



Office of Internal Audit Status Report

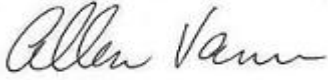
BOARD OF TRUSTEES

June 11, 2009



Date: May 15, 2009

To: Board of Trustees and
Finance and Audit Committee

From: Allen Vann, Audit Director 

Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

COMPLETED AUDITS AND INVESTIGATIONS

Since our last Finance and Audit Committee meeting on March 30, 2009 we completed the following projects:

- 1. Audit of The College of Education** – Our audit disclosed internal control weaknesses in the areas of: property accountability, telephone usage, travel and payroll procedures, payments to consultants, procurement card purchases, cash collections, and processing of other expenses. We made nineteen recommendations, which management agreed to implement.
- 2. Cash Counts at University Park and Biscayne Bay** – We performed surprise cash counts and satisfactorily accounted for all of the respective funds at both locations. We made one recommendation regarding repair or replacement of the safe at the Biscayne Bay Student Financial Services office.
- 3. Investigation Into Allegations Against The Applied Research Center** – Our investigation, initiated based on information received from the Division of Human Resources, disclosed that the Principal Investigator mismanaged the Applied Research Center’s Military Programs resulting in inappropriate and wasteful spending. We made fourteen recommendations; overall the Applied Research Center needs to closely monitor these programs in order to ensure project costs are appropriate and are properly allocated.

WORK IN PROGRESS

Audits/Investigations	Status
Audit of the Accounts Receivable	Fieldwork completed/drafting report
Audit of IT Security over the Payment Card Process	Fieldwork completed/drafting report
Audit of University Purchasing Card Program	Fieldwork in progress
Investigation – Misuse of Grant funds	Investigation in progress
Special Review – Requests from Federal Agencies*	Fieldwork in progress
Audit of the Athletics Department	Planning in progress
Review of PeopleSoft Upgrade Implementation	Planning in progress

* A special review was requested by the General Counsel on behalf of, and in agreement with, the U. S. Department of Energy Inspector General and the National Science Foundation Office of Inspector General.

COMPLIANCE WITH THE *INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING*

FIU’s *Office of Internal Audit Policy & Charter* mandates that: “The activities of the OIA shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing.” According to the standards, the Audit Director is required to communicate to the Finance and Audit Committee any departures from the standards. There are two areas where the Office is non-compliant with the Institute of Internal Auditors (IIA) standards: (1) Continuing professional development and (2) External quality assessments (peer review):

1) Continuing Professional Development

In order to maintain proficiency in internal auditing, staff members should be provided with sufficient continuing professional education to satisfy the requirements of the professional certifications they hold. In addition, the Office’s operating manual calls for fulfilling minimal professional education requirements in the amount of 80 hours every two-year period (or 40 hours per year) consistent with the requirements of *Government Auditing Standards* issued by the Comptroller General of the United States. In past years the Office was not always in compliance with these requirements. The following is an update on continuing professional education (CPE) obtained by each auditor through May 2009 of this fiscal year:

	<u>CPE Hours</u>
Pyong Cho, CPA	25 hours
Manuel Sanchez, CPA	29 hours
Albert Mayungbe, CPA	27 hours
Tenaye Arneson	16 hours
Hector Machado	36 hours

Most recently, on April 24th, the audit staff received an 8 hour course entitled Tackling Fraud: *What Every Auditor Should Know About Preventing and Detecting Fraud*. Four staff members are already registered for an additional 16 hours of training. We plan to fulfill this standard by June 30, 2009 for this fiscal year.

2) **Quality Assurance and Improvement Program**

The IIA standards require the Audit Director to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The standards also require an external assessment of our internal audit activity every five years. The last assessment was performed seven years ago. To fulfill this requirement, we have obtained the most current version of the IIA's Quality Assessment Manual. I plan to perform a complete internal self-assessment, also required under the standards to be followed up by an external review.

Student Interns

We are working with Human Resources to hire several student interns in the fall. The position was posted on April 24, 2009 soliciting applicants. We interviewed two excellent student candidates.

