Office of Internal Audit Status Report

BOARD OF TRUSTEES

January 9, 2014

Date: January 9, 2014

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 you with the quarterly update on the status of our office's work activities. Since our last update to you on September 10, 2013, we completed the following audits:

1. **Controls over Salary Costs Directly Charged to Federal Awards** – During fiscal year 2012 the University expended $119 million from governmental and corporate grants; the overwhelming majority of dollars charged were derived from salary costs. We audited those salary costs to verify that the University has effective controls and good procedures to support those charges.

   Our audit disclosed that the University's controls and procedures in this area were mostly adequate and effective. However, we did identify opportunities where internal controls could be strengthened, which in turn will further reduce the risk to the University; particularly in the areas of effort reporting and certification, and monitoring for the appropriate reporting of instructional activities and the vetting of direct charges for administrative and clerical staff. The audit resulted in ten recommendations that management agreed to implement.

2. **FIU HealthCare Network's (FIU-HCN) Billing, Collections, and Electronic Medical Record Systems** The primary objective of our audit was to determine if FIU-HCN's established controls and procedures are adequate to ensure that the electronic health records' sensitive data has proper information security measures for confidentiality, integrity and availability; medical services are accurately and timely billed, collected, and recorded; and FIU-HCN policies and procedures, applicable laws, rules and regulations are complied with.

   Overall, our audit disclosed that the FIU-HCN's controls and procedures were mostly adequate. Nevertheless, there were many areas where internal controls need

strengthening, particularly in patient record keeping and patient account reviews. Also, IT controls related to electronic health records need improvement. The audit resulted in thirty recommendations that management agreed to implement.

3. **Kovens Conference Center's Auxiliary Operations** – The Center, managed by the FIU Chaplin School of Hospitality and Tourism Management, is in a 57,640 square foot building constructed in 1995 at the Biscayne Bay Campus. It is fully equipped with state-of-the-art telecommunication resources and catering facilities. While almost a million dollars in revenues are generated annually, mostly from conference services, the Center has sustained systemic deficits over the years.

The primary objectives of our audit were to ensure that Center's revenue and expenditure streams were properly accounted for and financial controls and procedures were in place. The Center's business practices were also reviewed to try and identify the challenges it faces in becoming a self-supporting auxiliary operation as required.

Overall, our audit disclosed that the Center's established controls and procedures were good and its revenue and expenditure streams were for the most part properly accounted for. Nevertheless, our audit identified some areas, particularly financial management and revenue recognition that need to be addressed so that the Center achieves its goal of self-sustainability. The audit resulted in seven recommendations, that management agreed to implement.

INVESTIGATIONS

We assisted the University Police in performing an investigation. The allegations that prompted the investigation were found to be unsubstantiated.

WORK IN PROGRESS

We are currently working on the following audits:

1. Student Activity and Service Fees (Student Affairs)
2. College of Business (Academic Affairs)
3. Purchasing Practices for Commodities (Office of the Controller)
4. Frost Art Museum (Academic Affairs)
5. School of Computing and Information Sciences (College of Engineering and Computing)
6. University Lab Safety (Environmental Health and Safety)
7. Sub-Recipient Monitoring (Division of Research)
8. Award and Administration-Retail/Vending Contracts (Office of Business Services)

PROFESSIONAL DEVELOPMENT

The Internal Audit staff continues to take advantage of professional development opportunities. Two staff members attended the Annual Conference of the Association of Healthcare Internal Auditors and two other staff members attended the Annual Conference of the Association of College and University Auditors. In addition, I attended the State University Audit Council meeting at the University of Florida in Gainesville.

FOLLOW-UP ACTIVITIES

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. Accordingly, we selectively tested 10% of the 351 recommendations that were issued by our office and the State of Florida Auditor General between May 1, 2010 and September 30, 2012.

