

**AGENDA**

**FINANCE/AUDIT COMMITTEE**

**UNIVERSITY OF SOUTHERN INDIANA  
BOARD OF TRUSTEES**

**March 7, 2013**

**1. REVIEW OF COMPLETED AUDIT AND APPROVAL OF THE ANNUAL AUDIT PLAN**

A summary of audits and other activities conducted by the Internal Audit Department during 2012 (Attachment A) will be reviewed and the proposed 2013 Annual Audit Plan (Attachment B) will be presented.

Approval of the proposed 2013 Annual Audit Plan in Attachment B is recommended.

**2. REPORT OF CONTRUCTION CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION**

The construction change orders approved by the vice president for Finance and Administration (Attachment C) will be reviewed.



## **UNIVERSITY OF SOUTHERN INDIANA**

### Internal Audit Report

Prepared by

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*Director of Internal Audit*

J. Robert Howell, CPA, CIA, CICA  
*Internal Audit Manager*

Report No. USIA12-1  
 January 24, 2012

## Audit Report Information Technology Equipment Management and Reporting

### Results at a Glance

| AREAS   | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| <b>Audit Objectives:</b>  |                               |                                   |                                      |   |
| Policies and Procedures   |                               |                                   |                                      |   |
| Computer equipment and software deployments are identified, recorded, and tracked |                               |                                   |                                      |   |
| Computer equipment disposals are properly authorized and recorded                 |                               |                                   |                                      |   |
| Confidential data is removed from computer hard drives prior to disposal          |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of USI Information Technology (IT) equipment management and reporting is presented below. We would like to thank Richard Toeniskoetter, Tim Lockridge, and Debbie Butler who contributed positively to our results.

#### Background Information

The value of most computer equipment and software falls below the University's capitalization threshold. As a result, these items are not tracked by accounting personnel as capital assets. However, from an IT management perspective, maintaining an inventory of computer equipment and software deployed across campus is beneficial for monitoring the age of the equipment, location, processing capability, equipment type, warranty information, and software installed. Historically, IT personnel have utilized Track-It software to record and maintain an inventory of computer equipment. As of the audit date, IT is transitioning to the use of Dell KACE, a systems management appliance for computer equipment inventory and tracking. The system will be used to inventory traditional personal computers and laptops that are connected to the University network, as well as the software installed on that equipment.

Computer equipment disposals are generally handled by IT personnel in conjunction with the purchase and installation of new equipment. IT personnel store used equipment and designate it as unassigned inventory until such time as a determination on whether or not disposal of the equipment is appropriate.

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This report is based on a review of IT equipment management processes. The audit approach consisted of interviewing IT management personnel, reviewing policies and procedures, and reviewing the capabilities of the KACE systems management application.

The **objectives** of the audit were to:

- Evaluate the adequacy of policies and procedures
- Verify that computer equipment and software are identified, recorded, and tracked
- Verify the computer equipment disposals are properly authorized and recorded
- Verify that confidential data is removed from computer hard drives prior to disposal

#### Conclusion

As of this report, the IT equipment management and reporting processes were still being transitioned from a manual, labor-intensive activity to a more automated process with the implementation of KACE. As a result, the conclusions and recommendations contained in this report focus on the development of policies and procedures to complement the new KACE application and to ensure that it is used to achieve management's objectives for computer equipment and software tracking. **Adequate controls and practices** exist in the area of **removal of confidential data from hard drives** of equipment disposed of through the IT department. Upon the full implementation of KACE **adequate controls and practices will exist** in the area of **equipment identification, recording, and tracking**. We noted opportunity for **minor improvement** in the area of **policies and procedures**.

Management will take or has taken the following actions:

- Documenting the policy and procedures for tracking IT computer equipment and software
- Documenting the disposal policy and procedures for IT computer equipment

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
Internal Audit Manager

Distribution: Tim Lockridge  
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Dr. Linda L. M. Bennett

Report No. USIA12-1  
January 24, 2012

## Information Technology Equipment Management and Reporting Audit Report

### Control Issues and Responses

#### Documenting the policy and procedures for tracking IT computer equipment and software

**Issue:** The IT department is in the process of implementing a new systems management appliance for computer equipment inventory and software tracking. The implementation is in the very early stages and IT management is developing processes and procedures, considering the types of equipment that will be inventoried, and identifying the personnel that will be responsible for creating and maintaining the equipment inventory and reviewing reports of software deployed across the network versus paid licenses.

**Risk:** The development of written policies and procedures for the computer equipment inventory and software will be critical to ensure that decisions made during implementation of the new tracking appliance are documented and carried out by the appropriate staff.

**Response:** Policies and procedures for tracking IT computer equipment and software will be documented by June 1, 2012. Policies and procedures will be developed to document the types of equipment that will be inventoried and why those items have been selected for tracking, as well as other types of equipment that may not be tracked (e.g. monitors not considered material enough to track). In addition, documentation will be developed regarding the personnel assigned the responsibility for various aspects of the computer equipment inventory, software analysis, and report review, including documentation of the procedures that must be completed based on the results of these activities.

