Office of Internal Audit
Status Report

BOARD OF TRUSTEES

September 10, 2009
COMPLETED AUDITS AND INVESTIGATIONS

Since our last Finance and Audit Committee meeting on June 11, 2009 we completed the following projects:

1. **Audit of Accounts Receivable** – The University’s receivable balance and the corresponding allowance for doubtful accounts grew steadily between FY 2006 and FY 2008. In fact, FIU has the second highest allowance for doubtful accounts percentage in the State University System as of June 30, 2008. Our audit disclosed that considerably greater effort is needed by the University’s departments responsible for managing receivables in the areas of collecting receivables, aging receivables, providing support for how allowances are calculated and when all collection efforts fail, swifter write offs of receivables. In addition, more detailed reconciliations need to take place on a more frequent basis and the entire process would benefit from more comprehensive written policies and procedures. Management agreed with our findings and agreed to implement all 12 of our recommendations.

2. **Audit on FIU Safeguards Over Credit Card Holder Data** – There are at least 54 separate areas within the University that collected cardholder data. We evaluated if there were adequate security controls in place over the processing, storing, and/or transmitting cardholder data based on the Payment Card Industry Data Security Standards. We found that a centralized governance structure needs to be established along with formal procedures detailing what controls should be in place for cardholder data. Also, the cardholder data environment needs to be fully identified and properly isolated to reduce the risk of being compromised. A secure network needs to be built, accompanied by regular monitoring and compliance testing. There is also a need for stronger access control measures. The Controller’s Office, and the Division of Information Technology agreed to implement our 18 recommendations.
3. **Investigation of the Use of University Funds for Foreign Travel in the School of Journalism and Mass Communication** – Our office received a complaint regarding the foreign travel of a professor from the School of Journalism and Mass Communication (SJMC). The allegations were that the Professor used FIU/grant funds to finance several trips to South Africa after the relocation of his ex-wife and child to Cape Town and also that he hired his ex-wife as a consultant during one of the trips.

The result of our investigation disclosed that the allegations were substantiated. The Professor did not follow OSRA’s guidelines for the administration of externally funded projects. Review of the trips disclosed the questionable practice of mixing personal and University business without distinguishing time spent between University and personal business. The Professor did not report vacation time for the time spent on personal business while in South Africa. We determined that the Professor hired his ex-wife as a consultant using $3,500 from a grant, but neglected to disclose his former marital relationship to OSRA as required. There were no apparent violations of state laws, rules or university policies regarding hiring a former spouse. During our investigation, we also noted other weaknesses in administering University funds. The investigation resulted in eight recommendations, which the SJMC Dean promptly addressed.

4. **Review of Four Grants at the Request of the Department of Energy and National Science Foundation Inspectors General**

A special review was requested by the General Counsel on behalf of, and in agreement with, the Department of Energy and the National Science Foundation Inspectors General. The review covered the propriety of sick and annual terminal leave payouts charged to the grants from 1999 to 2009.

Our review disclosed that the University billed $33,781 in terminal leave payouts to one of the DOE grant awards at the same time that it was applying a “Personal Assessment Fee” (PAF) to that award. The PAF was a varying percentage that was applied to a grant’s monthly payroll charges intended to allocate accrued leave. After the University discontinued using the PAF the same DOE grant was direct-charged for all, or part, of the terminal leave payouts of six or possibly seven employees when the grant had previously been billed as much as $11,253 in PAF charges associated with the salaries of the same employees. We identified no issues concerning the NSF grant awards.

