



Office of Internal Audit Status Report

BOARD OF TRUSTEES

June 6, 2012



Date: June 6, 2012
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. Our last update to you was on March 14, 2012.

We completed the following three audits:

- 1. Construction Costs – Parking Garage Five, Retail and Public Safety Building (PG-5) (Facilities Management)** – We audited the costs submitted by Turner Construction Company (Turner) serving as the Construction Manager. As of September 30, 2011, the total guaranteed maximum price for this project was \$45 million. Turner's construction costs totaled \$43.8 million. The primary objective of the audit was to determine whether total project costs were appropriately funded and costs billed by Turner were accurate, current, complete, and in accordance with the contract.

We concluded that each funding source used to pay for the project was properly authorized, accounted for and used in accordance with the various funding requirements. However, prior to final closeout questionable costs totaling \$462,661 need to be resolved. Management (and Turner) agreed to resolve all potential overcharges during the project closeout including appropriate deductions/credits.

- 2. Repairs and Maintenance and Warehouse Operations (Facilities Management)** – For fiscal year 2010-2011 approximately \$8.2 million was paid to outside vendors for repairs and maintenance and for supplies, parts, and equipment.

Overall, our audit disclosed that Facilities Operations' established controls and procedures were mostly adequate. Nevertheless, we identified weaknesses in internal controls over contractor/vendor selection, contract administration, and warehouse management. The audit resulted in sixteen recommendations, including two to the Controller's Office, which management agreed to implement.

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- 3. Student Technology Fee (University Technology Services)** – The Technology Fee, set at 5% of per credit hour tuition, has generated over \$19 million since its inception in the fall of 2009-2010. The revenue from this fee is used to enhance instructional technology resources for students and faculty. The primary objective of the audit was to assure the effective and efficient acquisition of approved goods and services within established University policies and procedures, applicable laws, rules and regulations and Technology Fee guiding principles.

Overall, our audit disclosed that there were areas where controls need to be strengthened particularly as they relate to documenting the alignment of approved proposals and related expenditures to the program's guiding principles. The audit resulted in three recommendations, which management agreed to implement.

Audit Work In Progress

We are completing fieldwork for the following audits:

1. South Beach Wine & Food Festival (Chaplin School of Hospitality and Tourism Management)
2. Children's Creative Learning Center (Student Affairs)

Listed in the order initiated, fieldwork for the following audits are ongoing:

1. Healthcare Network's Information Systems Security Controls (Herbert Wertheim College of Medicine)
2. Follow-up Audit of the University Credit Card Solutions Program (Controller's Office)
3. Contracts & Grants (Herbert Wertheim College of Medicine)
4. University Library System (Academic Affairs)

INVESTIGATIONS

There are no current active investigations. However, during this period we completed two investigations, one based on allegations of financial impropriety lodged against an administrator at the College of Business Administration and another, forwarded to us by the Division of Research, concerning questionable procurement card transactions allegedly made by an administrative staff member at their International Hurricane Research Center. Both investigations resulted in minor financial losses. The subject(s) of the investigations are no longer employed by the University.

Follow-up Status Report

Management reported fully implementing 48 of the 65 recommendations due this quarter and they are working to complete the remaining 17 recommendations (Attachment I). The three recommendations due for implementation from the Auditor General's report(s) were all implemented (Attachment II).

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
FOLLOW-UP STATUS REPORT
INTERNAL AUDIT
AS OF APRIL 2012**

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
General Counsel/ Division of Research	1	1	
Office of the Controller	5	4	1
Division of IT	4	1	3
Department of Emergency Management	3	1	2
Division of Research	2	2	
College of Medicine	4	1	3
Human Resources	2	2	
Division of Research/ Division of IT	6	6	
Office of Parking & Transportation	14	12	2
Facilities Management Department	1	1	
Office of Business Services	14	10	4
FIU Foundation	1	1	
College of Engineering & Computing Grants	3	3	
School of Hospitality & Tourism Management's Marriot Tianjin Program	5	3	2
Total	65	48	17
Percentage	100%	74%	26%

Details for Partially Implemented Column:

Office of the Controller – 1 Partially Implemented:

1. Audit of Controls Over University Cash & Investment Accounts (December 2011)

Recommendation No. 2.1 – Insufficient Employee Background Checks: Work with Human Resources to ensure that criminal background checks, including fingerprinting are conducted for all sensitive positions.

