



Office of Internal Audit Status Report

BOARD OF TRUSTEES

December 2, 2010



Date: December 2, 2010
To: Board of Trustees and Finance and Audit Committee
From: Allen Vann, Audit Director
Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

I am pleased to provide an update on the status of our office's work activities. Our last update to you was on September 8, 2010.

AUDITS

Audit of the Herbert Wertheim College of Medicine – As the newest College at FIU, and given that the State provided dedicated Education and General (E&G) funding for its establishment, this audit was designed to evaluate the financial controls and procedures that were in place during its start-up period. The College's total E&G expenditures for the two fiscal years 2009 and 2010 totaled \$32 million.

Our audit revealed that the College's expenditures were mostly appropriate, allowable, and in accordance with applicable laws, rules and regulations, and University policies and procedures. Also, overall the funds were spent for their intended purpose: the establishment of the College. Nevertheless, during the period covered by our audit, the financial control environment was weak due to absence of key financial personnel. Issue areas covered in our audit report include: 1) Financial Management, 2) Payroll and Leave Administration, 3) Procurement and Contracting Administration, 4) Procurement Card Administration, 5) Managing Travel Costs, 6) Managing Auxiliary Enterprises, 7) Asset Management/Property Accounting and 8) Monitoring Telephone Charges.

The audit resulted in 31 recommendations (27 for the College and 4 for the Controller's Office). Management agreed to implement all of our recommendations. Also, with the addition of key financial staff at the College, we believe that internal controls and procedures will improve significantly.

Audit of the University Housing and Residential Life Department – The primary objective of this audit was to determine whether: 1) established policies and procedures over safety are adequate to provide safe living accommodations to students, and 2) that there were adequate internal controls and procedures to ensure sound fiscal practices that minimize costs and generate sufficient funds to meet bonded indebtedness and annual operating expenses.

Housing generally provided safe living accommodations to students and generated sufficient revenues to meet bond indebtedness and annual operating expenses. Fees were properly assessed, collected, accounted for, and recorded in the University’s records. Expenditures were appropriate, allowable, and in accordance with applicable laws, rules and regulations, and University policies and procedures. Nevertheless, during the period covered by our audit, we found that safety related violations were not always acted upon and fire drills were poorly documented. In addition, there were internal control weaknesses and departures from established policies and procedures relating to property accounting, revenues, sales tax and purchasing card use. The audit resulted in 14 recommendations, which management agreed to implement.

Cash Count at Modesto Maidique Campus (MMC) and Biscayne Bay Campus (BBC) – We performed two separate surprise cash counts of the change and petty cash funds at these two campuses. The Student Financials Office maintained a \$10,000 change fund and an \$8,000 petty cash fund at MMC and a \$12,000 change fund at BBC. Apart from some minor issues, the funds were properly safeguarded and internal controls were adequate.

Audit Work In Progress

Audits	Status
Major Construction Projects (Facilities)	Fieldwork in Progress
Auxiliary Funds (College of Business Administration)	Fieldwork in Progress
Revenue Collections (Athletics)	Fieldwork in Progress
Implementation of PeopleSoft Grants Module (OSRA)	Fieldwork in Progress
Revenue Collections (Parking & Traffic)	Planning Stage
Grants (College of Engineering and Computer Sciences)	Planning Stage

INVESTIGATIONS

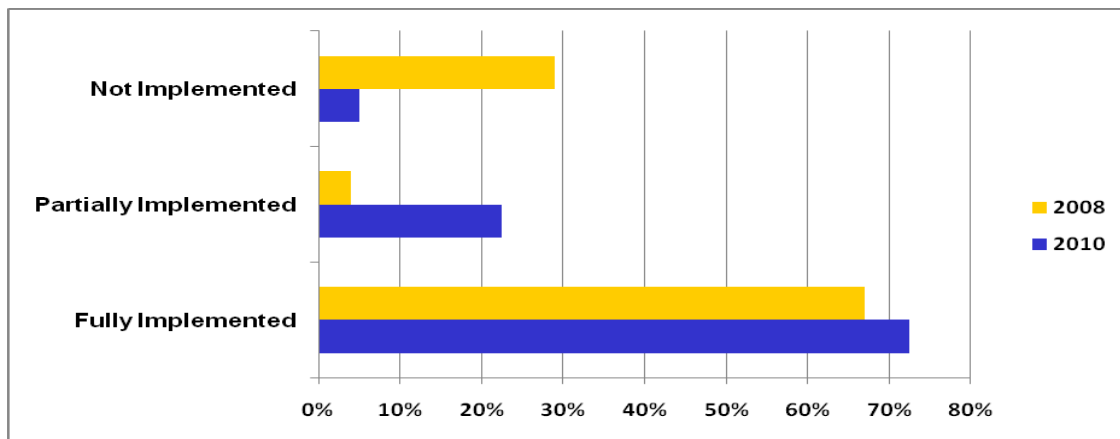
Whistle-Blower Complaint at the College of Medicine – We received a Whistle-Blower complaint from the Governor’s Chief Inspector General. The complainant, a former faculty member at the College, made allegations relating to financial matters including an alleged conflict of interest. Our investigation revealed that the allegations were without merit and that there were no indications that any federal, state, or local law, rule or regulation was violated.

Ethics Point (Hotline Complaint) – We received an anonymous complaint from our Ethics Point hotline alleging that FIU’s exclusion of a particular credit card for payment of student tuition was biased due to an unfair monetary benefit, by way of a convenience charge that other credit card companies allow us to impose per state law. We found that the University would incur a substantial expense if it were to allow the use of a card from a company that does not permit us to recover our costs. Given the circumstances, the exclusion of the credit card company was fair and reasonable.

FOLLOW-UP

University Implementation of Prior Years’ Recommendations – We conducted an audit of the University’s implementation of prior years’ recommendations to monitor and ensure that management actions have been effectively implemented as previously reported. The audit covered selected recommendations issued by the Office of Internal Audit and reported by management as implemented between June 1, 2007 and April 30, 2010. During our scope period, there were 447 recommendations self-reported by management as implemented. We judgmentally selected 40 recommendations, representing 9% of the population, to confirm implementation.

The results of our examination and comparison to the results of the last follow-up audit conducted in 2008 are as follows:



Based on our testing we have concluded that management has improved on their implementation of past audit recommendations. To management’s credit, the number of recommendations classified as not implemented have dropped to 5% compared to 28% reported in 2008. Most recommendations were acted upon but some were not always “fully implemented.” Management agreed to complete the implementation of 11 recommendations cited in our report.

RESOURCES

Staffing – On October 4, 2010 we welcomed Mr. Vincent Iovino as our Information Systems Audit Manager. Mr. Iovino is a Certified Information Systems Auditor with ten years of applicable experience and a degree in computer science.

OTHER

On November 4th and 5th the Florida State University Audit Council convened at the University of North Florida in Jacksonville. The Council is composed of the eleven Chief Audit Executives of the States University System and the BOG Inspector General. During the meeting we exchanged information on current activities, work plans, and strategies for providing an appropriate level of assurance services to our respective organizations.