



# Office of Internal Audit Status Report

**BOARD OF TRUSTEES**

**June 19, 2019**



FLORIDA  
INTERNATIONAL  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

**Date:** June 19, 2019  
**To:** Board of Trustees Audit and Compliance Committee Members  
**From:** Trevor L. Williams, Chief Audit Executive  
**Subject:** OFFICE OF INTERNAL AUDIT STATUS REPORT

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I am pleased to provide you with our quarterly update on the status of our office's activities. Since our last update to the Board of Trustees Audit and Compliance Committee on March 4, 2019, the following projects were completed:

**Internal Control and Data Security Audit over Personal Data Pursuant to Florida Department of Highway Safety and Motor Vehicles Contract Number HSMV-0512-18**

We performed an audit of the Department of Parking, Sustainability & Transportation's ("Parking") internal controls and data security governing the use and dissemination of personal data pursuant to the requirements of the Florida Department of Highway Safety and Motor Vehicles (DHSMV) Contract Number HSMV-0512-18 ("MOU"). Through the agreement, Parking is permitted electronic access to driver license and motor vehicle data to be used to verify vehicle registration and ownership information for the purpose of issuing University parking permits and collecting fines related to citations.

Although we have completed past audits related to FIU's access to the DHSMV's driver license and motor vehicle data to complete that agency's required attestation, this is our initial audit based on an expanded scope, which included a cybersecurity component, as required by the MOU. The objectives of the audit were to determine whether the Department has policies and procedures in place to prevent unauthorized access, distribution, use, modification, or disclosure of the personal data that is provided/received pursuant to the MOU and whether a Risk Management IT Security Professional has approved those data security policies and procedures.

The audit concluded that, in all material respects, the internal controls and data security governing the Department's use and dissemination of personal data pursuant to the MOU and applicable laws, which if operating effectively, were those necessary to provide reasonable assurance that personal data is protected from unauthorized access, distribution, use, modification, or disclosure. Our audit also confirmed that a Risk Management IT Security Professional has approved the Department's data security policies and procedures,

and verified that management has corrected the deficiencies found during the audit and has implemented measures to prevent recurrence.

### **Procurement Process at the Chaplin School of Hospitality and Tourism Management**

On September 27, 2018, the Office of Internal Audit completed an investigation of suspicious financial transactions occurring at the Chaplin School of Hospitality and Tourism Management (“the School”) involving the former Lab Manager’s use of a blanket purchase order issued for laundry services. Our investigation concluded that segregation of duties related to the specific blanket purchase order was lacking and that the University paid \$4,136 in unallowable expenses accruing to the personal benefit of the former Lab Manager. In light of the findings, and at the request of the School’s Interim Dean, we conducted an audit of the School’s procurement processes and practices for the period of July 2016 to January 2019. The audit principally focused on determining if the School had controls in place to prevent or detect errors or irregularities and their operating effectiveness.

Our audit found some aspects of the procurement process at the School, specifically its use of unencumbered and smart billing payments and supplier selection, to be operating effectively and compliant with established University policies and procedures. However, the audit also identified opportunities to improve internal controls particularly pertaining to: the segregation of incompatible duties performed when executing purchase orders for the procurement of goods or services; the lack of independent verification of purchases; and the inappropriate use of funds. Additionally, greater operational and budgetary efficiencies could be achieved through fuller utilization of donated products.

### **College of Business**

Florida International University College of Business is fully accredited by the Association to Advance Collegiate Schools of Business (AACSB) and hosts the Chapman Graduate School of Business (“the School”). The School, with total enrollment of 2,556 for the 2017-2018 academic year, brings together all of the graduate and executive education programs the College offers. It consists of multiple MBA programs, specialized master’s degree, and PhD programs, which are continuing education programs classified as either market rate, self-support, or tuition-plus graduate programs. The operations of these programs are accounted for in the Auxiliary Fund.

The primary objectives of the audit were to determine if the established controls and procedures were: (a) adequate and effective; (b) being adhered to; and (c) in accordance with established University policies and procedures, and applicable laws, rules, and regulations. The audit focused on transactions during the period July 1, 2017, through September 30, 2018, and the School’s current practices through January 2019. Overall, our audit concluded that the School’s financial controls included within the prior audit of the College have improved and those unique to the School were adequate. Revenues were properly accounted for and managed in accordance with established policies and procedures. Nevertheless,

opportunities for improvement exist in the following areas: (1) fund balance accumulation; (2) payroll overload expenditures; (3) controls over expenditures; (4) attractive property; and (5) control environment.

