



# **Office of Internal Audit Status Report**

**BOARD OF TRUSTEES**

**August 17, 2011**



FLORIDA  
INTERNATIONAL  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

**Date:** August 17, 2011  
**To:** Board of Trustees and Finance and Audit Committee  
**From:** Allen Vann, Audit Director  
**Subject:** OFFICE OF INTERNAL AUDIT STATUS REPORT

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I am pleased to provide an update on the status of our office's work activities. Our last update to you was on June 20, 2011.

## AUDITS

**PantherCard Financial, Operational and Information Systems Controls** – The PantherCARD is a computerized identification card system that uses photo imaging technology and an encoded magnetic strip that allows cardholders to open a debit account, for use at various on campus vendors to purchase food, books, and other goods and services. The card is also used for access into buildings and admittance to FIU football games. As of December 31, 2010, there were over 184,000 accounts consisting of almost \$2.3 million. PantherCARD processed \$4.5 million in deposits, net of refunds, and paid out \$4.2 million to vendors during the audit period. On April 15, 2011, the University announced the FIU One Card program, which would replace the PantherCARD and offers a variety of benefits to students, faculty and staff. The One Card will continue to offer an FIU debit account for internal campus usage, as well as the option to link the card to a Wells Fargo checking account.

Overall, our review of PantherCARD's financial controls disclosed some areas of concern, including the accounting for transactions, procedures allowing for the immediate availability of funds to cardholders without first securing the funds, procedures for dormant accounts, and excessive access to sensitive student banking data.

We focused our audit of Operational Controls on card stock physical security and inventory, card lifecycle, from creation to deactivation, and the cards use for building access. With the exception of card lifecycle processes, the operational controls over PantherCARDS identified areas in need of improvement, particularly in the use of temporary PantherCARDS; the need for electronic backup of inventory logs; and the accessibility to the Inventory Log File. With regard to the use of the PantherCARDS to control access to certain buildings, floors, and rooms during and after working hours, controls are in place that assure identification of actual card use for that purpose. However, how card access is assigned and later withdrawn, which is critically important, needs improvement.

We focused our information systems audit on account management, identity management, access privileges, workstation security, continuous service, and network security. It is not evident that user accounts were being properly managed. Unnecessary application privileges were granted to individual and vendor accounts, which resulted in providing greater privileges than needed for the individuals to perform their related job functions. We also found deficiencies in workstation security, which could potentially allow the installation of malicious software thereby increasing the risk of data loss or network disruption. To its credit, the Network Management Services department provides adequate network security.

The audit resulted in forty-nine recommendations. Management agreed to implement all of our recommendations.

**Disbursement Controls Over FIU Foundation Cash and Investment Accounts** – The primary objective of our audit was to determine whether the approval process and related controls over the handling of the Foundation's Cash and Investment Accounts were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the FIU Foundation Board of Directors.

Overall, our audit disclosed that the Foundation's disbursement approval process and related controls were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the Foundation Board of Directors. There were a number of areas where controls and procedures need to be aligned with the Foundation's Board policies and directions.

The audit resulted in five recommendations, which management agreed to implement.

**Fuel Inventory Controls** – Parking and Transportation provides oversight and maintenance for approximately 440 University owned vehicles and other mobile equipment that require fuel. It is also responsible for the related procurement, storage and distribution of fuel. Approximately \$300,000 in various types of fuel are purchased annually not including relatively static fuel inventories maintained by other operating units used mainly for backup generators.

We found significant weaknesses in the internal controls over fuel inventory monitoring and distribution resulting in a large amount of missing and/or unaccounted for fuel. Significant improvements need to be made in recordkeeping, fuel distribution procedures and other operational aspects of managing vehicle fueling.

The audit resulted in thirteen recommendations. Management agreed to implement all of our recommendations.

## Work In Progress

Audits	Status
Grants (College of Engineering and Computing)	Draft Report Issued
Cash and Investment Controls (University)	Fieldwork in Progress
Marriott Tianjin China Program (Hospitality and Tourism Management)	Fieldwork in Progress
Repairs & Maintenance (Facilities Management)	Fieldwork in Progress
Student Technology Fee	Fieldwork in Progress
Construction Costs (Facilities Management)	Fieldwork in Progress

## OTHER ACTIVITIES

We are actively consulting and/or assisting Management on several of their initiatives:

1. Grant Proposal - I recently assisted the Office of Sponsored Research Administration in their preparation of an NIH application for a \$25 million grant. We provided the required certification of certain University financial data, which will be included as part of the grant application.
2. PeopleSoft HR Implementation Project - The University is transitioning its entire payroll, time and attendance, and HR system from ADP to an in-house PeopleSoft solution. The project is scheduled to "go live" January 1, 2012. I will serve on the Steering Committee as an advisory non-voting participant.

At our last meeting the Finance and Audit Committee approved a post implementation audit of the new payroll system. We will initiate the survey phase of this audit early and will perform additional agreed upon procedures as may be deemed necessary in order to ensure the effectiveness of system testing, validation methodology, risk management and internal controls are in place during the current project production phase.

3. Chart of Accounts Redesign - This project will entirely update the University's financial account structure. I continue to serve on the Steering Committee as an advisory non-voting participant.
4. Finance Managers - On June 29<sup>th</sup>, 2011, I provided the University's Finance Managers with an overview of the audit process and on our office's approved audit plan for FY 2012.