



AUDITOR GENERAL

DAVID W. MARTIN, CPA



FLORIDA INTERNATIONAL UNIVERSITY

Operational Audit

SUMMARY

Our operational audit for the fiscal year ended June 30, 2007, disclosed the following:

Finding No. 1: The University's controls over parking citation receivables needed improvement.

Finding No. 2: Our tests disclosed that tangible personal property records were not always complete and accurate.

Finding No. 3: Our test of tangible personal property deletions disclosed several instances in which survey forms, used to document the reasons for deletions, were not properly completed.

Finding No. 4: Bonus payments to two employees exceeded the limit established by the Board of Governors.

Finding No. 5: The University needed to enhance its procedures for documenting the process of competitively selecting vendors. Also, the University's competitive procurement threshold exceeded the limit established by the Board of Governors.

Finding No. 6: Payments for professional services were not always evidenced by written agreements or purchase orders executed prior to the dates services were rendered.

Finding No. 7: Purchasing card accounts for former employees were not always timely cancelled upon termination.

Finding No. 8: The University did not, of record, adequately monitor cellular telephone

(cell phone) usage to determine personal calls made and any needed reimbursements. As such, the University was required to, but did not, report to the Internal Revenue Service the value of cell phone services as income of these employees.

Finding No. 9: Vehicle usage logs were not always complete, and did not include evidence of supervisory review.

Finding No. 10: The University had not implemented adequate procedures to assess the reasonableness of fuel consumption of University vehicles.

Finding No. 11: The University did not always timely correct deficiencies noted in fire safety inspection reports.

Finding No. 12: There was a need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.

Finding No. 13: Improvements were needed in certain security controls within the overall operations of the application and the supporting network environment at the University.

Finding No. 14: The University needed to enhance its procedures to ensure that terminated employees' access to data files and information technology resources is timely removed.

Finding No. 15: Environmental control improvements were needed at the University's Data Center.

BACKGROUND

The University is a separate public instrumentality that is part of the State university system of public universities. The University Board of Trustees (Trustees) consists of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members. Trustees who served during the audit period are listed in Appendix A of this report.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provides governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The President of the University during the audit period was Dr. Modesto A. Maidique.

The results of our financial audit of the University for the fiscal year ended June 30, 2007, will be presented in a separate report.

An examination of expenditures of Federal awards administered by the University under contract and grant agreements to finance specific programs and projects is included in our Statewide audit of Federal awards administered by the State of Florida. The results of that audit, for the fiscal year ended June 30, 2007, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Parking Citation Receivables

Department of Parking and Traffic (Department) records indicated that accounts receivable for parking citations totaled approximately \$2.5 million as of June 2007. This included amounts due from students and visitors. As similarly noted in our report No. 2006-036, our review disclosed that the University's controls over parking citations receivables needed improvement as discussed below.

The amount of parking citations receivables recorded in the Department's subsidiary records was not, of record, reconciled to the receivables recorded in the University's general ledger control account. Reconciliations of subsidiary records to general ledger control accounts provide additional assurances that errors or fraud, should they occur, will be timely detected, and provide evidence that all amounts due from parking citations are accounted for and recorded in the Department's subsidiary receivable records and reported on the financial statements.

Our test of 30 parking citations (16 issued to students and 14 issued to visitors) disclosed the following:

- For the citations issued to the 14 visitors, University personnel did not, of record, obtain from the Florida Department of Highway Safety and Motor Vehicles or other sources relevant information (such as name and address) necessary for collection.
- University procedures require that academic holds be placed on the records of students for nonpayment of any obligation. All 16 student parking citations we tested were unpaid at the time of our review. However, for 5 of the student citations tested, academic holds had not placed on the students' records although the amounts owed had been outstanding from four to five months at the time of our review.

The absence of identifying information for visitors issued citations, and failure to place academic holds on records of students that do not pay amounts owed, limits the University's collection efforts.

Recommendation: The University should ensure that the amount of parking citation receivables recorded in the Department's subsidiary receivable records is reconciled to receivables recorded in the general ledger. Also, sufficient identifying information should be obtained for all individuals issued citations and academic holds timely placed on the students' records for nonpayment of obligations.

Finding No. 2: Tangible Personal Property Records

To ensure proper accountability and safeguarding of tangible personal property, the University should maintain an adequate record of each property item. Property items not located during physical inventories of property should be promptly reported to the custodian and a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency.

The University's Property Control Manual requires the Property Control Department to establish guidelines and procedures governing the accountability, control, transfer, and ultimate disposal of tangible personal property. The Property Control Department is to be notified in writing when property items are transferred.

The University reported tangible personal property of approximately \$139 million at June 30, 2007. As similarly noted in our report No. 2006-036, our review disclosed inaccuracies in the University's tangible personal property records, as follows:

- We selected 30 items from the property records for physical observation and noted 19 items, with a cost value of approximately \$54,000, that could not be located for physical inspection. The unlocated items

included computers, printers, projectors, and microscopes. Our inquiry regarding these items disclosed the following:

- According to University personnel, 4 of the items were not located and 7 of the items had either been cannibalized for parts or determined to be surplus. Subsequent to our review, University personnel prepared survey forms for the 11 items requesting deletion of the items from the property records; however, University personnel did not report the missing items to an appropriate law enforcement agency.
 - The other 8 items were subsequently located in locations other than those indicated on the property records, including 1 item (a laptop) that was located off campus. However, contrary to the Property Control Manual, forms authorizing the transfer of these property items to locations other than those noted in the property records were not prepared.
- We also selected 30 items during our physical observation to test the accuracy of the information shown for the items on the property records. We noted 9 items, with a cost value of approximately \$17,000, that were at locations different than those shown in the property records.