FOLLOW-UP STATUS REPORTS

Management is responsible for addressing audit recommendations. The Office of Internal Audit periodically surveys cognizant officials for a status report on recommendations due for implementation in their areas. Details follow:

Summary of Follow-up Status Reports

Total number of recommendations due for implementation as of April 30, 2009: **56**

Total number of recommendations implemented as of April 30, 2009: **53**

Implementation rate: **95%**

Explanatory Notes to Follow-up Status Reports

- Explanation of status column – **Yes** = implemented; **No** = not fully implemented; **N/A** = not due for implementation this period.
- For those recommendations noted in bold as **No** (not fully implemented) in the status column of this schedule, the “Management Responses to Outstanding Audit Issues” section details management’s current action plan.
- An asterisk (*) in the report column – means that management’s responses on outstanding audit issues due by April 2009 were reported separately to the Finance and Audit Committee, since they were confidential and exempt from public records by Florida Statute.

Attachment A – Follow-up Status Report – Internal Audits

Attachment B – Follow-up Status Report – External Audits

Attachment C – Management Responses to Outstanding Recommendation(s)

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

FOLLOW-UP STATUS REPORT - INTERNAL AUDITS

The following summarizes the current status of audit issues from prior internal audit reports as of April 30, 2009.

Note: Items bolded in the status column (Yes or No) were due for implementation this period.

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Frost Art Museum Report Issued: Jan. 28, 2005	1. Art Collection Records: <ul style="list-style-type: none"> • Fair Market Value (Rec. #1.2) • Insurance (Rec. #1.3) 2. Capitalization of Art Work (Rec. #3)	Berkman/Damian	N/A N/A N/A	04/06 04/06 07/05	06/09 06/09 06/09
Allegations Against the Director of Enterprise Technology Support Services Report Issued: July 7, 2006	1. Purchasing Rule - Gift Policy (Rec. #3.3)	Sanchez/Millspaugh	No	09/06	09/09
Student Administration Oracle Databases Report Issued: Dec. 19, 2006	1. Data Access (Rec. #5.1)	Yao/Grillo	Yes	04/07	
Audit of the Contracts & Grants Expenditures (Other Than Payroll) Report Issued: March 21, 2007	1. Indirect/Direct Costs (Rec. #3.2)	Walker/Gil/ Barabino	N/A	06/07	07/09
Allegations Against the Associate Director of Purchasing Services Report Issued: May 25, 2007	1. Credit Checks (Rec. #2.3)	Hardrick/Cuesta-Gomez	Yes	12/07	
Review of Management's Actions to Prior Audit Recommendations Report Issued: Feb. 6, 2008	1. User Access Management (Rec. #1.3) 2. Excess of Expenses over Revenues (Rec. #2) 3. Excess of Revenues over Expenses (Rec. #3) 4. Project Accounting (Rec. #1)	Hardrick/Cuesta-Gomez Walker/Gil/ Barabino	Yes Yes Yes N/A	11/08 06/08 06/08 07/09	
Audit of University Minor Construction Projects Report Issued: May 16, 2008	1. Contractor Selection Process (Rec. #1.1) 2. Oversight of Minor Construction Projects (Rec. #4) 3. Decentralized Project Filing System (Rec. #6)	Sanchez/Cal/ Berenguer	Yes N/A Yes	12/08 08/08 10/08	03/09 12/09 03/09
Audit of the AIDS Prevention Program's Information Systems* Report Issued: August 8, 2008	1. Data Encryption (Rec. #1) 2. Network Firewall (Rec. #6) 3. Network Access Translation (Rec. #7) 4. File Shares (Rec. #8) 5. Intrusion Detection System (Rec. #10) 6. Access Database (Rec. #13) 7. Contingency Plan (Rec. #17)	Treviño/Malow/ Devioux	No Yes Yes No Yes Yes Yes	10/08 11/08 11/08 10/08 11/08 11/08 10/08	07/09 07/09
Allegations Against the Southeast Environmental Research Center (SERC) Report Issued: August 26, 2008	1. Employee Classification (Rec. #3.2)	Hardrick/Cuesta-Gomez	Yes	11/08	

