



Office of Internal Audit Status Report

BOARD OF TRUSTEES

September 8, 2010



FLORIDA
INTERNATIONAL
UNIVERSITY

Office of Internal Audit

Date: August 26, 2010
To: Board of Trustees and Finance and Audit Committee
From: Allen Vann, Audit Director
Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

COMPLETED AUDITS AND INVESTIGATIONS

Since our last Finance and Audit Committee meeting on May 20, 2010 we completed the following projects:

- 1. Audit of the Information Systems Continuity Plan** – We conducted a University-wide audit of the Information Systems Continuity Plan. The primary objective of the audit was to ensure that in the event of a disruption, the University has adequate business continuity and disaster recovery processes for the resumption of IT services.

Our audit revealed that a comprehensive University-wide information systems continuity framework needs to be developed and implemented. The current disaster recovery plan needs to be tailored to address different threats and should be updated employing business impact analysis techniques to better understand the University's vulnerabilities. Finally, our review disclosed that there are infrastructure related issues affecting information systems continuity that need to be addressed. Management agreed to implement the ten resulting recommendations.

- 2. Investigation of a University Health Services Employee** – We conducted an investigation based on information provided by an informant that a University Health Services (UHS) employee was providing family members with free blood tests. Based on our investigation, we found that the complainant's allegation was sustained. In addition, during our investigation we found other internal control weaknesses resulting in the questionable use of UHS' services by other University employees. The Vice President of Student Affairs took appropriate personnel action and will ensure that restitution is made.

- 3. Investigation of Improper Use of University Issued Procurement Card and Leave by the IT Director at the College of Medicine** – This investigation was self initiated as a result of audit work we are performing at the College. Based on our investigation, we concluded that the IT Director misused the credit card provided to him by the University and failed to report leave time taken. The Dean is in the process of taking appropriate corrective actions.
- 4. Follow-up Investigation at the College of Medicine** – This investigation focused on the Human Resource Manager of the College and a Program Coordinator. The allegation was that the two individuals received unallowable/personal items.

Based on the results of our investigation the College in consultation with the Division of Human Resources, took appropriate personnel actions. The two employees are no longer employed by the University.

- 5. Investigation at Enrollment Information Services** – We conducted an investigation based on information provided by an informant alleging that three University employees were on the Board of Directors of an organization that provided educational services, which represents a potential conflict of interest. There were other unrelated allegations that we also investigated.

Based on our investigation we concluded that the three employees neglected to adequately disclose their outside activities. The other allegations were not sustained and/or had no merit. Management is in the process of taking appropriate corrective actions.

- 6. Investigation Concerning the FIU ROTC Program** – We received a complaint via a referral from the Office of the Chief Inspector General (Governor's Office) regarding a potential whistle-blower case. We initiated a review, which resulted in our Office determining that the complainant was neither an employee, agent of an agency, or independent contractor to the University. The complaint did not merit further investigation as this complaint did not qualify under the whistle-blower statute.
- 7. Investigation Concerning a Potential Conflict of Interest at the Honors College** – We received a complaint via referral from a member of FIU's Board of Trustees concerning an alleged conflict of interest against an adjunct professor at the Honors College. Our investigation revealed that the complaint had no merit.

WORK IN PROGRESS

Audits	Status
College of Medicine	Draft Report Issued
Housing	Drafting Report
Implementation of Audit Recommendations	Fieldwork in Progress
Major Construction Projects	Fieldwork in Progress
Cash Counts	Fieldwork in Progress
OSRA Implementation of PeopleSoft Grants Module	On-Hold*

*Pending filling recent IT Auditor vacancy.

RESOURCES

One of the responsibilities of the Finance and Audit Committee is to “Assess the staffing of the Office of Internal Audit, including the annual budget.”¹ Accordingly, the following information is presented for your consideration:

- 1. Staffing** - The Office had an Audit Director, five auditors, and an office manager during FY 2010, as well as three FIU students who served intermittently as interns. During the early part of FY 2010 one auditor was replaced due to attrition. Recently our IT auditor resigned. We are in the process of searching for a replacement.