Failure to maintain accurate tangible personal property records limits accountability and increases the risk that property items may become lost, stolen, or otherwise not properly accounted for.

Recommendation: The University should strengthen its procedures to ensure that the property records are complete and accurate. When University personnel cannot locate property items after a diligent effort, missing property reports should be filed with the appropriate law enforcement agency. Also, property transfer forms should be completed to document approval for property transfers.

Finding No. 3: Property Deletions

University records indicated that tangible personal property with a cost value of approximately \$4.8 million was deleted from the property records for the 2006-07 fiscal year.

The University's Property Control Manual (Manual) requires property custodians to complete survey forms to request the deletion of property items. The Manual also requires property custodians, when completing the survey forms, to explain the reasons for requested deletions. If the request is being made because of an inventory shortage (i.e., a missing property item), a statement explaining the circumstances is also required, including corrective action to be taken to prevent another shortage. If the request is being made to have property declared surplus, the form should indicate that the item is obsolete, inoperative, unserviceable, or that the continued use is uneconomical or inefficient, or serves no useful function.

For surplus property requests, the property custodian must also submit a memo to the Property Control Department listing the surplus items by tag and description. The items would then be moved by the Campus Services Department to the surplus warehouse for storage. The surplus property items would then be removed from the department's property records pending approval for final disposition.

As similarly noted in our report Nos. 2004-030 and 2006-036, our test of 40 tangible personal property items deleted from the property records during the

2006-07 fiscal year disclosed 9 items (computers with a cost value of approximately \$22,000) for which survey forms were not properly completed, as follows:

- The survey forms for 6 property items indicated that the items were being deleted due to inventory shortage. However, the survey forms did not document the corrective action to be taken to prevent another shortage. In one instance, a department claimed they never had the property item in their possession.
- The survey forms for 3 property items indicated that the items were being deleted because they had been declared surplus. However, the items remained in the department's property records and there was no documentation evidencing that the property custodians had sent the required memos to the Property Control Department requesting that these items be declared surplus property. We were informed by University personnel that the items were not declared surplus, but were instead reclassified as inventory shortages.

Properly completed survey forms would reduce the risk of misappropriation of such items.

Recommendation: The University should strengthen its procedures to ensure accurate completion of survey forms for property deletions.

Finding No. 4: Bonus Payments

Board of Governors (BOG) Regulation 6C-5.915(6)(e) provides that a University may make lump-sum payments to recognize the successful completion of a special project or assignment that is in addition to the employee's regularly assigned duties, or a documented significant increase in productivity or productivity goal achievement. The amount of the lump-sum payment may not exceed the greater of ten percent of the employee's annual base salary or \$3,000 (before taxes).

We reviewed bonus payments granted to 15 employees during the 2006-07 fiscal year and noted that 2 employees received bonus payments of \$15,167 and \$35,000, respectively. The bonuses granted to these employees exceeded the maximum amounts allowed by the above-noted BOG Regulation by \$1,167 and \$22,329, respectively (a similar finding was noted in our report No. 2006-036).

Upon our inquiry, University personnel indicated that the above-noted BOG Regulation no longer applies to the University, and that the bonuses were awarded in accordance with University policies adopted by the University Board of Trustees. Although Section 1001.74, Florida Statutes, provides that each university board of trustees may adopt rules to exercise its powers, duties, and authority as granted by law, such rules must be consistent with BOG Regulations¹. We are unaware of any authority for the University to make BOG Regulation 6C-5.915(6)(e) nonapplicable to the University or to otherwise modify this Regulation. Accordingly, until such time as the BOG takes action to make this Regulation nonapplicable to the University, University policies and procedures must comply with this Regulation.

Recommendation: The University should ensure that bonus payments are made in accordance with applicable BOG regulations.

Follow-up to Management Response

The President, in response to this finding, continues to indicate that BOG Regulation 6C-5.915(6)(e) no longer applies to the University. The President also referred to a BOG resolution adopted at its January 7, 2003, meeting in which it stated that no rule previously adopted by the BOG shall contravene the intent of the January 7, 2003, resolution or be in conflict with the universities' board of trustees rules in furtherance of their

¹Pursuant to Section 1000.01(5)(a)2., Florida Statutes, all rules of the former Board of Regents became State Board of Education rules. Such rules were adopted by the Board of Governors by resolution on January 7, 2003, and are referred to as Board of Governors Regulations.

responsibilities as public employers. We are aware of the BOG's January 2003 resolution in which it adopted numerous State Board of Education rules, including BOG Regulation 6C-5.915(6)(e). However, those rules, although currently referred to as BOG Regulations, continue to be a part of the Florida Administrative Code and, pursuant to Section 1001.706(1)(b), Florida Statutes, must be modified in accordance with Chapter 120, Florida Statutes. Accordingly, we are unaware of any authority for the University to make this Regulation (and Florida Administrative Code rule) nonapplicable to the University or to otherwise modify this Regulation.

Finding No. 5: Competitive Procurement

The University's Purchasing Procedures Manual requires formal competitive solicitation for the purchase of commodities and services exceeding \$50,000. When competitive solicitation involves obtaining sealed bids, University personnel are responsible for opening the bids as scheduled and evaluating and tabulating bid responses. To maintain the integrity of the process, it is important to clearly document University employees that are involved in the bid opening and the time and date bids are received from vendors.