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Audit of the Applied Research Center's Information Systems Report Issued: Oct. 15, 2008	1. Password Policy and/or Procedures (Rec. #3.1)	Salas/Proni	Yes	12/08	
Audit of the College of Arts & Sciences Environmental Studies Department Report Issued: Dec. 15, 2008	1. Outstanding Invoices (Rec. #3.2) 2. Mutilated Vendor Receipts (Rec. #4) 3. Travel Authorization Requests (Rec. #6) 4. Property Accountability (Rec. #7.2) 5. Oversight and Legal Action (Rec. #9)	Furton/Clement/ Manzano	Yes Yes Yes Yes Yes	03/09 01/09 03/09 01/09 01/09	
Allegations Against the University's Online Learning Program Report Issued: Dec. 19, 2008	1. Guidance of Intellectual Property Rights (Rec. #1.4)	Wartzok/Moore	Yes	02/09	
Audit of the IT Security Controls over the Surplus Property Process Report Issued: Feb. 20, 2009	1. University Media Sanitization Policy and/or Procedures (Rec. #1) 2. Media Sanitization Procedures (Rec. #2, #3) 3. Media Sanitization Compliancy (Rec. #4) 4. Data Cleansing Hardware (Rec. #5) 5. Magnetic Degaussing and Hard Drive Destruction (Rec. #6) 6. Audit Trail and Asset Tracking (Rec.# 7.1, #7.2) 7. Property Control Resources (Rec. #8) 8. Physical Safeguards (Rec. #9) 9. Sensitive Data Stored in Unsecure Environment (Rec. #10)	Yao/Granto Sanchez/Davis	Yes Yes Yes Yes Yes Yes Yes Yes Yes	03/09 03/09 03/09 03/09 03/09 03/09 03/09 03/09 04/09	
Audit of the College of Law Report Issued: Feb. 27, 2009	1. Improper Use of Admissions Deposit (Rec. #1.1, #1.2) 2. Inadequate Payroll Procedures (Rec. #2.1) 3. Inadequate Payroll Procedures (Rec. #2.2) 4. Inadequate Travel Procedures (Rec.#3.1 - #3.3) 5. Travel Procedures (Rec. #3.4) 6. Improper Telephone Usage (Rec. #4.1) (Rec. #4.2, #4.3) 7. Telephone Policy (Rec. #4.4) 8. Other Expenses (Rec. #5.1 - #5.5 & #5.7 - #5.9)) 9. Funds Transfer (Rec. #5.6) 10. Authorized Signers (Rec. #5.10) 11. P-Card Approval (Rec.#5.11) 12. Unaccounted for Property Items (Rec.#6.1, #6.2) 13. Overall Recommendation (Rec.#7)	Strickman/Meneses Wartzok/Moore Hardrick/Flores Strickman/Meneses Sanchez/Davis Strickman/Meneses Yao/Drake Strickman/Meneses Sanchez/Blevens Sanchez/Davis Strickman/Meneses	N/A Yes Yes N/A N/A N/A N/A N/A Yes Yes N/A N/A N/A	05/09 04/09 04/09 05/09 09/09 02/09 05/09 03/09 05/09 02/09 02/09 05/09 05/09 08/09	
Allegations Against the Applied Research Center Report Issued: April 6, 2009	1. Review of Travel Expenses (Rec. #1.1 - #1.3) 2. Review of Telephone Calls (Rec. #2.1, #2.2) 3. Proper Allocation of Project Costs (Rec. #3.1, #3.2) 4. Travel Plan (Rec. #4.1 - #4.3) 5. Proper Allocation of Salaries (Rec. #5.1, #5.2) 6. Overall Recommendation (Rec. #6.1, #6.2)	Salas/Proni Hardrick/Cuesta-Gomez	N/A N/A N/A N/A N/A N/A	06/09 06/09 06/09 06/09 07/09 & 06/09 06/09	

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

FOLLOW-UP STATUS REPORT - EXTERNAL AUDIT

The following summarizes the current status of audit issues from the State Auditor's Operational Audit (Report No. 2008-120, dated March 11, 2008) as of April 30, 2009.

Note: Items bolded in the status column (Yes or No) were due for implementation this period.

Finding Number & Area	Audit Issue(s)/Finding	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Finding No. 12 Information Technology- University Governance	There was a need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.	Yao/Grillo	N/A	06/08	06/09
Finding No. 13 Information Technology- Application Environment and Support Function	Improvements were needed in certain security controls within the overall operations of the application and the supporting network environment at the University.	Yao/Granto	Yes	06/08	

**FLORIDA INTERNATIONAL UNIVERSITY
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MANAGEMENT RESPONSES TO OUTSTANDING AUDIT ISSUES

Allegations Against the Director of Enterprise Technology Support Services

1. Audit Issue: **Purchasing Rule – Gift** (Recommendation #3.3)
Status: Partially Implemented

Recommendation:

Purchasing Services should disseminate the University Purchasing rule regarding the acceptance of gifts from vendors to the entire University community on a periodic basis.

Action Plan to Complete:

Purchasing Services, with assistance of the Office of Compliance, has drafted a gift policy, which is currently under review in the Office of the President and various stakeholders.

New Target Date: September 30, 2009