During the current Fiscal Year (FY 2011) I am pleased to announce that we received additional funding for one auditor. We recently hired Ms. Vivian Ferradaz, who started on August 2nd. Ms. Ferradaz received her Masters in Business Administration and Bachelor of Accounting from the University of Miami. She also has six years of relevant internal auditing and CPA firm experience. I am also pleased to announce that we received funding for two intern positions. Ms. Heather Farkas and Ms. Damilola Dipeolu, FIU accounting students, have been selected as interns.

- 2. Budget** - While the budgetary resources provided for salaries and benefits improved significantly the amount budgeted for operating expenses are disappointing. The total amount budgeted; \$29,700 is 43% less than requested and represents only 3.5% of the Department’s budget, a significant imbalance. It is unlikely that the amount budgeted will be sufficient to cover all of the necessary professional development, travel, membership dues, office supplies, software, equipment and other needs of the Department. We will continue to work with management during the year to ensure that our needs are adequately addressed.

¹ FIU, Board of Trustees Operating Procedures, page 15.

FOLLOW-UP STATUS REPORTS

Management is primarily responsible for addressing audit recommendations. The Office of Internal Audit periodically surveys cognizant University officials for a status report on recommendations due for implementation in their areas. Please note that we are currently performing a validation audit where we are testing reported implementation on a sample basis.

As of July 31, 2010, there were 47 outstanding recommendations, 22 of which are not due for implementation. Of the remaining 25 recommendations, management indicated that they completely implemented 23 recommendations (92%) and are working on implementing the remaining two. Revised target dates were provided for the two remaining recommendations.

Attachment A – Follow-up Status Report – Internal Audits

Attachment B – Follow-up Status Report – Operational Audit (Auditor General)

Attachment C – Management Responses to Past Due Recommendations with
Revised Target Dates

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
FOLLOW-UP STATUS REPORT - INTERNAL AUDITS
AS OF JULY 2010**

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Audit of Accounts Receivable Report Issued: July 22, 2009	1. Accounts Receivable Write-Offs (Rec. #4)	Jessell/Blevens	N/A	09/10	
Audit on FIU Safeguards Over Credit Card Holder Data Report Issued: July 30, 2009	1. PCI Information Security Policy (Rec. #4.4)	Jessell/Blevens	Yes	06/10	
Review of Four Grants at the Request of the Department of Energy & National Science Foundation Inspector General Report Issued: August 20, 2009	1. Terminal Leave Payouts <i>(This recommendation required signoff from NSF & DOE. NSF responded that the matter was satisfactorily resolved, based on the results of the internal audit, but DOE has not. FIU does not have any control over DOE schedule for closing this matter. Therefore, the implementation date has been extended.)</i>	Carbajal de Garcia/ Gil/Barabino	No	06/10	09/11
Investigation of Improper Use of University Issued Procurement Card by a Professor in the College of Business Administration Report Issued: October 8, 2009	1. Reimbursement to the University (Rec. #1.2)	Wartzok/Elam	Yes	11/09	
Investigation of Improper Procurement Card Use and Questionable Payroll Transactions in the College of Education Report Issued: November 24, 2009	1. Reimbursement to the University (Rec. #1.2)	Wartzok/Garcia	Yes	06/10	
Investigation into Allegations Against a Professor at the College of Medicine Report Issued: January 13, 2010	1. Conflict of Interest (Rec. #1.1) 2. Violation of Policies/Ethics Laws (Rec. #1.2) 3. Outside Activities (Rec. #1.3) 4. Purchasing Card Training (Rec. #2)	Rock/Smithburg	Yes Yes Yes Yes	04/10 04/10 04/10 06/10	06/10 06/10 06/10
Investigation of Improper Procurement Card Use & Other Questionable Transactions at the College of Education by the Former Interim Dean Report Issued: January 20, 2010	1. Reimbursement to the University (Rec. #2)	Wartzok/Garcia	Yes	04/10	06/10
Review of the Administration of American Reinvestment & Recovery Act Funds Program Report Issued: March 9, 2010	1. Compliance Documents for Projects (Rec. #1.3) 2. Personnel Knowledge of Compliance (Rec. #1.4)	Jessell/Cal Jessell/Martinez	Yes Yes	06/10 07/10	
Investigation of Improper Procurement Card Use at the College of Medicine by the Director of Operations & His Former Office Assistant Report Issued: March 15, 2010	1. Reimbursement to the University (Rec. #2)	Rock/Smithburg	Yes	08/10	