Our review of 18 bid files related to purchases of goods or services during the 2006-07 fiscal year disclosed the following:

- According to University personnel, at least two employees were present for opening bids; however, the bid tabulation sheets for 17 of 18 bid files reviewed were signed by only one employee, and one bid tabulation sheet did not include the signature of any employee that witnessed the bid opening process.
- For 6 of the bid files reviewed, the time and date the bids were received was not indicated.

When the competitive selection process is not properly documented, there is an increased risk that the process may be compromised, potentially

subjecting the University to legal disputes by the bidders.

We also noted that the University's \$50,000 competitive solicitation threshold, during the 2006-07 fiscal year, was in conflict with Board of Governors (BOG) Regulation 6C-18.045, which provides for a competitive solicitation threshold of \$25,000. According to BOG staff, they have developed proposed regulations setting the competitive solicitation threshold at \$75,000, which are pending BOG approval.

Recommendation: The University should enhance its procedures to require the signatures of at least two employees responsible for bid openings, and to ensure documentation of the time and date bids are received from vendors. The University should also ensure that its purchasing procedures are consistent with BOG Regulations.

Finding No. 6: Procurement of Services

As a matter of good business practice, contractual service arrangements should be evidenced by written agreements embodying all provisions and conditions of the procurement of such services. The use of a well-written, complete, and properly executed written agreement protects the interests of both parties, defines the services to be performed, and provides a basis for payment. For purchases of services for which a written agreement is not appropriate, a purchase order should be prepared and approved by appropriate University management in advance of services being rendered.

Our review of 15 payments for services disclosed the following:

- For 5 payments, totaling \$70,324, purchase orders were issued 10 to 410 days after the services had begun. For example, one purchase order totaling \$40,000 for consulting services provided from August 20,

2005, through June 20, 2006, was not signed until October 4, 2006.

- For 2 payments for consulting services, totaling \$9,350, payments were made without benefit of a written agreement or purchase order. These payments were based on after-the-fact invoices received from vendors that were vague as to the timeframes in which the work was completed by the vendor.

In the absence of a written agreement or purchase order prior to rendering of services, the University's ability to ensure completion of agreed upon services within specified timeframes, and to manage the costs of the services, is limited.

Recommendation: The University should ensure that signed written agreements or purchase orders are used to document the approval of purchases of services prior to the services being rendered.

Finding No. 7: Purchasing Card Program

The University administers a purchasing card program in which it issues credit cards to personnel to procure certain goods and services. The purchasing card gives individuals the convenience of purchasing items without using the standard purchase order process. The University issued purchasing cards to approximately 1,100 employees as of January 2007, and paid purchasing card charges totaling \$16.2 million during the 2006-07 fiscal year.

The University appointed the Purchasing Director as the purchasing card administrator and developed a Purchasing Card User Manual that addressed procedures and controls over the purchasing card program, including cancellation of purchasing card accounts for terminating employees. Our review of purchasing card accounts for 20 former employees disclosed 10 instances in which the purchasing card was not cancelled in a timely manner. The delays

ranged from 17 to 133 days. A similar finding was noted in our report No. 2006-036.

When purchasing card accounts for terminated employees are not timely cancelled, there is an increased risk that unauthorized purchases may be made.

Recommendation: The University should ensure that purchasing card accounts of terminated employees are closed in a timely manner.

Finding No. 8: Cellular Telephones

The University provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to University records, 603 employees were assigned cell phones during the 2006-07 fiscal year and costs associated with these cell phones totaled approximately \$322,000.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the University to establish the amount, date, place, and business purpose for each business call (a notated copy of the employee's cell phone bill is an example of such a record). In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business.

The University's Cellular Services policy provided that cell phones were to be used for University business only and required employees to reimburse the University for personal calls made. Our review

disclosed that University policies and procedures for monitoring cell phone usage needed improvement. Specifically, we noted the following:

- Employees were required to identify the purpose of all cell phone calls. However, for 6 of 10 cell phone bills we reviewed, employees did not identify the calls as either business-related or personal.
- Department heads or their designees were required to review monthly cell phone statements to ensure the accuracy of the billings and to identify calls that were not made for official University business. However, supervisory personnel were not required to indicate on cell phone bills, or to otherwise document, their review of cell phone bills.

In the absence of demonstrated compliance with substantiation requirements prescribed by the University's policies and procedures, and United States Treasury Regulations, the University is required to report to the Internal Revenue Service (IRS) the value of cell phone services provided to employees. The University did not, for employees provided cell phones, include the value of cell phone services in the income reported on the employees' W-2 forms for the 2006 calendar year.

Recommendation: The University should enhance its policies and procedures relating to cell phone usage by requiring employees to document which calls are business related and which are for personal use, and by requiring supervisory personnel to document independent reviews of cell phone bills to determine personal calls made and any needed reimbursements. In the absence of such procedures, the University should report appropriate amounts in income to the IRS in accordance with Federal requirements.

Finding No. 9: Vehicle Records

University Policy 11.3 states that University-owned vehicles are not to be used for personal use. Vehicle trip logs are to be maintained up-to-date and properly completed by the user department detailing each trip taken. The University's vehicle trip log provides preprinted areas to document the driver's name, destination and purpose of the trip, date, time, and mileage. The log also provided an area for the driver's supervisor to sign as evidence of supervisory review of the log.