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 conducted in 2008 and 2010 as depicted in the following chart:
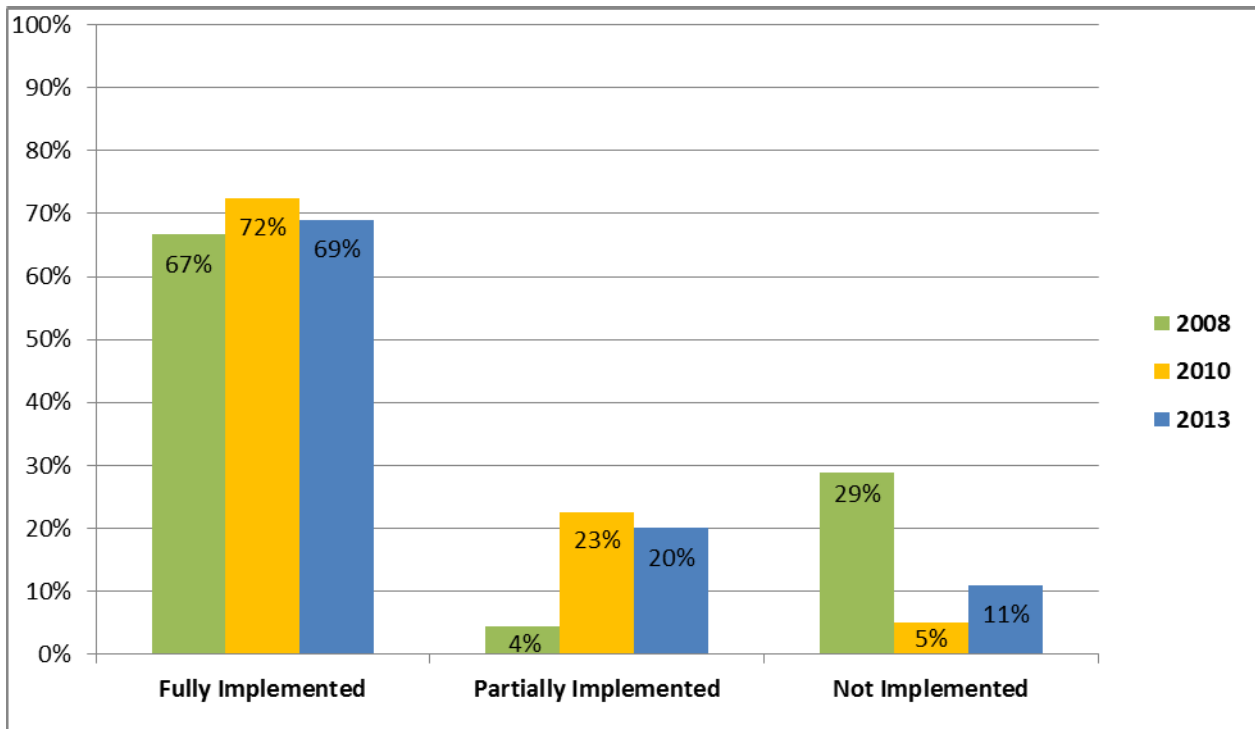
Overall, our audit disclosed that 69% of past recommendations tested were fully implemented and 20% were partially implemented and are still in the process of being addressed. Only four of the 35 recommendations tested were not acted upon but according to management will be completed shortly.

In addition to the above, twice a year we survey management on their progress completing past recommendations. According to management, 45 of the 57 recommendations we are tracking, which were due for implementation were completed. The remaining 12 recommendations were partially implemented. Details follow:

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
University College- FIU Online	12	12	0
Division of Student Affairs	10	9	1
Wolfsonian-FIU	10	5	5
Herbert Wertheim College of Medicine	9	8	1
Office of Enrollment Services/ Undergraduate Education/ Athletics Department	8	4	4
Athletics Department	2	2	0
University Libraries	2	1	1
School of Journalism and Mass Communication	2	2	0
Facilities Management Department	2	2	0
Totals	**57**	**45**	**12**
Percentage	**100%**	**79%**	**21%**

Updates for the 12 partially implemented recommendations as follow:

Division of Student Affairs – 1 partially implemented

Audit of the Student Health Services (May 2013)

Recommendation 1.3 – Follow-up with the Student Financial Services and develop a reconciliation process to ensure that medical fees charged on student accounts are collected.

Management's Action Plan to Complete: Meeting was held and issues discussed. Received and finalized details in the PantherSoft Report with Student Financials on October 1, 2013. Developed a reconciliation process utilizing the report on October 16, 2013. During testing phase several discrepancies in the data were identified and therefore we continue to work with Student Financials to reach a satisfactory resolution.

Original Target Date: July 2013   New Target Date: December 2013

Wolfsonian-FIU – 5 partially implemented

Audit of the Wolfsonian-FIU (April 2013)

1. Recommendation 9.3 –Human Resources to complete the background and fingerprint checks for those who have not had them and for any future employee hired who is responsible for handling cash or managing cash transactions.