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Audit of ProCard/Credit Card Solutions Program: Better Controls & Administrative Practices Needed Report Issued: April 21, 2010	1. Untimely Cancellation of Credit Cards (Rec. #1.1) 2. Lack of Administrative Oversight (Rec. #1.2) 3. Physical Control Over Cards (Rec. #1.3) 4. Inadequately Managed Credit Card Limits (Rec. #1.4) 5. Reduced Different Types of Cards (Rec. #1.5) 6. Monitor Cardholders Approvers (Rec. #1.6) 7. Lack of Written Procedures (Rec. #1.7) 8. Monitoring Credit Card Program (Rec. #2.1) 9. Periodical Retraining (Rec. #2.2)	Jessell/Blevens	Yes N/A N/A N/A N/A Yes N/A Yes N/A	06/10 08/10 08/10 08/10 08/10 06/10 08/10 04/10 10/10	
Investigation into Enrollment Information Services Allegations Report Issued: May 26, 2010	1. Outside Activities-Conflict of Interest (Rec. #1) <i>(According to the Associate Vice President for Academic Affairs this recommendation will be fully implemented by August 31, 2010)</i>	Wartzok/Moore	No	06/10	08/10
Audit of the Information Systems Continuity Plan Report Issued: July 13, 2010	1. Develop Continuity Framework (Rec. #1.1) 2. Implement Continuity Framework (Rec. #1.2) 3. Perform Business Impact Analysis (Rec. #2.1) 4. Identify Major Disasters Threats (Rec. #2.2) 5. Need for Resilient Infrastructure (Rec. #3.1) 6. Replace Outdated Equipment (Rec. #3.2) 7. Test Resources at NWRDC (Rec. #4.1) 8. Background Check for IT Employees (Rec.#4.2) 9. Incorporate IT Continuity & DRP Training (Rec. #4.3) 10. Train Staff on Business Continuity (Rec. #4.4)	Yao/Drake	N/A N/A N/A N/A N/A N/A Yes N/A N/A N/A	12/10 01/11 12/10 12/10 03/11 12/10 07/10 08/10 12/10 12/10	
Allegations Against a University Health Services Employee Report Issued: July 20, 2010	1. Appropriate Disciplinary Action (Rec. #1.1) 2. Review UHS Current Practices (Rec. #1.2) 3. Review & Update UHS's guidelines (Rec. #1.3)	Jones/Loynaz	Yes N/A N/A	07/10 08/10 08/10	
Investigation of Improper Use of University Issued Procurement Card and Leave by the IT Director at the College of Medicine Report Issued: July 28, 2010	1. Appropriate Disciplinary Action (Rec. #1.1) 2. Reimburse the University for ProCard Transactions (Rec. #1.2) 3. Adjust Leave Records (Rec. #1.3) 4. Controls Over Time Reporting (Rec. #1.4)	Rock/Smithburg	N/A N/A N/A N/A	09/10 09/10 09/10 09/10	

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

**FOLLOW-UP STATUS REPORT - OPERATIONAL AUDIT
AS OF JULY 2010**

The following summarizes current status of audit issues from the State Auditor's Operational Audit (Report No. 2010 -096)

Note: Items bolded in status column (Yes or No) were due for implementation this period.

