



# **Office of Internal Audit Status Report**

**BOARD OF TRUSTEES**

**November 29, 2012**



**Date:** November 29, 2012  
**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 you with the quarterly update on the status of our office's work activities. Our last update to you was on September 5, 2012.

### **Completed Audits**

We completed the following five audits:

- 1. South Beach Wine & Food Festival** – This was the first audit of the event since its inception in 1997. The annual four-day event co-hosted by Southern Wine & Spirits of America and FIU has, over the years, raised substantial sums of money for the Chaplin School of Hospitality and Tourism Management. Festival gross revenues for 2011 were over \$8 million and during the year almost \$2.8 million benefited the University.

Opportunities for improvements in financial, administrative, and compliance controls were evident. Governance over the festival needs to be improved as there has been no written agreement between the parties. Revenues controls were inadequate as there was no oversight over ticket and gate controls, which are entirely outsourced. Working with management, Marcum LLP (the CPA firm we use for our Foundations' audits) has been retained to audit the responsible vendor. There was also a lack of adherence to University policies and procedures as it related payroll and travel. The audit resulted in twenty-one recommendations, which management agreed to implement.

- 2. University Libraries (Academic Affairs)** – This was the first time the University's Library system has been audited. The Library collections comprise over 1.7 million volumes, access to over 27,000 serials titles and an increasing variety of multimedia resources including DVDs, videotapes, audio books and digital collections representing a variety of subjects. The Libraries' annual operating budget was approximately \$13.8 million funded mainly by the Educational & General (E&G) fund.

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The Libraries' controls and procedures are adequate to ensure that library resources is properly safeguarded; revenue collections are properly accounted for; and funds were spent pursuant to University policies and procedures, applicable laws, rules and regulation. Areas where we found there are opportunities for improvement include: collection management, circulation management, financial reporting, utilization of the library management system, and workstation security. The audit resulted in thirteen recommendations, which management agreed to implement.

- 3. College of Medicine Information Systems Security Controls** – The objectives of this audit were to determine whether established internal security controls and procedures over protected data are: (a) adequate and effective; (b) being adhered to; and (c) in accordance with University policies, procedures, applicable laws, rules and regulations.

As would be expected with a newly established college, and its respective IT Department, most of the processes we tested during the audit period were neither formal nor well documented. Overall, information technology controls need improvement to reduce the risk of data breaches and increase the confidentiality, integrity, and availability of its sensitive data. A total of 25 of 42 control activities tested needed improvement to ensure that they achieve their objectives. The audit resulted in thirty-four recommendations. Management indicated that they already implemented the majority of our recommendations and they are actively working on implementing the remainder.

- 4. College of Medicine Contracts & Grants** – We evaluated the College's internal controls and operating procedures over the administration of its sponsored research projects. Over \$5 million in grants were received by the College during FY 2011, representing a 27% increase from the previous fiscal year. Our audit disclosed that the College had good controls and procedures and followed sound grants management practices for the administration of their sponsored research projects.

- 5. Follow-up Audit of the University Credit Card Solutions Program (Controller's Office)** – We conducted a follow-up audit of *Procard/Credit Card Solutions Program; Better Controls & Administrative Practices Needed*, Report No. 09/10-04 dated April 21, 2010. The program initially developed in 1999 to enable faculty and staff to efficiently make small dollar purchases, has intrinsic risks, which we previously reported on. During FY 2012 expenditures processed using credit cards increased by 46% to \$27 million.

Overall, our follow-up disclosed that the Controller's Office has made a significant improvement in monitoring and establishing controls over the program. From January 2010 to June 2012 management's concerted effort to decrease the number of credit cards succeeded in a 42% reduction to the 865 credit cards. Additionally, credit card transactions are continually monitored; cardholders and approvers are regularly trained; and program compliance reviews and desk audits are performed. Nevertheless, due to the decentralized nature of the program and inherent difficulties administering the program, some recurrent but relatively minor deficiencies were observed. The audit resulted in no new recommendations.

### **Audit Work In Progress**

We are working on the following audits:

1. NCAA Eligibility Compliance (Athletics)
2. FIU Online Program-University College
3. Wolfsonian Museum
4. Healthcare Network's Information Systems Security Controls (HWCOM)
5. School of Journalism & Mass Communications
6. Controls over Salary Costs Charged to Grants

### **Investigations**

During this reporting period we received four referrals. One referral was from the Governor's Chief Inspector General and another from the Board of Governors' Inspector General. We were also asked by one of our colleges to look into an area of concern and there was a referral from Human Resources. Based on preliminary evaluations, two of the referrals did not merit further attention. However, we are actively investigating the other two referrals.

### **Consulting Services**

1. HWCOM User Access Committee/Electronic Health Records: At HWCOM request we have participated in an advisory capacity with their project team established to transition from paper-based patient health records to an Electronic Health Records system. During seven meetings, we have advised the Committee on documenting the Clinical Data Process Flow as it relates to the vendor/GE's Centricity application and provided information on Identity Access Management Core Controls including Access Control Policy objectives, Access Control Procedures, the use of audit trails, least privileged user access, and Segregation of Duties.
2. Oracle Access Control Governor Application: We were invited by the Controller's Office to participate in their project to introduce advanced monitoring controls into the current PantherSoft Financials accounting system. This will result in an automated system to evaluate the adequacy of segregation of duties controls and identify instances of assignments of incompatible duties.

### **Other Matters**

1. We are pleased to announce the successful recruitment of an Audit Manager for Health Sciences. Joining us is Ms. Trae S. Rae who has five years of experience in the private sector as a health care internal auditor, one year as an EDP auditor for a bank and three years as an auditor for FDOT in Tallahassee.
2. Members of the internal audit staff attended the annual conferences of the:
  - a. Association for College and University Auditors, and
  - b. Association of Healthcare Internal Auditors

**Follow-up Status Report**

Management reported fully implementing 30 of the 33 recommendations due this quarter and they are working to complete the remaining 3 recommendations.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
College of Medicine	3	3	
Division of IT	3	3	
Office of Parking & Transportation	2	2	
Office of Business Services	4	4	
College of Engineering & Computing	6	5	1
Division of Research	2	1	1
Office of the Controller	3	3	
School of Hospitality & Tourism Management	2	2	
Facilities Management Department	8	7	1
<b>Total</b>	<b>33</b>	<b>30</b>	<b>3</b>
<b>Percentage</b>	100%	91%	9%

**Details for Partially Implemented Columns:**

**College of Engineering & Computing –1 Partially Implemented:**

**Audit of Contracts & Grants – College of Engineering & Computing (October 2011)**

**Recommendation No. 6.1** – Reconcile project ledgers at least monthly.

**Management’s Action Plan to Complete:**

The new Assistant Director has taken steps to address this issue.

Original Target Date: July 2012

New Target Date: January 2013

**Division of Research –1 Partially Implemented:**

**Audit of Contracts & Grants – College of Engineering & Computing (October 2011)**

**Recommendation No. 2.7** – Work with Academic Affairs to include all sponsored activities expected to be performed by Principal Investigators and researchers on their appointments/assignments. Adjustments should be made if necessary.

**Management's Action Plan to Complete:**

A commitment data base was created but we were unable to deliver training to all users on the reporting capabilities to manage research appointments.

Original Target Date: July 2012

New Target Date: February 2013

**Facilities Management Department –1 Partially Implemented:**

**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 close out is pending. The critical hurdle at this point is resolution of coordination with WASD. We do not anticipate any problems in final resolution of the issues identified in the audit report.

Original Target Date: On-going

New Target Date: December 2012