With regard to the University’s use of the PAF and the subsequent change in direct charging accrued leave, in our opinion, either method is acceptable under OMB Circular No. A-21, *Cost Principles for Educational Institutions*. It should be noted, that during the period that the PAF methodology was employed, the University, in aggregate, under billed the grants by almost $302,000 in accrued costs it otherwise could have allocated.
WORK IN PROGRESS

<table>
<thead>
<tr>
<th>Audits/Investigations</th>
<th>Status</th>
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</thead>
<tbody>
<tr>
<td>Audit of the University Purchasing Card Program</td>
<td>Fieldwork in progress</td>
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<tr>
<td>Investigation – Misuse of Grant funds</td>
<td>Investigation in progress</td>
</tr>
<tr>
<td>Investigation – Misuse of an University Purchasing Card</td>
<td>Investigation in progress</td>
</tr>
<tr>
<td>Investigation – Misuse of funds College of Medicine</td>
<td>Fieldwork in progress</td>
</tr>
<tr>
<td>Audit of the Athletics Department</td>
<td>Fieldwork in progress</td>
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<tr>
<td>Review of PeopleSoft Upgrade Implementation</td>
<td>Planning in progress</td>
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<tr>
<td>IT Governance</td>
<td>Planning in Progress</td>
</tr>
</tbody>
</table>

OTHER MATTERS

Personnel Changes

In June Mr. Albert Mayungbe, an Audit Manager in our office, resigned for health related reasons. His contributions to the office will be missed. Fortunately we promptly filled the vacancy. Ms. Veretas Fernandes joined the audit staff in mid-August. She has extensive experience in construction auditing and accounting and as an adjunct professor of accounting at Miami-Dade College.

Continuing Professional Development

The entire staff received in-house training in the PeopleSoft Upgrade modules and a few staff members took advantage of some other relevant on-line training opportunities. In light of the opening of the College of Medicine, two auditors will attend the Association of Health Care Internal Auditors annual conference. The three and a half day conference will cover many topics that will enhance our technical competence in this new audit issue area. In addition, two auditors will attend the Association of College and University Auditors 2009 Annual Conference.

Quality Assurance Review

Using the Institute of Internal Auditors’ Quality Assessment Manual as a guide, I am performing a complete internal self-assessment of the Office of Internal Audit. I plan to report the results of the self-assessment to the Finance and Audit Committee at your next meeting on November 19, 2009. Following the self-assessment, we plan to engage an independent validator to review the findings and report on the Office’s adherence to the IIA standards. This will fulfill the IIA peer review requirements.
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**

As of July 31, 2009:

- 53 recommendations were due for implementation,
- 39 were reported implemented, and
- 14 were deferred by management.

Attachment A – Follow-up Status Report – Internal Audits

Attachment B – Follow-up Status Report – External Audits

Attachment C – Management Responses to Outstanding Recommendation(s)
# FOLLOW-UP STATUS REPORT - INTERNAL AUDITS AS OF JULY 31, 2009

