Office of Internal Audit
Status Report

BOARD OF TRUSTEES

June 16, 2021
Date: June 16, 2021

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 February 23, 2021, we have completed the following projects:

Audit of the CARES Act Institutional Relief Funds

We completed an audit of the Coronavirus Aid, Relief, and Economic Security (CARES) Act Institutional Relief Funds for the period April 1, 2020, through December 31, 2020. The objective of the audit was to determine whether the established controls for the use of CARES funds were: (a) adequate and effective; (b) being adhered to; and (c) compliant with the requirements of the CARES Act, the guidance provided by the U.S. Department of Education (USDOE), and University policies and procedures. Specifically, we ensured: (a) the establishment of a clear nexus between the allowable reimbursement and significant changes to the delivery of instruction due to coronavirus; (b) the confirmation that student refunds (e.g., room and board, meals, and other fees), technology (e.g., laptops, hotspots) purchased for students, and other allowable costs originated on or after March 13, 2020; and (c) the assurance that funds were not used for endowments, athletic or religious facilities, and enrollment recruitment activities such as marketing and advertising.

The University refunded students approximately $3.4 million for unused housing expenses and $813,200 for unutilized meal plans through the CARES Act Institutional Relief Funds. Additionally, the University used $3.5 million to pay for the incremental costs for providing information technology, personal protective equipment, payroll, testing lab, contact tracing, and cleaning supplies due to the pandemic.

Overall, our audit found there were adequate procedures and controls in place over FIU’s use of the CARES Act Institutional Relief Funds to ensure compliance with the CARES Act, USDOE guidance, and University policies and procedures. In addition, we concluded that
the amounts determined for reimbursable costs from the USDOE were fairly calculated, in all material respects.

Audit of Grant Accounting – FIU Foundation Funded

We completed an audit of Grant Accounting – FIU Foundation Funded for the period July 1, 2019, through June 30, 2020, and an assessment of the current practices through March 1, 2021. The primary objectives of our audit were to determine whether: (a) there were adequate and effective controls in place for the proper administration of FIU Foundation-funded research, (b) there were adequate controls in place to detect and prevent researchers from circumventing the Foundation and University grant approval processes, and (c) Foundation-funded research funds were used properly in accordance with gift requirements and University policies and procedures.

During the audit period, there were 51 active Research Projects, which incurred expenses totaling $1,730,463. For the same period, seven Research Projects with contributions totaling $745,712, were opened.

Our audit found that apart from a single instance related to the reimbursement of $43,614 of travel expenses connected to a donor’s quid pro quo contribution, Research Project funds were used consistent with the gift requirements and University policies and procedures. In addition, we found no instances of researchers circumventing the University’s grant approval process through the Foundation or auxiliaries. However, we noted that although the Research Project administration training provided to staff was robust, a monitoring component was lacking. The audit resulted in three recommendations, which management has either already addressed or agreed to implement.

Examination of the Department of Parking, Sustainability and Transportation’s Compliance with Contract Number HSMV-0548-18

We examined the Department of Parking, Sustainability and Transportation’s (“Parking”) Compliance with Contract Number HSMV-0548-018 (“MOU-0548-18”) with the Florida Department of Highway Safety and Motor Vehicles, pursuant to Section VI, Part B of the Memorandum of Understanding for Governmental Entity Access to Driver and Vehicle Information Database System (“DAVID”). The objectives of the examination were to determine whether Parking’s policies and procedures for protecting personal data were: (1) adequate and effective, (2) being adhered to, and (3) designed to ensure that the confidentiality of the data is maintained and protected. This includes an evaluation of the controls in place to prevent unauthorized access, distribution, use, modification, or disclosure of personal data. The examination also certified that: (1) all deficiencies and/or issues found during the examination have been corrected and (2) corrective measures have been enacted by Parking to prevent recurrence.
We concluded that the examination procedures we performed provided us with a reasonable basis for concluding that the current internal controls adequately protect personal data from unauthorized access, distribution, use, modification, or disclosure, in accordance with the identified criteria outlined in MOU-0548-18, in all material respects. We also determined that all deficiencies and/or issues found during the examination either have been corrected or corrective measures have been enacted by Parking to prevent recurrence.

Review of Expense Reports

We performed a review of employee Expense Reports, wherein we discovered a control weakness in their preparation related to expenses paid for with the University’s Departmental credit card. We identified this issue while working with available data in developing a pilot for a continuous monitoring framework for implementation into the Office of Internal Audit workflow. We identified $27,018 in overpayments mostly to employees ($651 was overpaid to a hotel) during the period of November 15, 2017, through April 5, 2021, due to said control weakness. Of this amount, $5,055 had been previously identified as overpayments by either the respective employee, department, or the Office of the Controller and had been reimbursed to the University. However, $21,963 remained uncollected at the time of this report. We recommended that management pursue reimbursement of the uncollected amounts and implement preventive and detective controls to prevent a recurrence.

Work in Progress

The following ongoing audits are in various stages of completion:

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Internal Investigations

The Office of Internal Audit receives complaints of alleged wrongdoing, including suspected fraud, waste, and abuse. We have evaluated the complaints received and are currently
investigating one and have referred the others to other appropriate units within the University for investigations.

Other Matters

The Chief Compliance and Privacy Officer and the Chief Audit Executive have collaborated on drafting the proposed new University Regulation for fraud prevention and detection. The proposed new Regulation will satisfy the requirements of the Florida Board of Governors Regulation 3.003, *Fraud Protection and Detection*, for universities’ Board of Trustees to adopt a regulation that embodies a zero-tolerance stance concerning fraudulent activity. The Regulation should establish criteria related to appropriate institutional controls and risk management framework that provide reasonable assurance that fraudulent activities within the university’s areas of responsibility are prevented, detected, reported, and investigated. As part of the Regulation process, the proposed new Regulation will be noticed and vetted before it is presented for the Board of Trustees’ approval.

The Office continues to provide support, in an advisory capacity, to University management in their oversight of Higher Education Emergency Relief Funds I, II, and III. Also, we have provided similar support to University management in their efforts to reach a satisfactory resolution to the contractual matters related to Athletics medical billing. Management has successfully negotiated a restructuring of the contract for providing electronic medical records management.

The Office of Internal Audit Professional Practice Guide (Operating Manual) was last updated in 2014. Since then, many of the Office’s workflows and practices have changed. Consequently, there is a need to align our practice guidelines with those workflows and practices, and the CAE has begun updating the Operating Manual. In addition, a senior member of the Office’s staff is performing an internal quality control review of our practices. The results of the review will be reported to the Chief Audit Executive, who will ensure that any needed improvements are addressed.

With input from Audit and Compliance Committee members, the University President, University management, and the Internal Audit staff members, the Chief Audit Executive has developed the risk-based Five-year Audit Plan. The Plan aims to provide audit coverage in areas with higher risks and to utilize audit resources efficiently.

Currently, there are two vacancies in the Office of Internal Audit—one Senior Auditor and one Audit Manager. Recruitment for both positions is ongoing. We endeavor to fill these positions with qualified candidates at the earliest date that time and circumstances permit.
Professional Development

Our staff members continue to take advantage of professional development opportunities that are available to them, including courses in applying data analytics in every audit, using Power Business Intelligence, auditing for fraud and forensic accounting, auditing construction contracts, and cybersecurity awareness.