**Patricia and Phillip Frost Art Museum**

Located on the Modesto A. Maidique Campus of Florida International University, The Patricia & Phillip Frost Art Museum (“Museum”) is a 46,000-square-foot facility. The Museum is an independent unit under the direct authority of the Provost. Its mission is to provide transformative experiences through art; collect, exhibit, and interpret art across cultures; and advance FIU’s stature as a top tier research university.

The audit covered the Museum’s operations during the period July 1, 2017, through February 28, 2019, and focused on whether procedures and practices for the recordkeeping, safeguarding, and maintaining of the Museum’s collection/inventory are adequate; payroll and other expenditures are appropriate and adhere to University policies and procedures, and applicable laws, rules, and regulations; and applicable information technology risks are mitigated. Based on our audit, we noted improvement in controls over the Museum’s Collection records from our previous audit. However, opportunities for improvement exist over operational and expenditure controls related to the Collection’s safeguarding, payroll and personnel administration, expenditures, and deaccessioning of assets. We also identified areas related to information technology that need attention, particularly identifying and mitigating risk, disabling local generically named administrator accounts, and removing inactive firewall rules that are no longer needed.

**Sub-recipient Monitoring (Division of Research)**

We reviewed sub-recipients’ annual financial report submissions pursuant to the Federal and the State of Florida’s respective single audit acts. The purpose of these reviews is to ensure that sub-recipients are compliant with the financial reporting requirements under the respective acts, that their reports reflect that they are fiscally responsible and are free of, or have adequately addressed significant or material findings reported by their independent auditors. We completed reviews of four institutions who are sub-recipients under FIU grants:

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| American University of Beirut and Subsidiary |
| McGuire Research Institute, Inc.             |
| Nevada System of Higher Education            |
| Public Health Research Institute of India    |

**Work in Progress**

The following ongoing audits are in various stages of completion:

| <i>Audits</i>  | <i>Status</i>         |
|--|-----------------------|
| Nicole Wertheim College of Nursing and Health Sciences   | Fieldwork in Progress |
| Student Activity and Service Fee   | Fieldwork in Progress |
| Facilities Management Data Systems Controls  | Fieldwork in Progress |
| Internal Control Review over Personal Data Pursuant to Florida Department of Highway Safety and Motor Vehicles Contract Number HSMV-0910-16 (Enrollment Processing Services) | Fieldwork in Progress |
| Treasury Management  | Fieldwork in Progress |
| Accounts Receivable  | Planning              |

**Other Matters**

Mrs. Vivian Gonzalez, who has been a professional staff member with the Office of Internal Audit for approximately nine years was selected to fill the Assistant Audit Director position vacated by the retirement of Mr. Pyong Cho. The selection was through an open competitive process involving 24 applicants from within and outside of the University. Through a similar open competitive process, we have selected Ms. Joan Lieuw to fill the vacated Coordinator of Administrative Service position in the Office of Internal Audit. Ms. Lieuw comes to us directly from the University of Miami. Regrettably, Mrs. Veretas Fernandes, Audit Project Manager, who had been a valuable, experienced professional auditor of the Office for approximately ten years has separated from FIU to continue her professional career at Miami-Dade County. Her knowledge, experience, and professionalism will be sorely missed. The filling of all currently vacant positions in the Office is of the utmost urgency.

The Chief Audit Executive attended a State University Audit Council (SUAC) meeting of fellow CAE's, hosted at the University of South Florida in Tampa, on May 20 - 21, 2019. The Council members discussed various audit related topics, including the Florida Board of Governor (BOG) and universities' efforts to train Board of Trustees' members, changes to the BOG Performance Based Funding metrics, the BOG's system-wide review of university internal controls, and whistle-blower developments.

## **Professional Development**

The Office is committed to maintaining a competent, professional staff. To that end, the audit staff continue to take advantage of available professional development opportunities. Recently, two staff members attended the Association of Inspectors General 2019 Winter Inspector General Institute and received the designation of Certified Inspector General Auditor, upon completion of the requisite course. In addition, two other staff members attended the 2019 Audit Interactive Conference sponsored by the Association of College and University Auditors.