University records indicated that there were approximately 235 University-owned vehicles as of January 2007. We selected 30 vehicles used for off-campus travel to review compliance with University policies and procedures relating to vehicle usage. Our review disclosed the following:

- Vehicle logs were not available for one to five months during the 2006-07 fiscal year for 5 vehicles, while logs for 3 vehicles were not available for any months.
- Contrary to University Policy 11.3, the logs for 2 vehicles did not include a supervisor's signature to evidence supervisory review.
- The log for 1 vehicle did not disclose the destination of the trip.
- For 4 logs, we noted instances where it appeared that drivers completed vehicle logs for days they were on leave. Upon audit inquiry, University personnel indicated that the logs were completed and signed by other employees under the name of the employee that was issued the vehicle.

Similar findings were noted in our report No. 2004-030. Accurate vehicle trip logs serve to document that vehicle use is for University purposes. Timely supervisory review of these records would further ensure the accuracy of the records.

Recommendation: University personnel should properly and completely maintain vehicle trip logs, and vehicle trip logs should include evidence of review by supervisory personnel.

Finding No. 10: Monitoring Fuel Efficiency of Vehicles

University records indicated that during the 2006-07 fiscal year fuel expenses totaled approximately \$235,700. The University's computerized fuel system requires the vehicle operator to use a key and a password to operate University fuel pumps. Vehicle odometer readings must also be entered into the system before the pumps become operational. The fuel system generates several reports that provide management vehicle fuel usage information, such as transaction date, vehicle operator, odometer reading, and fuel quantity for each provision of fuel.

The fuel system can also produce a vehicle efficiency report to measure the fuel efficiency of the vehicles; however, system reports were not always reliable due to inaccurate odometer readings entered into the system. We selected 15 vehicles to determine the reasonableness of fuel consumption by calculating miles per gallon, using the odometer readings shown on the fuel system reports for the 2006-07 fiscal year and noted inconsistencies with odometer readings. For 8 of the vehicles tested, we noted errors in odometer readings that distorted the calculation of miles driven between refueling transactions.

The University used exception reports generated by its computerized fuel system to monitor the reasonableness of fuel consumption. The reports compared the quantity of fuel dispensed to the maximum number of gallons (fuel capacity) established for each vehicle. University procedures provided for the reports to be reviewed daily by management and discrepancies were to be forwarded to the appropriate department heads for follow-up. Although these procedures provide some measure of control over fuel consumption, its effectiveness is

limited in that such procedures would not necessarily detect discrepancies such as those disclosed by our review. In addition, University records did not document how exceptions noted were subsequently resolved with department heads. Similar findings were noted in our report No. 2006-036.

Under these circumstances, the University has limited assurance of the reasonableness of fuel consumption and there is increased risk that unauthorized use of University fuel may be made. University personnel indicated that a new computerized fuel system is being implemented to enhance the monitoring of fuel efficiency of vehicles. However, this system was not fully operational as of the end of our audit fieldwork.

Recommendation: The University should continue its efforts to monitor the reasonableness of fuel consumption, but should 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.

Finding No. 11: Fire Safety Inspections

Section 1013.12, Florida Statutes, regarding fire safety inspections of educational and ancillary plants and facilities, provides that when deficiencies are noted in a fire safety inspection report, the report should include a plan of action and a schedule for the correction of each deficiency. Section 1013.12(5), Florida Statutes, provides that upon failure by an institution to take action to correct a fire safety deficiency within the time designated in the plan of action, the local fire official is to contact the State Fire Marshal, who shall have enforcement authority as provided in Chapter 633, Florida Statutes.

Our review of 10 fire safety inspection reports completed during the 2006-07 fiscal year disclosed 8 reports with 66 previously uncorrected deficiencies of which 59 deficiencies remained uncorrected for over one year. The remaining 7 deficiencies remained

uncorrected for over two years. The uncorrected deficiencies included, for example, missing emergency exit lights, blocked and locked exits, and an accumulation of combustible material.

In April 2007, the University's Risk Management and Environmental Health and Safety department prepared a report on fire safety code compliance. The report included the status of deficiencies noted by the State Fire Marshall for inspections conducted during the 2006 calendar year. The report categorized 67 of 106 (63 percent) of the State Fire Marshall's hazard concerns as being "a condition that would cause serious injury, death and/or significant embarrassment to the University if not addressed immediately." These deficiencies were reported as uncorrected through the date of the report.

Allowing fire safety deficiencies to continue increases the risk that facilities may be, or become, unsafe for occupancy, which could result in additional future costs to the University.

Recommendation: The University should ensure that fire safety deficiencies are timely corrected.

Finding No. 12: Information Technology – University Governance

Enterprise information resources and systems are shared resources requiring security and management strategies to be coordinated across the enterprise. Security management responsibility is optimally established at the organizationwide level to deal with overall security issues in the organization. Management's ultimate objective under an enterprise governance model is to conduct day-to-day operations of the organization and to accomplish the organization's stated missions with security commensurate with the risk and magnitude of the harm resulting from the unauthorized access, use, disclosure, disruption, modification, or destruction of information. Management, through enterprise

governance of information technology (IT) resources, can provide increased assurance that due diligence is exercised by all individuals involved in the management, use, design, development, maintenance, or operation of information systems.

The FIU IT Security Office (ITSO) is one of five departments in the Division of Information Technology under the leadership of the University's Vice-President and Chief Information Officer (CIO). Its mission is to protect FIU IT resources through awareness, policy, infrastructure, and education.

