jessell/Martinez
2.4 – Distribution Controls	✓			Jessell/Martinez
2.6 – Distribution Controls	✓			Jessell/Martinez
5.2 – Physical Security Over Fuel Sites & FMS Keys		✓		Jessell/Martinez

Report Recommendations	Fully Implemented	Partially Implemented	Not Implemented	Responsible Area Executives
Audit of the PantherCARD Financial, Operational, and Information Systems Controls (2011/12-02)				
12.4 – PantherCARD Building Access		✓		Jessell/Cal
18.2 – Network Security		✓		Jessell/Martinez
Audit of Contracts & Grants - College of Engineering & Computing Grants (2011/12-03)				
2.3 – Time and Effort Reporting and Certification	✓			Mirmiran/Gil
2.9 – Time & Effort Reporting & Certification	✓			Mirmiran/Gil
3.2 – Cost Sharing/Matching	✓			Mirmiran/Gil
4.1 – Administrative Costs	✓			Mirmiran/Gil
Audit of the School of Hospitality & Tourism Management's Marriot Tianjin Program (2011/12-06)				
3.1 – Financial Oversight	✓			Wartzok/Hampton
Audit of the Repairs and Maintenance and Warehouse Operations (2011/12-09)				
1.3 – Selection of Contractors/Vendors	✓			Jessell/Cal
3.2 – Control Over Warehouse Operation	✓			Jessell/Cal
Audit of the University Library (2012/13-03)				
2.2 – Controls Over Circulation Management	✓			Jessell/Prestamo
Audit of the College of Medicine Information Systems Security Controls (2012/13-04)				
1.3 – Administrative Safeguards	✓			Wartzok/Rock
1.6 – Administrative Safeguards			✓	Wartzok/Rock
1.9 – Administrative Safeguards	✓			Wartzok/Rock
State of Florida Auditor General Report Nos. 2008-120; 2010-096; and 2012-092 - Operational Audits				
9, 8, 3 – Vehicle Records		✓		Jessell/Martinez
10, 9, 4 – Monitoring Fuel Efficiency of Vehicles		✓		Jessell/Martinez
1, 5, 1 – Parking Citation Receivables	✓			Jessell/Martinez
7, 11, 5 – Purchasing Card Program	✓			Jessell/Hamilton
2, 6, 2 – Tangible Personal Property Records		✓		Jessell/Hamilton
TOTAL COUNT	24	7	4	

The following are the original recommendations determined to be either partially implemented or not implemented, along with our current observations and management's revised response/action plan and implementation dates.

PARTIALLY IMPLEMENTED:

**1. Audit of the Herbert Wertheim College of Medicine (HWCOC)
(Report No. 2010/11-03)**

Recommendation No. 2.1 – Payroll & Leave Administration: Assign time approvers who are either the employee's direct supervisor or have direct knowledge of employee's schedule and have sufficient authority to question the employee regarding time reporting.

Auditor's Observation: The College of Medicine has improved on its payroll time approval process by implementing a process for time-off requests (see below); Nevertheless 40% of the payroll tested was still being approved by the Payroll Department and not the supervisor or delegate.

Management Response/Action Plan: The HWCOC Human Resource recognized the importance of having the employees report and submit their work time timely and accurately as well as for the supervisor or his/her designee to approve their employees reported time. Therefore, for calendar year 2013 the following processes were implemented:

- Every pay period, before payroll closing time, the Payroll Department sends a report to HWCOC Human Resources of employees whose time was not approved- Deadline: Ongoing.
- HWCOC Representative will forward the report to the supervisor and at the same time place a call to remind the supervisor to approve their employees time- Deadline: Ongoing
- HWCOC HR conducted an audit of reported annual leave and identified that some of the faculty had not reported their annual leave time. HWCOC worked with the faculty/staff supervisors, obtained the days taken by the faculty/staff and reported the annual leave. HWCOC HR will conduct this audit annually during the 1st Quarter of the following calendar year. For 2013 calendar year, the deadline to complete the leave audit is the end of the 1st Quarter of 2014.