<table>
<thead>
<tr>
<th>Report</th>
<th>Audit Issue(s)/Recommendations</th>
<th>Responsible Executive/Director</th>
<th>Status</th>
<th>Original Due Date</th>
<th>Revised Due Date</th>
</tr>
</thead>
</table>
| Frost Art Museum                             | 1. Art Collection Records:  
   - Fair Market Value (Rec. #1.2)  
   - Insurance (Rec. #1.3)  
   2. Capitalization of Art Work (Rec. #3) | Wartzok/Damian/Kirschtel-Taylor | No     | 04/06            | 12/09            |
|                                             |                                                                     |                                 | No     | 04/06            | 12/09            |
|                                             |                                                                     |                                 | No     | 07/05            | 12/09            |
| Enterprise Technology Support Services       | 1. Purchasing Rule - Gift Policy (Rec. #3.3)                        | Jessell/Carmenate               | Yes    | 09/06            |                  |
| Report Issued: Jan. 28, 2005                |                                                                     |                                 |        |                  |                  |
| Audit of the Contracts & Grants Expenditures (Other Than Payroll) | 1. Indirect/Direct Costs (Rec. #3.2)                               | Gil/Barabino                    | Yes    | 06/07            |                  |
| Report Issued: March 21, 2007               |                                                                     |                                 |        |                  |                  |
| Review of Management’s Actions to Prior Audit Recommendations | 1. Project Accounting (Rec. #1)                                     | Gil/Barabino                    | Yes    | 07/09            |                  |
| Report Issued: Feb. 6, 2008                  |                                                                     |                                 |        |                  |                  |
| Audit of University Minor Construction Projects | 1. Oversight of Minor Construction Projects (Rec. #4)           | Jessell/Cal/Berenguer          | N/A    | 08/08            | 12/09            |
| Report Issued: May 16, 2008                  |                                                                     |                                 |        |                  |                  |
| Audit of the AIDS Prevention Program’s Information Systems | 1. Data Encryption (Rec. #1)                                     | Treviño/Malow/Devieux          | Yes    | 10/08            | 10/08            |
| Report Issued: August 8, 2008                | 2. File Shares (Rec. #8)                                           |                                 | Yes    |                  |                  |
|                                             |                                                                     |                                 |        |                  |                  |
| Audit of the College of Law                 | 1. Admissions Deposit (Rec. #1.1, #1.2)  
   2. Travel Procedures (Rec. #3.1 - #3.3)  
   3. Travel Procedures (Rec. #3.4)  
   4. Telephone Usage (Rec. #4.2, #4.3)  
   5. Other Expenses (Rec. #5.1 - #5.5 & #5.7 - #5.9)  
   6. P-Card Approval (Rec. #5.11)  
   7. Property Accountability (Rec. #6.1, #6.2)  
   8. Overall Recommendation (Rec. #7) | Acosta/Jessell/Davis/Acosta | No     | 05/09            | 10/09            |
| Report Issued: Feb. 27, 2009                 |                                                                     |                                 | Yes    | 05/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 09/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 05/09            | 10/09            |
|                                             |                                                                     |                                 | No     | 05/09            | 10/09            |
|                                             |                                                                     |                                 | No     | 08/09            | 10/09            |
| Allegations Against the Applied Research Center | 1. Review of Travel Expenses (Rec. #1.1)  
   2. Review of Travel Expenses (Rec. #1.2)  
   2. Review of Travel Expenses (Rec. #1.3)  
   2. Review of Telephone Calls (Rec. #2.1, #2.2)  
   3. Allocation of Project Costs (Rec. #3.1) (Rec. #3.2)  
   4. Travel Plan (Rec. #4.1, #4.2) (Rec. #4.3)  
   5. Allocation of Salaries (Rec. #5.1) (Rec. #5.2)  
   6. Overall Recommendation (Rec. #6.1, #6.2) | Salas/Proni | No     | 06/09            | 10/09            |
| Report Issued: April 6, 2009                 |                                                                     |                                 | No     | 06/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 06/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 06/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 06/09            | 10/09            |
|                                             |                                                                     |                                 | Yes    | 06/09            | 10/09            |