As similarly noted in our report No. 2007-006, our review disclosed that there was a need for improved University-level governance of IT resources, as follows:

- Certain security policies and procedures, including the Guidelines for Data Stewardship, UTS Network Operations Center Procedures for Security Issues, and procedures governing the physical security of critical network components housed outside of the University data center, existed only in draft form. University management indicated that the document addressing physical security was being modified and was expected to go before the Executive Operations Committee in March 2008 for approval. University management also indicated that the UTS Network Operations Center Procedures for Security Issues were sanctioned and put into use in September 2006. Additionally, subsequent to our review, the Guidelines for Data Stewardship were officially approved on October 15, 2007.
- Improvements were needed in University policies and procedures for data backup. Specific details of these improvements are not disclosed in this report to avoid the possibility of compromising University data and IT resources. However, appropriate

University personnel have been notified of the needed improvements.

- The University's Disability Resource Center Americans with Disabilities Act (ADA) policy provided that, under the guidelines of the ADA, the University was required to make reasonable accommodations in providing services to students, staff, faculty, or visitors with disabilities. In recognition of accessibility provisions under Section 508 of the Rehabilitation Act of 1973, as amended² (Section 508), the University placed reliance on PeopleSoft's³ position of compliance with regard to its application software. However, the University's written change control procedures for the PeopleSoft applications did not include procedures to ensure that any changes or customizations to the application supported continued compliance with Section 508. Subsequent to our inquiry, University personnel indicated that the University was updating its development procedures to include the use of an ADA compliance audit tool as part of compliance audits to be performed by University personnel. University personnel further indicated that using the University's change management tool, changes to the PeopleSoft applications will require sign-off that Web pages have passed ADA compliance audits.

Without applying management and security procedures for enterprise IT resources and data at a University level of governance, there is an increased risk that the University may not identify and enact security controls necessary to adequately protect information systems that support the University's operations and assets.

² 29 U.S.C. Section 794d

³ The University utilized the PeopleSoft financials and student administration application systems.

Recommendation: The University should continue its efforts to develop and implement written policies and procedures addressing the above-noted areas of concern.

Finding No. 13: Information Technology – Application Environment and Support Function

Security considerations for all components of a system environment, including application, operating system, network, and physical levels, contribute to the reliability and integrity of the applications and the data processed therein. Developing and maintaining procedures to ensure the proper use of the application, data management, and technological solutions put in place is enabled by a structured approach to the combination of general and application controls over IT operations.

As similarly noted in our report No. 2007-006, the University had not implemented formal written policies and procedures addressing the application environment and support function, and improvements were needed in the systems environment related to system logging, wireless access, user workstation controls, user identification and authentication, technical management, operating system, and network controls. Specific details of these improvements are not disclosed in this report to avoid the possibility of compromising University data and IT resources. However, appropriate University personnel have been notified of the needed improvements.

Absent approved written policies and procedures outlining management's expectations, and without improvements in the areas specified above, there is an increased risk of unauthorized access to University applications and the data processed therein, and compromise of data confidentiality, integrity, and reliability.

Recommendation: University management should strengthen controls surrounding its enterprise information resources and systems in the above-mentioned areas.

Finding No. 14: Information Technology – Access Controls

Proper restriction of system access to authorized individuals permits user access to application software processing functions solely for purposes of performing assigned duties and precludes unauthorized persons from gaining access.

In our report No. 2007-006, we noted that the University did not have adequate policies and procedures in place to ensure that access capabilities were timely revoked or modified, as necessary, for individuals who had terminated employment. According to University personnel, subsequent to our prior audit, effective March 1, 2006, the University implemented a new procedure whereby University supervisors or department heads were required to complete a Separation From Employment form for all employees terminating or transferring and submit it to the Human Resources Department at least 10 days prior to the employee's last day of work. As part of this process, terminated employees' access to University systems, such as PantherSoft, were to be removed.

Our current audit disclosed that while the new procedure was somewhat effective in ensuring timely revoking of access capabilities for terminated employees, it needed further enhancements. Our test of 72 employee terminations during the period July 2006 through June 2007, disclosed 6 University employees that continued to have PantherSoft financials access ranging from 42 to 308 days beyond their termination dates.

Without adequate procedures to ensure the timely revocation of access, the risk is increased of unauthorized access to University resources.

Recommendation: The University should continue its efforts to ensure that all terminated employees' access rights are timely revoked.

Finding No. 15: Information Technology – Environmental Controls

Environmental controls can diminish interruption in service or data losses by allowing operation through short-term power outages or provide time to backup data and perform an orderly shutdown during extended power outages.

As similarly noted in our report No. 2007-006, the University did not have in place adequate environmental safeguards for its Data Center. Specifically, University management indicated that the power generator that provides emergency backup power to its Data Center does not have enough capacity to meet the needs of all hardware within the facility. Since the generator was donated by Monroe County for the primary purpose of supplying essential power to the building while it is being occupied by evacuees from Monroe County during disasters, the needs of the University were secondary. Without sound environmental safeguards, Data Center resources, equipment, and data may not be sufficiently protected from service disruption.

University management indicated that funding and approval has been obtained to put in a new generator, and Facilities Management has been tasked with the implementation and has started the design process with an estimated completion date of July 2008.

Recommendation: The University should continue its efforts to implement and maintain environmental controls to ensure the safety of data center resources from environmental hazards.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this operational audit were to obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the University; the reliability of financial records and reports; and the safeguarding of assets. Specifically, we reviewed internal controls and administration of accounting records, cash and investments, capital assets, selected revenues and receivables, purchasing processes, selected expenditures and contractual arrangements, human resources and employee compensation, capital outlay and construction projects, non-Federal grants, and selected information technology controls for the fiscal year ended June 30, 2007.

This audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards.

PRIOR AUDIT FINDINGS

As part of our current audit, we determined that the University had taken corrective actions for findings included in our report Nos. 2006-036 and 2007-06, except as noted in finding Nos. 1, 2, 3, 4, 6, 9, 10, 12, 13, 14, and 15 of this report.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

The University's response is included as Appendix B of this report.

This audit was coordinated by Gregory K. Gonzalez, CPA, and supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468. The information technology portion of this audit was coordinated by Kathy Sellers, CISA, and supervised by Nancy M. Reeder, CPA, CISA. Please address inquiries regarding information technology findings included in this report to Jon Ingram, CPA, CISA, Audit Manager, via e-mail at joningram@aud.state.fl.us or by telephone at (850) 488-0840.

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APPENDIX A
FLORIDA INTERNATIONAL UNIVERSITY'S BOARD OF TRUSTEES

Members of the University's Board of Trustees who served during the 2006-07 fiscal year are listed below:

Board Member

David R. Parker, Chair
Albert E. Dotson, Sr., Vice-Chair from 6-28-07 (1)
Sergio Pino, Vice-Chair to 3-16-07 (1) (2)
Jorge Arrizurieta from 6-14-07 (3)
Betsy S. Atkins
Patricia Frost
Armando J. Guerra
Bruce Hauptli (4)
Marbely Hernandez from 5-01-07 (5)
Robert Kirkwood Landon
Alfonso Leon to 4-30-07 (5)
Miriam Lopez
Albert Maury from 5-23-07 (2)
Claudia Puig
Rosa Sugranes
Herbert A. Wertheim to 11-16-06 (3)

Notes: (1) Vice-Chair position remained vacant from March 17, 2007, through June 27, 2007.
(2) Position remained vacant from March 17, 2007, through May 22, 2007.
(3) Position remained vacant from November 17, 2006, through June 13, 2007.
(4) Faculty senate chair.
(5) Student body president.

**APPENDIX B
MANAGEMENT RESPONSE**



Florida International University

Office of the President

March 3, 2008

David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

The following is a statement of explanation concerning all of the findings, including actual and proposed corrective actions regarding Florida International University's preliminary and tentative findings and recommendations associated with the Florida International University Operational Audit for the fiscal year ended June 30, 2007.

Sincerely,

A handwritten signature in blue ink, appearing to read "Modesto A. Maidique".

Modesto A. Maidique
President

Finding No. 1: Parking and Citations Receivables**Recommendation:**

The University should ensure that the amount of parking citation receivables recorded in the Department's subsidiary receivable records is reconciled to receivables recorded in the general ledger. Also, sufficient identifying information should be obtained for all individuals issued citations and academic holds timely placed on the students' records for nonpayment of obligations.

Response:

The Department of Parking and Transportation has implemented a new reporting procedure in July 2007 that allows for better tracking of outstanding citations. We are now providing the Controller's Office with reports of the outstanding receivables to be reconciled with the general ledger.

For records that we do not have sufficient identifying information, we have entered into an agreement with the Department of Motor Vehicle to obtain the registered information and proceed accordingly.

The system currently used by the Department of Parking and Transportation relies on manual adjustments to administer holds on the student records. These holds only prevented students from receiving their diploma and transcripts. We will implement new procedures, starting in the summer 2008 semester that will interface with the student financials module to automatically update academic holds on the student records.

Final Implementation Date: April 2008.

Finding No. 2: Incomplete Property Records**Recommendation:**

The University should strengthen its procedures to ensure that the property records are complete and accurate. When University personnel cannot locate property items after a diligent effort, missing property reports should be filed with the appropriate law enforcement agency. Also, property transfer forms should be completed to document approval for property transfers.

Response:

We concur. Property Control currently requires that a Public Safety/Police Report be attached to the Report of Survey Form for all lost or stolen items, including unlocated assets.

Transfer Forms are required to be completed and submitted to Property Control for all responsibility transfers involving projects and departments. The Transfer Form has been modified to include authorization signatures from the Originating as well as the Receiving Department or Project. Also, when a Department requires Campus Services to make a physical location move, the job order is generated by Property Control and forwarded to Work Management who manages job orders for Campus Services; therefore, the Asset Management records are updated at that time. Furthermore, the Asset

Management System is updated when the annual physical inventory is performed by Property Control staff.

Final Implementation Date: Completed.

Finding No. 3: Improper Completion of Survey Forms

Recommendation:

The University should strengthen its procedures to ensure accurate completion of survey forms for property deletions.

Response:

We concur. Property Control currently requires that a Public Safety/Police Report be attached to the Report of Survey Form for all lost or stolen items, including unlocated assets or "inventory shortage"; as well as a brief memo indicating corrective action to be taken to prevent this from happening in the future. The cannibalization forms will continue to be required. Property Control will review all submitted forms to ensure they are complete and contain all required documentation.

Final Implementation Date: Completed.

Finding No. 4: Bonus Payments

Recommendation:

The University should ensure that bonus payments are made in accordance with applicable BOG regulations.