Every Monday of the pay week at 1:59pm HWCOC batch approves time to ensure that employees will receive a paycheck for that pay period. The batch approval is done 1minute before the payroll deadline.

To reduce the number of batch approvals and pending approval follow-up every pay period, the HWCOC HR department will conduct further analysis and identify if the supervisors need further training and/or guidance in assigning the appropriate delegate to approve their employees' time.

Implementation date: November 15, 2013

2. Audit of the University's Fuel Inventory Controls (Report No. 2011/12-01)

Recommendation No. 5.2 – Physical Security Over Fuel Sites & FMS Keys:

Limit the amount of personnel that have access and authority to use the Fuel Management System Supervisory and the Master Keys.

Auditor's Observation: Vehicle Services still maintains a generic administrative access account to the Fuel Management System Supervisory. One master key exists which is properly locked away.

Management Response/Action Plan: The generic administrative account access has been deleted from the system, August 7th 2013. There are only 4 individuals with access to the fuel management software which was implemented after the first audit was conducted.

Implementation date: Immediately.

3. Audit of the PantherCARD Financial, Operational, and Information Systems Controls (Report No. 2011/12-02)

Recommendation No. 12.4 – PantherCARD Building Access: Work with Human Resources to implement procedures to revoke PantherCARD access to premises, buildings, and areas in a timely and accurate manner.

Auditor's Observation: The Key Control department has implemented an electronic interface with Human Resources; however, in a review of 10 terminated employees, the access for five of them was not timely revoked, four of them still have active access to the University and only one was timely revoked the access previously granted. It was determined that employee transfers, adjunct faculty and student-employees' access was not necessarily revoked.

Management Response/Action Plan: The five (5) employees whose access had not yet been revoked were left on the system because of safeguards intentionally built into the automated data download to ensure individuals would not be prematurely denied access due to a data or system error. As the downloads become more routine and the process reliability is validated, the safeguards can be modified for more timely revocation.

The four (4) individuals whose access was maintained on the system were student employees whose employment had terminated, but who were still active students who still needed to be maintained on the system.

Working with Human Resources, FIU One Card, PantherSoft and user groups within the University community, Facilities Management (FMD) implemented a multi-echeloned access control system that leverages leading edge technology and couples centralized management oversight with decentralized control delegated to the appropriate user group closest to the actual facility. That system

was implemented starting April 30, 2012 and is currently operational with daily automated updates. These daily automated updates adequately address new hires and terminations, personnel actions that are controlled by central Human Resources. The system does not, however, have the capacity to identify or change access for internal transfers or student employees. That is a function more properly delegated to the losing and gaining departments. FMD will continue to work with all relevant parties to enhance the system while still meeting the dual objectives of centralized oversight and decentralized execution and control.

Implementation Date: The automated download system was first implemented April 30, 2012 and is currently operational. Discussions to enhance the system based on user needs are ongoing.

4. Audit of the PantherCARD Financial, Operational, and Information Systems Controls (Report No. 2011/12-02)

Recommendation No. 18.2 – Network Security: Perform a review of firewall and router rule sets every six months.

Auditor’s Observation: The Business Services’ two year time lapse in reviewing the firewall and router rule sets increased the risk to the confidentiality, integrity and availability of the FIU Once Card data. To comply with PCI-DSS² Version 2.0 Requirement 1.1.6 credit card related firewall and router rule sets should be reviewed at least every six months.

Management Response/Action Plan: Since the audit in 2011, the One Card team has regularly, instead of only periodically, met with Network Engineering and Telecommunications to review firewall rules. The list below highlights the meeting times and dates and the purpose for each review.