| Audit of the College of Education            | 1. Property Accountability (Rec. #1.1, #1.4, #1.5)  
   2. Telephone Usage (Rec. #2.2) | Banya/Juarez                  | Yes    | 07/09            | 05/09            |
<p>| Report Issued: April 14, 2009                |                                                                     |                                 | Yes    | 05/09            | 10/09            |</p>
<table>
<thead>
<tr>
<th>Report</th>
<th>Audit Issue(s)/Recommendations</th>
<th>Responsible Executive/Director</th>
<th>Status</th>
<th>Original Due Date</th>
<th>Revised Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Counts at University Park and Biscayne Bay Campus Report Issued: April 21, 2009</td>
<td>1. Inoperable Safe</td>
<td>Jessell/Davis</td>
<td>Yes</td>
<td>05/09</td>
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<tr>
<td>Investigation of the Use of University Funds for Foreign Travel in the School of Journalism and Mass Communication Report Issued: June 29, 2009</td>
<td>1. Consulting Agreements (Rec. #1.1)</td>
<td>Wartzok/Kopenhaver</td>
<td>Yes</td>
<td>06/09</td>
<td>06/09</td>
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<td></td>
<td>2. Conflict of Interest (Rec. #1.2)</td>
<td></td>
<td>Yes</td>
<td>06/09</td>
<td>06/09</td>
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<td>3. Foreign Travel for Sponsored Projects (Rec. #2.1)</td>
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<td>Yes</td>
<td>06/09</td>
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<td>4. Leave Adjustment (Rec. #2.2)</td>
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<td>Yes</td>
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<td>5. Controls over Reporting Leave (Rec. #2.3)</td>
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<td>Yes</td>
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<td></td>
<td>6. Grants Administration (Rec. #3.1)</td>
<td></td>
<td>Yes</td>
<td>N/A</td>
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<td></td>
<td>7. Grants Administration (Rec. #3.2)</td>
<td></td>
<td>Yes</td>
<td>N/A</td>
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<td></td>
<td>8. Agency vs. Auxiliary (Rec. #3.3)</td>
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<td>Yes</td>
<td>N/A</td>
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<tr>
<td>Audit of Accounts Receivable Report Issued: July 22, 2009</td>
<td>1. Collection Efforts (Rec. #1.1)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>01/10</td>
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<tr>
<td></td>
<td>2. Collection Efforts (Rec. #1.2)</td>
<td>Gil/Barabino</td>
<td>N/A</td>
<td>09/09</td>
<td>10/09</td>
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<td>3. Collection Efforts (Rec. #1.3)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
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<tr>
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<td>4. Aging of Receivable Reports (Rec. #2.1, #2.2)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
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<td>5. Doubtful Accounts Allowance (Rec. #3.1)</td>
<td>Gil/Barabino</td>
<td>N/A</td>
<td>10/09</td>
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<td>6. Doubtful Accounts Allowance (Rec. #3.2)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>09/09</td>
<td>09/10</td>
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<td>7. Accounts Receivable Write-Offs (Rec. #4)</td>
<td>N/A</td>
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<td>8. Accounts Receivable Reconciliations (Rec. #5.1 - #5.3)</td>
<td>N/A</td>
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<td>9. Policies and Procedures (Rec. #6)</td>
<td>N/A</td>
<td>03/10</td>
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<tr>
<td>Audit on FIU Safeguards Over Credit Card Holder Data Report Issued: July 30, 2009</td>
<td>1. Protecting Cardholder Data (Rec. #1)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>10/09</td>
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<tr>
<td></td>
<td>2. Network Segmentation/Cardholder Environment (Rec. #2.1, #2.2)</td>
<td>Yao/Granto</td>
<td>N/A</td>
<td>01/10</td>
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<tr>
<td></td>
<td>3. Build &amp; Maintain Secure Network (Rec. #3.1 - #3.4)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>03/10</td>
<td>01/10</td>
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<td></td>
<td>4. PCI Information Security Policy (Rec. #4.1) (Rec. #4.2)</td>
<td>Davis/Jaffus</td>
<td>N/A</td>
<td>10/09</td>
<td>06/10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>06/10</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Yao/Granto</td>
<td>N/A</td>
<td>03/10</td>
<td></td>
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<tr>
<td></td>
<td>5. Regular Monitoring &amp; Testing of Networks (Rec. #5.1, #5.2)</td>
<td>Jessell/Davis</td>
<td>N/A</td>
<td>03/10</td>
<td>01/10</td>
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<tr>
<td></td>
<td>6. Strong Access Control Measures (Rec. #6.1 - #6.3)</td>
<td>Yao/Granto</td>
<td>N/A</td>
<td>10/10</td>
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</tr>
</tbody>
</table>