Response:

In regards to bonus payments for exemplary employee service, the following history provides background information providing for the inapplicability of Board of Governors rules as they relate to personnel matters:

At a Florida Board of Education meeting held on December 14, 2001, the Board approved the School Code Rewrite Workgroup's recommendations that included a university governance structure where boards of trustees would serve as "the employer of all university personnel with appropriate authority to establish personnel programs and collectively bargain at the local level..." At the first Board of Governors meeting on January 7, 2003, members adopted the Florida Board of Education Rules, but recognized that some of the rules might be in conflict with the resolution delegating and delineating powers of local Boards of Trustees, also up for approval at the meeting. Acknowledging this conflict, language was included in the rule adoption resolution that said "WHEREAS, the Board of Governors recognizes the need to revise the rules of the Board of Regents, while recognizing the need for continuity during this time of transition, and there not yet having been opportunity to revise existing rules." To further emphasize that personnel rules should not apply to universities, the resolution delineating BOT powers included language that "it is the intent of the Board of Governors that the university boards of trustees shall be the sole public employers with respect to all public employees of the respective state universities as provided in s. 447.203(2) and (10) F.S. for the

purpose of collective bargaining and no rule previously adopted by the Board of Governors shall contravene this intent or shall be in conflict with the boards of trustees adoption of rules in furtherance of the their responsibilities as public employers;...” Per the Board member’s explanation at the meeting, “this resolution reflected the Governor’s intent, as codified in the School code...” and that no rule already adopted should prevent Boards of Trustees from creating their own personnel policies. On June 14, 2004, the University’s Board of Trustees adopted a resolution that the Florida Board of Education rules adopted by the Board of Governors regarding personnel matters were no longer applicable because (1) the resolution to adopt the rules was only to maintain continuity during the time of transition and the transition period was complete and (2) it was the Governor’s intent to follow the School Code that gave boards of trustees the authority to establish personnel programs. Subsequently, on June 29, 2005, the Board of Trustees adopted its own personnel policies and procedures in accordance with the Powers and Duties Resolution. Bonuses paid were in line with the University’s policies.

Final Implementation Date: Completed.

Finding No. 5: Competitive Procurements

Recommendation:

The University should enhance its procedures to require the signatures of at least two employees responsible for bid openings, and to ensure documentation of the time and date bids are received from vendors. The University should also ensure that its purchasing procedures are consistent with BOG Regulations.

Response:

The findings within this recommendation reference a competitive solicitation tab sheet which is not required by either legislative cite or formal purchasing rule. Procedures have been enhanced to require that any two of the following: Assistant Director of Purchasing, Procurement Support Specialist and /or a Purchasing Coordinator must document attendance at all public openings.

All sealed competitive solicitation envelopes received are now retained in all competitive solicitation folders. These envelopes carry the formal date and time of receipt of all vendors’ submission of the competitive solicitation.

Once the newly revised BOG Regulations have been adopted and approved by that body, the University will take action to have the University BOT approve and adopt those regulations. The anticipated adoption date will be June 2008.

Final Implementation Date: June 2008.

Finding No. 6: Procurement of Services

Recommendation:

The University should ensure that signed written agreements or purchase orders are used to document the approval of purchases of services prior to the services being rendered.

Response:

As of November 2006, the Purchasing department no longer issues purchase orders when it is determined that the service being requested has already been rendered. The University is obligated to timely pay for services provided. The payment instead is requested utilizing the unencumbered payment process and the Accounts Payable department has begun requesting a signed agreement of services prior to processing payment for professional services. In addition, a university-wide communication will be sent out reminding all personnel that payments for Professional Services will require a prior Written Agreement for Services.

Final Implementation Date: As to the use of the required Written Agreement for Services – Completed. As to the university-wide communication the final implementation date is March 2008.

Finding No. 7: Purchasing Card Program**Recommendation:**

The University should ensure that purchasing card accounts of terminated employees are closed in a timely manner.

Response:

The Department of Human Resources/Payroll is developing an online electronic notification form generated from the ADP payroll system. The report will be generated at the end of each payroll cycle and then electronically forwarded to Purchasing; attention to the Pro Card Coordinator and will include all employees leaving the University during that pay period. Purchasing will then cancel the respective Pro Card privileges of those identified employees.

Final Implementation Date: March 2008.

Finding No. 8: Cell Phone Usage**Recommendation:**

The University should enhance its policies and procedures relating to cell phone usage by requiring employees to document which calls are business related and which are for personal use, and by requiring supervisory personnel to document independent reviews of cell phone bills to determine personal calls made and any needed reimbursements. In the absence of such procedures, the University should report appropriate amounts in income to the IRS in accordance with Federal requirements.

Response:

The University understands that United States Treasury Regulations require detailed records of personal and business usage of University provided cell phones. The University also understands that expenses incurred for personal usage should be calculated and either reimbursed by the employee or reported as taxable income.

The University's current cell phone policy indicates that University issued cell phones are for official university business only. Occasional personal usage of cell phones may happen and as such employees are required to reimburse the University for the cost of all personal calls made.

To address this issue, the University is in the process of analyzing and assessing going forward a stipend or allowance for cellular phones.

Final Implementation Date: August 2008.

Finding No. 9: Vehicle Logs

Recommendation:

University personnel should properly and completely maintain vehicle trip logs, and vehicle trip logs should include evidence of review by supervisory personnel.

Response:

The discrepancies on the vehicle trip logs are correct, but it is difficult to determine from the report which deficiencies are related to a specific department's vehicles. Vehicle Services collects all vehicle trip logs throughout the University Community for filing purposes, and notification is sent to University Department Managers when discrepancies are found, like the ones in this report. However, the responsibility of correcting the discrepancies lies solely on the department manager. Facilities Management does correct the discrepancies found in our departmental vehicles.

