



Office of Internal Audit Status Report

BOARD OF TRUSTEES

December 5, 2019



Date: December 5, 2019

To: Board of Trustees Audit and Compliance Committee Members

From: Trevor L. Williams, Chief Audit Executive

Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

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 September 18, 2019, the following projects were completed:

Audit of the Nicole Wertheim College of Nursing and Health Sciences

We have completed an audit of the Nicole Wertheim College of Nursing and Health Sciences revenues and expenditures emanating primarily from the operation of the College's continuing education programs for the period July 1, 2017, through December 31, 2018, and an assessment of current practices through June 30, 2019. Said revenues and expenditures for the six in-scope auxiliary operations (for credit and non-credit) totaled approximately \$4.7 million and \$3.7 million, respectively. The objective of our audit was to determine if established operational and financial controls and procedures over the College's auxiliary operations 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.

While some aspects of the College's operations are functioning well, our audit identified opportunities for improvement over others. Specifically, improvements to operational and financial controls related to auxiliary operations, revenue reconciliation, payroll and personnel administration, expenditure management, and compliance with University policies and procedures are warranted. The audit resulted in 18 recommendations, which management has agreed to implement.

Audit of Treasury Management

The Florida International University Board of Trustees and the four-member Investment Committee, who manages the assets of the University's investment portfolio, oversee the University's treasury function. The Committee meets quarterly to review the investment portfolio's performance and to determine if the investment objectives set forth in the

Investment Policy are being met. We audited the University’s Treasury Management function, including the transactions and investment positions for the period July 1, 2017, through December 31, 2018, and assessed the current practices through May 2019. At December 31, 2018, the University’s investments totaled \$342.8 million. During the audit period, investment purchases and sales totaled \$177.5 million and \$187.3 million, respectively. The objectives of our audit were to determine whether the Office of the Treasurer’s procedures and internal controls ensure that: (a) the monitoring and reporting of the Portfolio’s performance is adequate; (b) investment policies and procedures are in compliance with all applicable laws, rules, regulations, and best practices; (c) controls for executing investment transactions are adequate and comport with best practices; (d) the University is compliant with all indentures; (e) procedures surrounding cash exhibit proper segregation of duties and are processed adequately; and (f) processes for accessing new and ongoing relationships are proper.

Our audit concluded that the treasury management function is generally operating effectively. Nevertheless, we identified opportunities for improvement related to the documentation and approval of policies and procedures, the timely completion of proper background screenings and Conflict of Interest disclosures, and the inconsistent manner in how investment manager fees are reported that could result in incomplete reporting. The audit resulted in six recommendations, which management has agreed to implement.

Work in Progress

The following ongoing audits are in various stages of completion:

| <i>Audits</i> | <i>Status</i> |
|---|-----------------------|
| Accounts Receivable | Drafting report |
| Payroll Irregularities and Fraud Controls | Fieldwork in Progress |
| Performance Based Funding Metrics Data Integrity | Fieldwork in Progress |
| Athletics Health Services Billing & Coding Process and Contract Performance | Planning |

One of the responsibilities of the Office of Internal Audit is to investigate allegations of financial fraud, waste, abuse, wrongdoing, and any whistle-blower complaints. Accordingly, from time to time our office receives and reviews complaints from various sources: The Governor’s Office, the Florida State University System Board of Governors’ (BOG) Inspector General, the FIU hotline, Human Resources, and sometimes directly from a complainant. Our office has received five such complaints, which we are currently evaluating. The details of the complaints are confidential and protected from disclosure while being evaluated. Our office has been working on the development of an application for managing the implementation of audit recommendations. This application will provide the platform through which management will be informed about recommendations coming due for

implementation and for them to upload both a description of the recommendation's status and supporting documentation. It will also enable us to evaluate management's response and communicate our conclusions with management. We believe this tool will make this process more efficient and effective. Our aim is to rollout the platform within the next two months, after testing is completed.

