



Office of Internal Audit Status Report

BOARD OF TRUSTEES

January 14, 2015



Date: January 14, 2015

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, 2014, we completed the following audits:

- 1. Report on Board of Governors Performance Based Funding Model - University Data Integrity Audit** - Pursuant to a request by the State University System of Florida - Board of Governors (BOG), we have completed an audit of the Data Integrity over the University's Performance Based Funding Metrics. The performance metrics reported by FIU resulted in a BOG 2014-15 allocation of over \$25 million in total performance funding.

We concluded that FIU's system of internal controls is functioning in a manner that can be relied upon to provide complete, accurate and relatively timely data to the BOG in support of the established performance based funding metrics. Accordingly, the audit provides an objective basis of support for the Board of Trustees Chair and the University President to sign the representations made in the *BOG Performance Based Funding - Data Integrity Certification*, which the BOG requested be filed with them by March 1, 2015.

- 2. Affiliation and Other Healthcare Related Agreements** - Our audit included a review of affiliation and other healthcare related agreements for the: 1) Herbert Wertheim College of Medicine; 2) Nicole Wertheim College of Nursing and Health Sciences; and 3) Robert Stempel College of Public Health and Social Work. Through the 1,244 agreements managed by the three colleges, students receive education, training, and clinical experience.

Overall, our audit disclosed that controls related to the execution and monitoring of agreements were satisfactory. However, there were areas where internal controls need strengthening, specifically with the contract renewal and payments, contract monitoring,

and documenting procedures. The audit resulted in six recommendations, which management agreed to implement.

- 3. Minor Construction Projects** – Total minor construction project expenditures for fiscal years 2012 and 2013 were \$31 million and \$24 million, respectively, with an additional \$12.7 million during the first 7 months of fiscal year 2014.

Construction costs billed by contractors and paid by the University for the minor construction contracts tested appear to be appropriate and properly supported and recorded. The majority of minor construction project funds are expended on projects over \$75,000. For those projects our audit disclosed that internal controls were mostly functioning as designed. However, the overwhelming majority of minor projects fall below \$75,000 and our audit testing revealed that they require significantly more attention by Project Managers and other staff in the Facilities Management Department. For those projects, the competitive procurement process, insurance monitoring and project management need improvement. Management agreed to implement our nine recommendations.

- 4. Southeast Environmental Research Center** – SERC is a Center within the College of Arts and Sciences, which conducts environmental research. Its operations are funded mainly through numerous sponsored research projects with current active awards exceeding \$38 million and related life-to-date expenditures of \$26 million. However, SERC also collects fees as a “Recharge Center” when providing research related support to other units of the University.

Overall, our audit disclosed that SERC established controls and procedures that were generally adequate and effective to ensure the proper administration of grants and recharge centers. Nevertheless, there were areas where internal controls need strengthening, particularly in the areas of: grant expenditure monitoring/reconciliation, avoiding unallowable costs on sponsored projects, recharge center rate calculations, credit card controls, travel authorization, and asset management. Management agreed to implement our twenty-one recommendations.

- 5. Jewish Museum of Florida-FIU** – The Museum located on Miami Beach has a collection of nearly 33,000 objects devoted to preserving and interpreting for the public the historical evidence of the Jewish experience in Florida from its inception to the present. Revenues consist mostly of endowment and other contributions, which provide for self-sustaining programs and operating costs.

The Museum is a relatively small operation with limited staff size. Since joining FIU in late 2012, FIU’s Foundation has done a very good job of integrating the Museum’s financial operations. Nevertheless, processes are somewhat informal and due to its size, opportunities for better segregation of duties are limited. We considered controls fair in light of the circumstances. Our recommendations focus on improvements that can be

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made to collection controls, the Museum store, expenditure controls, human resources, and cash controls, with a view towards minimizing the amount of additional cost to the University. Management agreed to implement our seventeen recommendations.

On October 24th I attended the FIU Foundation, Inc. Board of Directors Audit Subcommittee meeting and briefed them on the results of our audit.

Investigation

During the current period, we completed an investigation resulting from a complaint we received through the Get Lean Hotline. The complaint included a wide range of issues from improper use of funds to employee leave related matters. The allegations were found to be mostly unsubstantiated and to the extent necessary were resolved.

Work In Progress

Fieldwork has been completed and draft reports have been prepared for the following audits:

1. Camps and Programs Offered to Minors (University-Wide)
2. College of Architecture + The Arts

Fieldwork is planned or continues on the following audits:

1. University's IT Network Security Controls (Division of Information Technology)
2. Parking and Transportation Department (Division of Finance and Administration)
3. Nicole Wertheim College of Nursing and Health Sciences
4. FIU Football Attendance for the 2014 Season in Accordance with the National Collegiate Athletic Association (NCAA) Operating Bylaws (FIU Athletics)
5. Restricted Gift Agreements (University Advancement)

Results of Independent Validation of Quality Assessment Review

At our last Finance and Audit Committee meeting, I reported on a *Quality Self-Assessment* I performed of the Office of Internal Audit. Most recently I provided you with the subsequent report issued by an independent validator in December.

I am pleased to inform you that the independent validator concluded that FIU's internal audit department conforms to the International Standards for the Professional Practice of Internal Auditing.

Professional Development

Audit staff continues to fulfil mandatory professional development requirements. In October seven staff members attended a one-day conference provided by The Institute of Internal Auditors–Miami Chapter at FIU’s Kovens Conference Center. I attended the State University Audit Council meeting at the University of South Florida in Tampa, Florida during the month of October. In addition, in December the staff attended a one-day, in-house training seminar related to improving audit efficiency.

Semi-Annual Follow-Up Status:

Twice a year, we survey management on their progress towards completing past recommendations. According to management, 62 of the 85 recommendations due for implementation this quarter were satisfactorily completed. They are working to complete the remaining 23 recommendations.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
School of Computing and Information Sciences	16	14	2
The Patricia & Phillip Frost Museum	16	12	4
Environmental Health & Safety	11	7	4
Wolfsonian-FIU Museum	8	3	5
Herbert Wertheim College of Medicine	8	2	6
College of Business	6	6	
Division of Student Affairs	5	5	
Office of the Controller/ Purchasing Services	5	4	1
Office of Business Services	5	5	
Office of Enrollment Services/ Undergraduate Education/ Athletics Department	4	4	
Division of Research	1		1
Totals	85	62	23
Percentages	100%	73%	27%