Additionally, the four instances where it appears that drivers that were on vacation made trip notations, is not accurate. Many of our work vehicles are assigned (on-paper) to lead mechanics. When these mechanics are on annual leave other mechanics use the vehicles. In some cases, as you found, it has been the practice of these mechanics to sign the log under the name of the mechanic that was issued the vehicle. This is a training issue and corrective measures are being taken immediately.

Facilities Management will contact all outside department heads and remind them of their obligations to sign off on vehicle trip logs.

Final Implementation Date: March 2008.

Finding No. 10: Monitoring of Vehicle Fuel Efficiency

Recommendation:

The University should continue its efforts to monitor the reasonableness of fuel consumption, but should 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.

Response:

The University has upgraded the fuel delivery system to a totally computerized system (AIM2), which was completed after the audit was conducted. The system is completely

automatic and is initiated when the fuel nozzle is inserted into the fuel neck of a vehicle. An electronic pickup at the neck initiates the reading of the vehicle ID number, odometer and department from the on-board vehicle computer. It calculates miles driven since last fuel fill and if this falls within a prescribed window allows fueling of the vehicle.

This system is installed on all cars, trucks and carts. It requires no input from the operator and is now fully operational. It is also being utilized to analyze fuel consumption and resolution of exceptions.

Final Implementation Date: Completed.

Finding No. 11: Fire Safety Inspections

Recommendation:

The University should ensure that fire safety deficiencies are timely corrected.

Response:

Of the 66 items identified by the State Auditor, 20 were corrected after the initial inspection; however, they recurred before the second inspection. Consequently, the State Fire Marshal recorded these conditions as “previously uncorrected”. Seventeen of these 20 recurring items resulted from activities of building occupants – such as the inappropriate use of extension cords and unsafe storage practices, which are not easy to monitor unless checking daily.

In order to improve oversight of these conditions, the University is evaluating the use of “building safety teams” comprised of representatives from the various departments in each building. The teams would be responsible to monitor Fire Safety Code compliance in their departments and common areas in their building. Increased oversight and monitoring will also include quarterly reports on outstanding violations to the Vice President of each division, and periodically to the FIU BOT Finance and Audit Committee.

Of the 46 remaining citations, 33 were uncorrected at the time the second citations were issued; however, the Facilities Management department had signed contracts in place for the work to be done as several of the conditions identified (such as painted sprinkler heads) were grouped and issued as a single contract. The Fire Safety Office has since verified that these 33 items have been addressed.

One location identified on the State Fire Marshal’s report does not exist. This is likely a typographical error. The status of the remaining 12 items is being actively managed. Ten of these items are scheduled for completion by June 30, 2008.

Going forward, the Fire Prevention Officer and the Associate Vice President of Risk Management & Environmental Health & Safety will meet each quarter with a newly established Facilities Management Fire Code Compliance Team, comprised of the Executive Director of Facilities Management and the senior level supervisors for Utilities, Preventive Maintenance, Construction and Minor Projects, and Operations. The Facilities Management Fire Code Compliance Team will track the status of all open

violations, related to building conditions, to assure that all violations are properly prioritized for corrective action. Quarterly Corrective Action Status (CAS) reports will be provided to the CFO & Senior Vice President of Business & Finance.

Final Implementation Date: September 2008.

Finding No. 12: University Level Governance of IT Resources

Recommendation:

The University should continue its efforts to develop and implement written policies and procedures addressing the above-noted areas of concern.

Response:

The University has made significant improvement in the area of security policies and procedures. Certain procedures have been approved or are awaiting final approval, which is expected to occur in June 2008. In addition, the University has implemented procedures to ensure that new PeopleSoft Web pages will be ADA compliant.

Final Implementation Date: June 2008.

Finding No. 13: Data Security of Enterprise Information Resources and Systems

Recommendation:

University management should strengthen controls surrounding its enterprise information resources and systems in the above-mentioned areas.

Response:

The Division of IT has official written policies and procedures for the following areas:

1. System Logging
2. Work Station Control and Security
3. User Identification and Authentication
4. Technical Management
5. Operating System Management
6. Network Control
7. Data Stewardship

These policies are still in the process of being developed and are expected to be completed in June 2008:

1. Physical Security Policy
2. Wireless Policy

Final Implementation Date: June 2008.

Finding No. 14: Timely Removal of Access for Terminated Employees**Recommendation:**

The University should continue its efforts to ensure that all terminated employees' access rights are timely revoked.

Response:

The University is in the process of creating a program that will automatically remove security access in PantherSoft Financials for all terminated employees. The program will read in a file provided nightly by the newly implemented ADP Human Resources system. This electronic file will contain the employee status for all employees. All those with a status of "T"=Terminated, "D"=Deceased, "R"=Retired will have their account locked and all the Roles for accessing the system deleted. This will ensure that the terminated employees will not have the ability to login into the system. The estimated completion of this new program is March 31, 2008. As an immediate measure, the University has developed a query that will be used daily to remove access for Terminated employees. This query is based on the same data provided by the newly implemented ADP Human Resources system.

Final Implementation Date: March 2008.

Finding No. 15: Environmental Safeguards of Data Center**Recommendation:**

The University should continue its efforts to implement and maintain environmental controls to ensure the safety of data center resources from environmental hazards.

Response:

The University has obtained funding and approval to install a new generator and Facilities management has been tasked with the implementation and has started the design process with an estimated completion date of July 2008.

Final Implementation Date: July 2008.