**Explanatory Notes to Follow-up Status Report**

- Explanation of status column
  - Yes = implemented;
  - No = not fully implemented by original due date;
  - N/A = not due for implementation.

- For those recommendations not fully implemented, please see Management Responses to Outstanding Recommendation(s) (Attachment C) for management’s detailed current action plan.
The following summarizes the current status of the State Auditor’s Operational Audit (Report No. 2008-120, dated March 11, 2008).

<table>
<thead>
<tr>
<th>Finding Number &amp; Area</th>
<th>Audit Issue(s)/Finding</th>
<th>Responsible Executive/Director</th>
<th>Status</th>
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<th>Revised Due Date</th>
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<tbody>
<tr>
<td>Finding No. 12</td>
<td>Need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.</td>
<td>Yao/Grillo</td>
<td>Yes</td>
<td>06/08</td>
<td></td>
</tr>
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**Explanatory Notes to Follow-up Status Report**

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  - N/A = not due for implementation.

- For those recommendations not fully implemented, please see Management Responses to Outstanding Recommendation(s) (Attachment C) for management’s detailed current action plan.
Audit of the Frost Art Museum (January 2005)

1. Audit Issue: **Fair Market Value** (Recommendation #1.2)

   **Recommendation:**
   
   The Art Museum should assign a fair value to all collection items.
   
   **Action Plan to Complete:**
   
   Fair market value of the collection objects should be determined in order to coordinate with Property Control for objects with values greater than or equal to $1,000. We are creating an internship project for a student to check current market values for recent auctions of comparable objects and then to enter that value and information into the collections management database. It is estimated that this project will take an intern six months to complete. Please note that for a number of reasons it may not possible to find values for every object.
   
   New Target Date: December 31, 2009  
   Original Target Date: April 30, 2006

2. Audit Issue: **Insurance** (Recommendation #1.3)

   **Recommendation:**
   
   The Art Museum should provide accurate information to Environmental Health & Safety regarding the value of the art collection to ensure adequate insurance coverage.
   
   **Action Plan to Complete:**
   
   Now that the collection has been housed at the Frost Art Museum it is - for the first time in the history of the museum - accessible for review and appraisal. An outside appraisal will be conducted by a certified art appraiser for insurance purposes. We will schedule an appraisal of the collection to be completed by December 31, 2009.
   
   New Target Date: December 31, 2009  
   Original Target Date: April 30, 2006

3. Audit Issue: **Capitalization of Art Work** (Recommendation #3)

   **Recommendation:**
   
   We recommend that the Art Museum work with Property Control and the Controller’s Office to ensure that applicable art works are properly recorded in the University’s property records, as required by AA Policy 14.30.
   
   **Action Plan to Complete:**
   
   For works that currently have no value listed, please refer back to Action Plan for item 1. Once these values are entered in the database a list will be provided to Property Control for all objects with values exceeding $1,000. Once Property Control provides us with property control numbers those will also be entered in our database as a cross-reference and for future university inventory and audit needs. As proposed in item 1, this project should take approximately six months to complete.
   
   New Target Date: December 31, 2009  
   Original Target Date: July 31, 2007
1. Audit Issue: **Improper Use of Admissions Deposit** (Recommendation #1.1)

   **Recommendation:**
   
   The College should transfer all student deposit monies from the agency account to an auxiliary account as per Florida Statute and should reimburse the auxiliary account for any monies improperly used during the audit period.

   **Action Plan to Complete:**
   
   We will implement the recommended procedures as soon as our new budget director starts.

   New Target Date: October 1, 2009        Original Target Date: May 15, 2009

2. Audit Issue: **Improper Use of Admissions Deposit** (Recommendation #1.2)

   **Recommendation:**
   
   The College should obtain authorization from the Controller’s Office to collect funds within the College.

   **Action Plan to Complete:**
   
   We will implement the recommended procedures as soon as our new budget director starts.

   New Target Date: October 1, 2009        Original Target Date: May 15, 2009

3. Audit Issue: **Improper Telephone Usage** (Recommendation #4.2)

   **Recommendation:**
   
   We recommend that the College ensure that prior long distance telephone calls be reviewed and either signed off as business calls or reimbursed if non-business calls. This review should go back as far as reasonably possible.

