



Office of Internal Audit Status Report

BOARD OF TRUSTEES

June 5, 2013



Date: June 5, 2013
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 March 6, 2013, we completed three audits:

- 1. FIU Online Program (University College)** – Enrollment in online courses has consistently increased for the last three academic years and represents 19% of total University wide enrollment for academic year 2012. During fiscal year 2012, FIU Online generated revenues from the distance learning fee totaling \$12.3 million. It expended \$7 million, transferred \$4.8 million to participating academic units and applied an additional \$5 million towards capital funds. We evaluated whether revenue and expenditure streams were properly accounted for and were applied towards their intended educational activities within established University policies and procedures, applicable laws, rules and regulations. We also evaluated related information technology controls to ensure that they were adequate and effective.

Our audit disclosed that the established financial controls and procedures for administering the distance learning fee need to be improved. There were particular weaknesses in compliance with policy and procedures related to distance learning fee related expenditures. The audit resulted in twenty-seven recommendations, which management agreed to implement.

- 2. The Wolfsonian-FIU Museum (Academic Affairs)** – The Museum currently oversees a collection of nearly 147,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. For the fiscal year ended June 30, 2012 the Museum generated \$2.8 million in revenue supplemented by an additional \$1.2 million in University support to cover operating costs of \$4 million. We reviewed the Museum's operations to determine whether the art collection was being properly maintained and safeguarded; payroll and other expenditures were appropriate; gift shop controls were adequate; and information technology risks were mitigated. This included all of the Museum's inventory records, revenue and expenditure accounts, as well as, FIU Foundation accounts.

Financial controls were generally adequate but the Museum operates a redundant financial system parallel to the one required by the University. Process controls and compliance with policy and procedures were also generally followed but with significant weaknesses in access and segregation of duties controls relating to the collection and corresponding record keeping. While our limited inventory tests did not disclose anything of significance missing, there was a lack of adequate routine inventory procedures, which would ensure that the collection is fully intact. Furthermore, the poor physical condition of the Annex building, where most of the collection is stored, poses a risk to the preservation of the collection. The Museum Shop, an auxiliary operation, has lost money in four of the last five years. There are also some opportunities to strengthen the IT controls, but otherwise IT risks were generally mitigated. The audit resulted in twenty-nine recommendations, which management agreed to implement.

- 3. Student Health Services (Student Affairs)** – The University provides affordable and accessible medical care and promotes healthy lifestyles through education, mentorship, and research activities for its students on both the Modesto Maidique and Biscayne Bay campuses. Student Health Services had a total of 31,810 patient visits in the fiscal year 2011-2012 and had over 17,000 visits as of December 31, 2012. During fiscal year 2012 approximately \$3.9 million in student health fees and approximately \$1 million in revenue were used for student health services and other related operations.

Overall, our audit disclosed that the Student Health Services' procedures relating to revenues and expenditures were adequate and appropriately aligned with the University policies and procedures, applicable laws, rules and regulations. However, there were areas where internal controls need strengthening, particularly in the areas of billing and collections, payroll administration, and pharmacy inventory. The audit resulted in ten recommendations, which management agreed to implement.

We are currently working on the following audits:

1. Controls over Salary Costs Charged to Grants (Division of Research)
2. University Police Campus Safety (Police Department)
3. Review of Management's Actions to Implement Prior Audit Recommendations
4. Healthcare Network Billing, Collections & E Medical Record Systems (HWCOR)
5. DPR Construction – Science Classroom Complex (Facilities)

Follow-up Status Report:

Twice a year we survey management on their progress completing past recommendations. According to management, 30 of the 43 recommendations due for implementation this quarter were completed. They are working to complete the remaining 13 recommendations.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
College of Medicine	14	8	6
Athletics Department	11	8	3
University Libraries	8	6	2
Division of IT	4	4	0
Facilities Management Department	2	0	2
Department of Emergency Management	2	2	0
Division of Research	1	1	0
College of Engineering & Computing	1	1	0
Total	43	30	13
Percentage	100%	70%	30%

The Division of IT also reportedly implemented the one remaining a recommendation made in a report issued by the State Auditor General. Updates for the partially implemented recommendations follow:

College of Medicine – 6 Partially Implemented

1. Audit of the Herbert Wertheim College of Medicine Information Systems Security Controls (October 2012)

Recommendation No. 1.13 – Update the Continuity of Operations Plan to include training, testing, hardware and software restore time requirements, alternate operational methods, vendor services, and back up requirements.

Management’s Action Plan to Complete: This will be performed as part of the Disaster Recovery implementation slated for completion June 2013.