Finding Number & Area	Audit Issue(s)/Finding	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Finding No. 2 Direct Purchase of Construction Materials	Establish written policies and procedures for the direct purchase of construction materials. In addition, for future construction contracts, take advantage of sales tax exemptions or document how greater savings were achieved by the CM making the purchases.	Cal	Yes	06/10	
Finding No. 3 Design Professionals Liability Insurance	Establish written policies and procedures prescribing minimum liability insurance coverage requirements for design professionals. Additionally, enhance procedures to ensure that insurance coverage for design professionals is provided through completion of the project.	Cal	Yes	06/10	
Finding No. 6 Tangible Personal Property Records	Strengthen procedures to ensure that the property records are complete and accurate. When personnel cannot locate property items, missing property item reports should be filed with the appropriate law enforcement agency. Also, property transfer forms or off-campus use forms should be completed to document approval for transfers or off-campus use of property.	Blevens/Carmenate	Yes	06/10	
Finding No. 7 Property Deletions	Strengthen procedures to ensure accurate completion of survey forms for property deletions.	Blevens/Carmenate	Yes	06/10	
Finding No. 8 Vehicle Records	Implement procedures to ensure that University-owned vehicle usage is adequately documented and approved by the vehicle user department.	Martinez/Foster	Yes	06/10	
Finding No. 9 Monitoring Fuel Efficiency of Vehicles	Continue efforts to monitor the reasonableness of fuel consumption, but also establish monitoring procedures sufficient to ensure the accuracy of odometer readings recorded in the system. In addition, University records should document the resolution of exceptions disclosed by monitoring procedures.	Martinez/Foster	Yes	06/10	
Finding No. 10 Decentralized Collections- The School of Hospitality & Tourism Management	Strengthen procedures at the School of Hospitality and Tourism Management to ensure that checks received are restrictively endorsed, and recorded to a mail receipt log, immediately upon receipt; transfer documents are used to evidence the transfer of collections between employees; and collections remitted to the Student Financials Office are periodically reconciled to the accounting records.	Remington/Qureshi	Yes	06/10	

Explanatory Notes to Follow-up Status Report

- Explanation of status column
 - **Yes** = implemented;
 - **No** = not fully implemented by original due date;
 - **N/A** = not due for implementation.
- For those recommendations not fully implemented, please see Management Responses to Outstanding Recommendation(s) (Attachment C) for management's detailed current action plan.

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

**MANAGEMENT RESPONSES TO PAST DUE RECOMMENDATIONS
WITH REVISED TARGET DATES**

Review of Four Grants at the Request of the Department of Energy & National Science Foundation Inspector General (August 2009)

Audit Issue: **Terminal Leave Payouts** (Recommendation #1)

Recommendation:

We recommend that the University discuss with DOE the need to make a financial adjustment associated with the \$33,781 in direct-charged terminal leave payouts during the PAF period. We further recommend that the University consider whether, after it discontinued the PAF, it was appropriate to direct charge the DOE award for terminal leave payouts associated with employees whose salaries may have contributed to the PAF charges on the DOE award, and whether a financial adjustment associated with the \$11,253 would be necessary.

Action Plan to Complete:

The Office of the General Counsel has repeatedly followed up with the Department of Energy (DOE) and the National Science Foundation (NSF) regarding the requested internal audit provided to each agency. NSF responded that the matter was satisfactorily resolved based on the results of the internal audit but DOE has not. FIU does not have any control over DOE schedule for closing this matter. Therefore the implementation date of the recommendations remains an open item and the Office of General Counsel will continue to follow-up until the issues are resolved.

Original Target Date: June 30, 2010

New Target Date: September 30, 2011

Investigation into Enrollment Information Services Allegations (May 2010)

Audit Issue: **Outside Activities Conflict of Interest** (Recommendation #1)

Recommendation:

We recommend that the employees' supervisors request their employees to complete the Outside Activity and Financial Interest Report and then consult with Human Resources for determination of any conflict of interest.

Action Plan to Complete:

According to the Associate Vice President for Academic Affairs this recommendation will be fully implemented by August 31, 2010.

Original Target Date: June 30, 2010

New Target Date: August 31, 2010