   **Action Plan to Complete:**
   
   The new budget director will be responsible for collecting non-business long distance calls.

   New Target Date: October 1, 2009        Original Target Date: May 15, 2009

4. Audit Issue: **Improper Telephone Usage** (Recommendation #4.3)

   **Recommendation:**
   
   We recommend that the College get reimbursed for non-business telephone calls made by the two employees. If the two employees fail to pay, we recommend that the College report the non-reimbursement to Human Resources for disciplinary action.

   **Action Plan to Complete:**
   
   The College will pursue collection from the two employees.

   New Target Date: October 1, 2009        Original Target Date: May 15, 2009
5. Audit Issue: **Unaccounted for Property Items** (Recommendation #6.1)

**Recommendation:**

We recommend that the College comply with current University policy and follow-up on all unaccounted for property items. Property Control procedures should be followed, depending on whether the item is found or not.

**Action Plan to Complete:**

The Budget office will be responsible for implementing property control procedures and maintain an accurate inventory of all property items.

New Target Date: October 1, 2009  
Original Target Date: May 15, 2009

6. Audit Issue: **Unaccounted for Property Items** (Recommendation #6.2)

**Recommendation:**

In the future, we recommend that the College follow-up on Property Control’s yearly inventory and investigate all missing property items in a timely basis.

**Action Plan to Complete:**

The Budget office will be responsible for implementing property control procedures and maintain an accurate inventory of all property items.

New Target Date: October 1, 2009  
Original Target Date: May 15, 2009

### Allegations Against the Applied Research Center (April 2009)

1. Audit Issue: **Review of Travel Expenses** (Recommendation #1.1)

**Recommendation:**

We recommend that ARC review all travel expenses charged to the WHEMSAC project and correct payments that were inappropriately charged to the project.

**Action Plan to Complete:**

WHEMSAC travel expenses have been reviewed. We are currently working with the Office of Sponsored Research Administration to resolve audit issues.

New Target Date: October 31, 2009  
Original Target Date: June 5, 2009

2. Audit Issue: **Review of Travel Expenses** (Recommendation #1.2)

**Recommendation:**

We recommend that ARC determine the appropriateness of the per diem paid to the Research Analyst for the Honduras trip.
Action Plan to Complete:
WHEMSAC travel expenses have been reviewed. We are currently working with the Office of Sponsored Research Administration to resolve audit issues.

New Target Date: August 31, 2009
Original Target Date: June 5, 2009

3. Audit Issue: **Proper Allocation of Project Costs** (Recommendation #3.1)

   **Recommendation:**
   
   We recommend that ARC make adjustments to the PI’s salary charges for the two days he traveled to Ocala to reflect the proportion of the benefit received by the WHIX ’05 project.

   **Action Plan to Complete:**
   
   A credit will be applied back to the project.

   New Target Date: August 31, 2009
   Original Target Date: June 5, 2009

4. Audit Issue: **Travel Plan** (Recommendation #4.3)

   **Recommendation:**
   
   We recommend that ARC review the Analyst’s trip to Chile in order to determine whether the flight departure change was related to the WHIX project and obtain reimbursement if the change was inappropriate.

   **Action Plan to Complete:**
   
   It is under review by Office of Sponsored Research Administration.

   New Target Date: October 31, 2009
   Original Target Date: June 5, 2009

5. Audit Issue: **Proper Allocation of Salaries** (Recommendation #5.1)

   **Recommendation:**
   
   We recommend that ARC review the salaries and other expenses incurred by its Military Programs personnel in order to identify inconsistencies in the manner in which salaries and other project related expenses were allocated and record adjustments to correct any identified misallocation.

   **Action Plan to Complete:**
   
   ARC has performed the recommended review and has sent any items in question to Office of Sponsored Research Administration for a final review and recommendation.

   New Target Date: October 31, 2009
   Original Target Date: July 20, 2009