In response to the Trustees request, we compiled a matrix of the ratings assigned to the five internal control criteria that are rated in the audit reports published by the Office of Internal Audit from FY 2017 to current. We found that the data gathered could not provide a singular compelling indicator of the overall state of compliance and risk management at the University. If there is an inference to be drawn from the data, it would be that the areas audited during this period reflect a maturing risk and control environment, in that 97% of the inflection points were rated either satisfactory or fair.

Quality Assurance and Improvement Program (QAIP)

As required by The Institute of Internal Auditors' International Professional Practices Framework, the Chief Audit Executive (CAE) has developed and maintained a QAIP that covers all aspects of the internal audit activity. Pursuant to the Framework, the QAIP must include both internal and external assessments of the internal audit activity. The external assessment must be performed at least once every five years and may be accomplished using two approaches: a full external assessment or a self-assessment with independent external validation. In the furtherance of satisfying this requirement, we have begun the process of arranging for the performance of an external quality assurance review by a qualified, independent assessor. The review will entail a validation of the internal self-assessment that will be performed by the CAE to determine the extent that our office complies with the IIA's *International Standards for the Professional Practice of Internal Auditing*. The results of the internal self-assessment and the external validation review will be shared with the Audit and Compliance Committee, once completed.

Professional Development

Audit staff continue to take advantage of professional development opportunities. To that end, we are pleased to congratulate Mr. Manuel Sanchez, Assistant Audit Director, on his accomplishment of achieving the professional designation of Certified Fraud Examiner.

Other Matters

Our office's recent recruitment efforts have been quite successful. All vacancies, except for a Senior Auditor position, have been filled. We are continuing the recruitment process to fill that remaining vacancy. Recent additions to our staff include:

- (1) Mr. Henley Louis-Pierre, Senior Information Systems Auditor, who transferred from FIU's Green Library. He has three degrees from our prestigious University, including a Bachelor in Information Technology and a Master of Science in Cybersecurity; multiple professional certifications, including Certified Information Systems Auditor and Certified Information Systems Security Professional; and eight years of Information Technology experience.
- (2) Mr. Alexis Rivas, Senior Auditor, has both Bachelor and Master of Accounting degrees from FIU. He is a Certified Public Accountant with almost six years of professional accounting and auditing experience.
- (3) Ms. Lillian F. Spell, Audit Manager, comes to us from the Leon County Clerk of Circuit Court and Comptroller office where she managed the internal audit function of that entity. She has a Master of Accounting and Financial Management degree from Keller Graduate School of Management and is currently a Doctor of Business Administration (DBA) student. She also has 14 years of professional auditing experience and multiple professional certifications, including Certified Internal Auditor, Certified Fraud Examiner, Certified Government Auditing Professional, Certified Inspector General Auditor, Certified Internal Controls Auditor, and Certified Information Systems Auditor.
- (4) Ms. Maria R. Lopez, Audit Manager - Information Systems, joins us with more than 20 years of experience in auditing with expertise in finance and technology. She has a Master of Science in Technology Management with concentration in Cybersecurity degree from Columbia University and multiple professional certifications, including Certified Fraud Examiner and Certified Information Systems Auditor. She has also received a professional accountant license from the Republic of Colombia.

Additionally, we have added two new student interns, Anju Wilson and Julian Gutierrez, to replace our student interns who graduated during the summer.

The CAE attended a State University Audit Council (SUAC) meeting of fellow CAEs, hosted at the University of Central Florida in Orlando, on October 23-24, 2019. The Council members discussed various audit related topics, including the performance-based funding and preeminence metrics integrity audits, Crowe - State University System internal management and accounting control and business process review, Auditor General three-peat findings, whistle-blower guidance and investigation process, risk assessment tools and framework, and non-academic admission procedures. The group also received an update on legislative and Florida Board of Governors activities and other issues on the horizon.