- August, 2011: GC Lab move from CS-Print to Pharos print server.
- January, 2012: Bookstore issue with transactions timeouts.
- June, 2012: Replace MC-50 Pocket Readers, introduce Socket readers.
- November, 2012: College of Law migration from CS-Print to Pharos Print server.
- December 2012-March, 2013: Virtualize CS-Gold standby servers; Move servers to Northwest Regional Data Center Disaster Recovery site.
- March, 2013: FIU Online Conference at off-campus location.
- April, 2013: CS-Gold AdminWeb installation.
- June-July, 2013: Review of wireless card reader rules.
- July, 2013: Comprehensive CS-Gold firewall rules review. Rules for Housing Laundry readers, CS-Print servers, Wireless and Bus readers, Bookstore terminals, and Vending Building Controllers were removed and/or updated.

² Payment Card Industry Data Security Standard.

In addition to the specific firewall review and modifications referenced above, the One Card team communicates frequently with NET to review and update firewall rules related to special events, such as Homecoming and Football games. As such, the settings are reviewed on a regular basis to ensure and maintain network security. Regarding rules or reviews pertaining to the routers, these are entirely in the domain of Network Engineering and Telecommunications and the One Card staff does not have any input into defining and/or managing network paths across the university.

However, to ensure the fullest compliance with not only the intent but the letter of the auditor's findings, moving forward, the One Card IT team has scheduled recurring bi-annual review meetings with Network Management every June and December to further ensure proper firewall rule controls.

Implementation date: Immediately.

**5. State of Florida Auditor General – Operational Audits
(Report Nos. 2008-120; 2010-096; 2012-092)**

Recommendations No. 9, 8, 3 – Vehicle Records: The University should implement procedures to ensure that University-owned vehicle usage is adequately documented and includes supervisory approval.

Auditor's Observation: Vehicle Services has attempted to implement the recommendation but the form verification of each vehicle trip log was not up-to-date, with the last log dated October 2012.

Management Response/Action Plan: Procedures and forms were revised according to the Acquisition, Assignment and Use of University Vehicles Policy and verification process has been put in place to ensure all forms are completed on time.

Implementation date: Immediately.

**6. State of Florida Auditor General – Operational Audits
(Report Nos. 2008-120; 2010-096; 2012-092)**

Recommendations No. 10, 9, 4 – Monitoring Fuel Efficiency of Vehicles: 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 on the fuel system reports.

Auditor's Observation: Vehicle Services has attempted to implement the recommendation but the calculation for fuel consumption, vehicle trip logs and their records are not up-to-date.

Management Response/Action Plan: Procedures and forms were revised according to the Acquisition, Assignment and Use of University Vehicles Policy and verification process has been put in place to ensure all forms are completed on time.

Implementation date: Immediately.

7. State of Florida Auditor General – Operational Audits (Report Nos. 2008-120; 2010-096; 2012-092)

Recommendations No. 2, 6, 2 – Tangible Personal Property Records: 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.

Auditor’s Observation: We selected various items from the Property Master List and based on our testing, we were able to locate 66% of the items at the specified location; the remaining 34% were located at a different location or could not be located.

Management Response/Action Plan: 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.

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.

Implementation date: Immediately.

NOT IMPLEMENTED:

1. Audit of the University Implementation of Prior Years' Recommendations (Report No. 2010/11-05)

Recommendation No. 6 – Audit of Controls Over University Vehicle Usage – Employee Driving Record Verification: The Department of Risk Management and Environmental Health & Safety (EH&S) should work with Human Resources to establish a procedure for performing a periodic review of the driving record of employees operating University Vehicles.

Auditor's Observation: We selected 10 employees for testing and noted that only two individuals had a driver's license check, but it was performed more than 10 years ago. None of the 10 employees had a current driver's license check on file.