   Management's Action Plan to Complete: Pre-employment requirement was added to all impacted positions. We continue to coordinate with Human Resources to schedule appointments to complete remainder of staff.

   Original Target Date: April 2013   New Target Date: December 2013

2. Recommendation 9.4 – In light of the security concerns over the permanent collection expressed in the report, consult with the Provost and Human Resources with a view towards performing more extensive criminal background checks, including fingerprinting, for all staff having access to the collection.

   Management's Action Plan to Complete: Pre-employment requirement was added to all impacted positions. We continue to coordinate with Human Resources to schedule appointments to complete remainder of staff.

   Original Target Date: May 2013   New Target Date: December 2013

3. Recommendation 10.8 – Conduct a business impact analysis for each affected department. The results of the analysis should be incorporated into the contingency plan.

   Management's Action Plan to Complete: The Wolfsonian-FIU is currently working through FIU's new Continuity of Operations Planning program to implement business impact analyses, in addition to revising its museum-specific disaster mitigation plan to align with the Continuity of Operations Plan.

   Original Target Date: April 2013   New Target Date: March 2014

4. Recommendation 10.9 – Perform formal contingency plan testing with key personnel. Test results should be formally reviewed and corrective actions taken to ensure the plan's ability to support the operations and protect its data in the event of a disaster.

   Management's Action Plan to Complete: Contingent on completion of Recommendation 10.8.

   Original Target Date: April 2013   New Target Date: April 2014

5. Recommendation 10.10 – The Wolfsonian-FIU should move forward as expeditiously as possible with its plan to upgrade/replace the security monitoring system.

   Management's Action Plan to Complete: The installation of a new security monitoring system at 1001 Washington Avenue will be completed by November 30, 2013. The relocation and installation of the camera and DVR equipment in the Annex will start January 2014 and be completed by March 31, 2014.

   Original Target Date: July 2013   New Target Date: March 2014

Herbert Wertheim College of Medicine (HWCOM) – 1 partially implemented

Audit of the HWCOM Information Systems Security Controls (October 2012)

   Recommendation No. 3.7 – Develop and implement a formal audit log review process.

   Management's Action Plan to Complete: Workstation audit review procedure and checklist includes user activity review. HWCOM IT will provide reporting on NeighborhoodHelp and Data Organization for Medical Education logs and distribute to application owners for periodic review of user access. There is a system in place that keeps track of user access to the identified applications and is periodically reviewed with their supervisor to ensure the access is the minimum necessary to perform their job duties.

   Original Target Date: December 2012   New Target Date: January 2014

Office of EnrollmentServices/Undergraduate Edcuation/Athletics – 4 partially implemented

Audit of the University's Compliance with The National Collegiate Athletic Association's (NCAA) Student-Athlete Eligibility Requirements (February 2013)

1. Recommendation 1.1 – Ensure that all forms submitted by student-athletes declaring their chosen major are input into the system before the third year of enrollment.

   Management's Action Plan to Complete: The system to automate the continuing eligibility certification process is nearing completion. Projections from project design team show this system as being tested during the spring of the 2013-14 academic year.

   Original Target Date: May 2013   New Target Date: August 2014

2. Recommendation 5.1 – Collaborate with the University's Admissions Office to verify that the University's special admission procedure is published in the course catalog issued each academic year or other official document.

Management's Action Plan to Complete: This will be a point of emphasis for the new Athletic Compliance Office Director and disclosed to candidates during the hiring process.

Original Target Date: June 2013   New Target Date: August 2014

3. Recommendation 7.1 – Ensure that advisors are not enrolling student-athletes into classes without consulting the student-athlete.

Management's Action Plan to Complete: This will be a point of emphasis for the new Student-Athlete Academic Center Director and disclosed to candidates during the hiring process.

Original Target Date: May 2013   New Target Date: August 2014

4. Recommendation 9.1 – Consider revising the Panther Degree Audit or developing a custom report to include the amount of electives available to student-athletes.

Management's Action Plan to Complete: The initial automated athletics page has been completed and is ready for trials during spring 2014.

Original Target Date: August 2013   New Target Date: August 2014

University Libraries –1 partially implemented

Audit of the University Libraries (September 2012)

Recommendation No. 1.1 – Use and periodically update the Library Collection Policy Statements.

Management's Action Plan to Complete: The collection development policy is in the final stage of completion and approval and is expected to be live on the library website by mid-December.

Original Target Date: March 2013   New Target Date: December 2013