Original Target Date: February 2013

New Target Date: June 2013

Recommendation No. 1.14 – Perform a business impact analysis for all critical business operations.

Management’s Action Plan to Complete: This will be performed as part of the Disaster Recovery implementation slated for completion June 2013.

Original Target Date: February 2013

New Target Date: June 2013

Recommendation No. 2.1 – Review and reorganize user groups and their related administrators based on logical access requirements.

Management's Action Plan to Complete: We are currently in transition to centralizing card access control within HWCOM Facilities operations. Key Bank (FMD) will continue to maintain ability to grant or deny access.

Original Target Date: December 2012

New Target Date: June 2013

Recommendation No. 2.3 – Provide Key Control with all acceptable use procedure forms.

Management's Action Plan to Complete: Our procedure will cross reference to FMD's website for Key Control which includes an online form at <http://facilities.fiu.edu/keyrequest.asp>. The procedure, currently under development, will call for HWCOM HR to provide a list of separated employees to facilities operations which will be purged from access.

Original Target Date: December 2012

New Target Date: June 2013

Recommendation No. 2.5 – Periodically review badge access reports to ensure access is appropriate.

Management's Action Plan to Complete: The software provides an audit report on who's received access to rooms. Procedure is under development for periodic reviews, record retention and actions taken on the review process.

Original Target Date: December 2012

New Target Date: June 2013

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

Management's Action Plan to Complete: Log reviews are performed; Checklists are developed; Documentations under development.

Original Target Date: December 2012

New Target Date: May 2013

Athletics Department – 3 Partially Implemented

1. Audit of the South Beach Wine and Food Festival (September 2012)

Recommendation No. 1.1 – Ratify a written agreement outlining the cohosts' respective duties and responsibilities.

Management's Action Plan to Complete: A facilities use agreement has been executed. A second agreement is being formulated to include broader duties and responsibilities.

Original Target Date: December 2012

New Target Date: September 2013

Recommendation No. 2.2 – To verify the completeness of reported ticket sales and related wire transfers, management should consider engaging an independent CPA firm or alternatively have the Office of Internal Audit perform an audit of IMG's books and records.

Management's Action Plan to Complete: An outside CPA firm has been engaged, audit beginning on April 29, 2013.

Original Target Date: December 2012

New Target Date: June 2013

Recommendation No. 5.1 – Develop an operations manual to document current policies and procedures.

Management's Action Plan to Complete: Management has not had the available Human Resources to fully implement.

Original Target Date: January 2013

New Target Date: March 2014

University Libraries – 2 Partially Implemented

1. Audit of the University Library (September 2012)

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

Management's Action Plan to Complete: Updated Policy is currently being drafted, with input to be processed from diverse stakeholders: Collection Management Advisory Committee; Library Liaisons; Faculty Senate Library Committee; Administrative Team.

Original Target Date: March 2013

New Target Date: July 2013

Recommendation No. 2.1 – Activate ALEPH fee assessment and privilege blocks for all patrons.

Management's Action Plan to Complete: All fee assessments and privilege blocks are in place for student accounts. Students lose library privileges (their card no longer functions for book/video/equipment loans) until they have returned the lost item or paid their lost item. Student Financials blocks the student from registering or obtaining a transcript if they have an outstanding balance of \$100 or more, including late fees. The Aleph system also always blocks online renewals once a late fee has accrued, forcing students to pay the fine and come to the library in person.

In addition, after acceptance at the April DAC (Dean's Advisory Council) meeting, the late and lost book fees and patron blocks will now be applied universally to include faculty, starting August 15th, 2013.

Original Target Date: On-going

New Target Date: August 2013

Facilities Management Department – 2 Partially Implemented

1. Audit of the Construction Costs - Parking Garage Five (April 2012)

Recommendation No. 1.1 – Prior to closeout and releasing retainage, the Facilities Management Department should take necessary steps to recover or otherwise resolve the potential overcharges and unsupported costs with Turner Construction Company.

Management's Action Plan to Complete: Final WASD coordination permitting was completed, approved & implemented on February 2013. Turner Construction is actively closing out the construction portion of the project that was dependent on final WASD process. We do not anticipate any problems resolving the observations made in the report.

Original Target Date: December 2012

New Target Date: May 2013

2. Audit of the Repairs and Maintenance and Warehouse Operations (April 2012)

Recommendation 1.1 – Work with Purchasing Services to competitively select one or more vendors for projects exceeding \$75,000.

Management's Action Plan to Complete: An RFP was issued October 19, 2012 but was cancelled due to an inadequate response. A second RFP was revised & re-issued March 12, 2013. We are optimistic that the second RFP will generate a better response from the market.

Original Target Date: April 2013

New Target Date: May 2013