Management Response/Action Plan: The Division of Human Resources has been conducting background, fingerprinting and motor vehicle checks as part of our pre-employment business process. Unfortunately, we were not made aware that a new policy and procedures had been created to address a previous audit finding related to intermittent motor vehicle record checks. Since this has been brought to our attention, we have:

1. Developed a mechanism to track whose job description requires motor vehicle record checks.
2. Developed the ability to track when the last motor vehicle record check was conducted, which will allow to schedule required intermittent checks (once every two years).
3. We have drafted a communication to be sent to all impacted employees and their supervisors informing them of the policy requirements.

After further review, we believe that we need to coordinate this initiative with both Risk Management and Environmental Health & Safety (EH&S) to implement the described procedure and document a business process that is comprehensive enough to address all impacted areas.

Implementation date: January 2014

2. Audit of the Parking and Transportation Department's Revenue (Report No. 2010/11-11)

Recommendation No. 3.2 – Control Over Citations/Fines: Work with Human Resources to ensure that outstanding balances are identified, communicated and deducted from final paycheck when the employee is terminated.

Auditor's Observation: In reviewing the current accounts receivable listing we found that all of the five employees selected for testing did not have any amounts deducted from their last paycheck for the citations/fines outstanding.

Management Response/Action Plan: The 5 employees reviewed during the audit were not deducted the outstanding balance (for citations) from their final check. Although the amount was not deducted from the final check, the citations were sent to a collection agency. In regards to the outstanding citations currently in the parking system, we found that in all cases separation clearance were completed and the boxes checked indicating no outstanding Parking and Transportation charges. There was one case that a separation clearance form was not completed

Our office has met with different areas in HR in order to get notification when employees are terminated. There will be a list sent to our department for all terminations. This list will be verified for outstanding citations and a notification will be sent to HR Payroll prior to each pay period to deduct the amount from their final checks. Employee Labor Relations has added a section for citations in the exit interview and gives our department a call to verify if the employee owes any money. There are some exceptions, for example, when the department is conducting the exit interview for employees' resignations and does not communicate with Parking.

HR is currently working on a comprehensive off-boarding process to include Administrative departments and come up with a feasible solution to ensure that outstanding balances are collected at the time of termination. Our office [Parking] will review the current process to ensure that outstanding balances are collected.

Implementation date: December 2013

3. Audit of the University's Fuel Inventory Controls (Report No. 2011/12-01)

Recommendation No. 1.1 – Recordkeeping Controls: Vehicle Services should ensure that fuel inventory is tracked on a consistent basis and establish procedures to ensure that monthly fuel inventory reconciliations are performed.

Auditor's Observation: Vehicle Services did not have procedures to track fuel inventory during the testing period. The Department developed a procedure that it started implementing in July 2013. Thus, we were unable to test to ensure reconciliations were performed.

Management Response/Action Plan: Vehicle Services implemented a reconciliation report for the Fuel collected and dispensed. A manager will review information and report any discrepancies.

Implementation date: Immediately

4. Audit of the College of Medicine Information Systems Security Controls (Report No. 2012/13-04)

Recommendation No. 1.6 – Administrative Safeguards: Periodically review Online Access Scan (OAS) log files to ensure OAS is appropriately enabled and virus definitions are updated timely.

Auditor’s Observation: HWCOTM IT started reviewing the number of systems running HIPS and whether the installed version was current. Workstations OAS log files however were not reviewed by the HWCOTM IT Security Engineer.

Management Response/Action Plan: HWCOTM IT Security engineer has been reviewing the HIPS reports with the understanding that OAS and updates of the virus definitions were correlated to Host Intrusion Protection System (HIPS) running on the workstations. However, based on our current understanding, we will now perform the following:

1. Do a data classification on the workstations/servers.
2. Based on the data classification, conduct a periodic review of OAS log of those computers that are critical to us (This is a manual process. We will sample out few computers and manually review the log files)

We will also create an additional checklist that the IT Security Engineer will use to audit workstation/server in a periodic basis. Additionally, the FIU Network Security team has modified the daily report to include the VirusScan DATs and Engine versions installed on the computers in the College of Medicine.

Implementation date: Immediately