Management's Action Plan to Complete:

Meetings were held to discuss industry best practices for criminal background checks for employees handling cash, debit and credit card transactions or with authority over investment accounts and such. A decision was made to implement best practices for Level II and Credit checks for all employees working within the Office of the Controller and others with responsibilities similar to those previously mentioned. The Division of Human Resources is working closely with the Office of the Controller to identify those employees and ensure that all missing checks are facilitated and completed.

Original Target Date: January 31, 2012

New Target Date: May 31, 2012

Division of Information Technology – 3 Partially Implemented:

1. Audit of the Information Systems Continuity Plan (July 2010)

Recommendation No. 2.1 – Perform Business Impact Analysis: In consultation with the Office of Emergency Management, routinely perform a Business Impact Analysis and update the Disaster Recovery Plan accordingly.

Management's Action Plan to Complete:

Business Impact Analysis (BIA) draft currently being reviewed by CIO and Division of IT Management Team.

Original Target Date: December 31, 2010

New Target Date: December 31, 2012

Recommendation No. 4.3 – Incorporate IT Continuity & DRP in Training: Include IT Continuity and Disaster Recovery Planning as part of the yearly IT Security awareness training.

Management's Action Plan to Complete:

Training is still in development.

Original Target Date: December 31, 2010

New Target Date: December 31, 2012

2. Audit of University Implementation of Prior Years' Recommendations (October 2010)

Recommendation No. 2.1 – Intrusion Prevention: UTS should implement a Web Application Firewall to protect the PeopleSoft web application interface from prominent web based attacks.

Management's Action Plan to Complete:

Installation in progress

Original Target Date: February 28, 2011

New Target Date: May 28, 2012

Department of Emergency Management – 2 Partially Implemented:

1. Audit of the Information Systems Continuity Plan (July 2010)

Recommendation No. 1.1 – Develop Continuity Framework: Consult with the Division of IT and develop a comprehensive, all-inclusive IT continuity framework.

Management's Action Plan to Complete:

IT has implemented major projects that have been in the works and can now focus on completing the continuity framework. DEM will assist with reviewing parts of it.

Original Target Date: December 31, 2010

New Target Date: December 31, 2012

Recommendation No. 1.2 – Implement Continuity Framework: Ensure that all campus units implement the IT continuity framework.

Management's Action Plan to Complete:

IT has implemented major projects that have been in the works and can now focus on completing the continuity framework. DEM will work with all areas to ensure compliance with implementing the IT business continuity framework among campus units.

Original Target Date: January 31, 2011

New Target Date: December 31, 2012

College of Medicine – 3 Partially Implemented:

1. Audit of the Herbert Wertheim College of Medicine (September 2010)

Recommendation No. 7.1 – Asset Management Property Accounting: Work with Asset Management to follow-up on all unaccounted for property items and adjust incorrect location of property items in University property records.

Management's Action Plan to Complete:

List of location of assets have been emailed to Property Control for any of the list items that have not been located.

Original Target Date: December 31, 2010

New Target Date: June 30, 2012

Recommendation No. 7.2 – Asset Management Property Accounting: Re-tag those property items where FIU tag is missing or removed.

Management's Action Plan to Complete:

SharePoint Site has been constructed to keep track of items \$5K and over. Will use this site to notify property control of receipt of property. Currently testing use of the site between College of Medicine IT and Property Control.

Original Target Date: December 31, 2010

New Target Date: June 30, 2012

Recommendation No. 7.5 – Asset Management Property Accounting: Strengthen its procedures to ensure that the IT property records are complete and accurate.

Management's Action Plan to Complete:

Sharepoint has been constructed – All assets for COM have been uploaded. Now IT and Procurement will set together to review which items will be considered attractive items for tracking.

Original Target Date: December 31, 2010

New Target Date: June 30, 2012

Office of Parking & Transportation – 2 Partially Implemented:

1. Audit of the Parking and Transportation Department's Revenue (April 2011)

Recommendation No. 1.4 – Take necessary steps to collect monies owed due to incorrect parking rate and/or employee classification errors.

Management's Action Plan to Complete:

If the employee goes on a leave of absence, resigns, or is terminated, Human Resources sends a terminated employee's report to the Administrative Assistant. The complete balance due for a decal, duplicate decal and/or unpaid citations will be deducted from the final funds due to the employee. If the final salary and accrued leave, if any, are not sufficient to satisfy the amount owed, any outstanding balance will remain in the T2 system and sent to a collection agency for further collection efforts.

Original Target Date: January 2012

New Target Date: June 30, 2012

Recommendation No. 5.2 – Evaluate *T2 Flex* parking management system capabilities and address various control issues.

Management's Action Plan to Complete:

Parking and Transportation met with a consultant from T2 to examine current practices, streamline processes, make recommendations on missing functionalities and improve controls. The final consultant's report will address the findings noted in the audit and Parking and Transportation will ensure its implementation.

Original Target Date: December 2011

New Target Date: June 30, 2012

PantherCARD Business Services – 4 Partially Implemented:

1. Audit of the PantherCARD Financial, Operational, and Information Systems Controls (August 2011)

Recommendation No. 5.1 – Identify student cardholders that have graduated from the University or formally withdrawn, or employees who have separated from the University and obtain guidance from the General Counsel's Office on determining which funds, if any, need to be declared unclaimed for State remittance purposes.

Management's Action Plan to Complete:

Accounts belonging to currently enrolled students at FIU will not be classified as dormant until after their graduation or other separation from FIU. FIU One Card Accounts will be reviewed and classified as dormant, if applicable, within 30 days of the last day of each semester. Through consultations with the CFO, Controllers Office and OGC, detailed procedures regarding student notification of their outstanding account balances and unclaimed funds were drafted and the FIU One Card terms and conditions were updated. Both will be remitted for final approval from OGC and CFO prior to publication and dissemination to the University Community.

Original Target Date: September 2011

New Target Date: June 29, 2012

Recommendation No. 5.2 – Review current practices and consider implementing procedures to ensure that future student cardholders receive immediate refunds upon graduation or formal withdrawal from the University.

Management's Action Plan to Complete:

Through consultations with the CFO, Controllers Office and OGC, procedures regarding refunds were drafted and the FIU One Card terms and conditions were updated. (see response to 5.1 for details).

Original Target Date: September 2011

New Target Date: June 29, 2012

Recommendation No. 9.1 – Enter into formalized agreements with vendors accepting PantherCARDS to address each party's duties and responsibilities and conflict resolution processes.

Management's Action Plan to Complete:

Addenda to agreements with vendors have drafted, finalized and approved by OGC. These addenda are pending execution by individual vendors and countersignature by the CFO.

Original Target Date: April 2012

New Target Date: June 29, 2012

Recommendation No. 17.1 – Work with the Office of Emergency Management and the Division of IT to develop, maintain and test a comprehensive, all-inclusive IT continuity framework for the PantherCARD system.

Management's Action Plan to Complete:

The Office of Business Services has integrated the FIU One Card Office into its emergency management plan. The IT Continuity Framework is still under development in conjunction with OEM and DoIT. Research regarding feasibility of testing framework is also underway.

Original Target Date: April 2012

New Target Date: June 29, 2012

School of Hospitality & Tourism Management's Marriot Tianjin Program – 2 Partially Implemented:

1. Audit of the School of Hospitality & Tourism Management's Marriot Tianjin Program (February 2012)

Recommendation No. 1.1 – Ensure that all program revenues and costs are fully accounted for in its China Program auxiliary account.

Management's Action Plan to Complete:

This is scheduled to be completed by May 15th it is pending implementation following processing in Controller's office.

Original Target Date: March 2012

New Target Date: May 31, 2012

Recommendation No. 5.3 – Prepare an MOU whenever changes in business arrangements are made, e.g., payment for fringe benefits and transfer fees that were previously handled extemporaneously.

Management's Action Plan to Complete:

Anything new will handled with an MOU, all previous arrangements will be added to new agreement with TUC this fall.

Original Target Date: March 2012

New Target Date: August 31, 2012

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
FOLLOW-UP STATUS REPORT
STATE AUDITOR GENERAL – OPERATIONAL AUDIT
AS OF APRIL 2012**

Areas Audited	Total Due for Implementation	Implemented
Office of Parking & Transportation	2	2
Office of the Controller	1	1
Division of IT	0	0
Human Resources	0	0
Total	3	3
Percentage	100%	100%