#### Documenting the disposal policy and procedures for IT computer equipment

**Issue:** In conjunction with its implementation of the new systems management appliance for computer equipment inventory, IT management should develop disposal processes and procedures, define the personnel who may authorize disposals, and determine forms or documents that must be completed, and the retention period for those documents.

**Risk:** The development of written policies and procedures for the disposal of computer equipment and policies for the retention of evidence approving the disposal are critical to substantiate that equipment disposals are properly authorized.

**Response:** Policies and procedures for disposal of IT computer equipment will be documented by June 1, 2012. The policies and procedures shall include details regarding who may authorize computer equipment disposals and any forms or documents (and the associated retention period) that must be completed to demonstrate disposals were properly authorized.

Report No. USIA12-2  
 January 20, 2012

## Audit Report Historic New Harmony Cash Controls

### Results at a Glance

| Audit Objectives:                                     | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Cash received is properly accounted for and deposited |                               |                                   |                                      |   |
| Accountability for cash is established and maintained |                               |                                   |                                      |   |
| Physical facilities are adequate to safeguard cash    |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of Historic New Harmony (HNN) cash controls is presented below. We would like to thank MeLissa Williams, Christine Crews, and Connie Weinzapfel who contributed positively to our results.

#### Background Information

HNN personnel administer two operating cash funds in conjunction with offering tours and the sale of merchandise in the Atheneum. In addition, HNN personnel oversee an operating cash fund at the New Harmony Gallery of Contemporary Art. Two petty cash funds are also maintained (one for New Harmony operations and one for the art gallery) to cover incidental expenses for postage and other small supplies. Cash donations are also accepted in a donation box at the Atheneum.

This report is based on a review of the policies and procedures in place for handling cash in the various operational areas of HNN. The audit approach consisted of interviews with HNN operations, museum shop, and gallery personnel and reviewing policies and procedures for handling cash.

The **objectives** of the audit were to:

- Review cash controls in place to ensure that cash received is properly accounted for and deposited
- Determine whether controls are in place to establish and maintain accountability for cash
- Assess the adequacy of physical facilities to safeguard cash prior to deposit

Report No. USIA12-2  
January 20, 2012

### Conclusion

We noted opportunities for **minor improvement** in the **controls over accounting for and depositing cash receipts** and **controls over accountability for cash**. We noted opportunity for **moderate improvement** in the area of **physical facilities for safeguarding cash**.

Management will take or has taken the following actions:

- Reconciling tour headcounts to tour receipts
- Counting down the cash drawer when cashiers are changed during a shift
- Improving safeguards over cash donations
- Limiting petty cash access to the cash custodian and the director of HNH
- Installing security cameras in the cash handling areas of the Atheneum
- Documenting cash handling policies and procedures for the HNH operations office and art gallery

No additional action or response is required.

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Report No. USIA12-2  
January 20, 2012

## Historic New Harmony Cash Controls Audit Report

### Control Issues and Responses

#### Reconciling tour headcounts to tour receipts

**Issue:** Visitors to HNH who purchase a tour receive a receipt that is shown to the tour leader (interpreter) at the commencement of the tour. The New Harmony historical interpreters take a headcount of all persons participating in each tour conducted, but the headcount is not compared to the tour receipts sold for the day.

**Risk:** The lack of a reconciliation process increases the risk that tour income may not be recorded or deposited and may be diverted to personal use.

**Response:** A form has been created for the historical interpreters to record the number of tourists participating in each tour. Management will reconcile the number of tourists per the form with the number of tours sold per the daily sales report.

#### Counting down the cash drawer when cashiers are changed during a shift

**Issue:** Occasionally it is necessary for cashiers at the front desk and museum shop in the Atheneum to work a partial shift. Since multiple cashier drawers are not available, cashiers must work out of the same cash register drawer. Cashiers have individual logons for the register, but a count of the drawer is not taken when the change of cashiers occurs.

**Risk:** The failure to count down cash drawers when cashiers are changed makes it impossible to maintain accountability and assign responsibility for cash short or over issues at the end of the day.

**Response:** Atheneum cash drawers will be counted down when more than one cashier works a shift at the same register on the same day.

#### Improving safeguards over cash donations

**Issue:** A donation box stands in the open area of the visitor's center at the Atheneum. The donation portion of the box consists of a clear plastic top which sits, but is not securely attached, to a wooden base. Cash donations are visible and accessible during business hours by anyone that enters the Atheneum. Furthermore, the donations are routinely collected by a single individual at the end of each day with no compensating controls to ensure proper accounting of the cash.

**Risk:** The lack of a secure receptacle and dual custody for cash donations increase the risk that gifts will be stolen and that the loss would go undetected.

**Response:** The donation box has been removed. Any donations will be recorded on the point of sale system.

#### Limiting petty cash access to the cash custodian and the director of HNH

**Issue:** HNH operations maintains a petty cash fund to cover incidental expenses for postage and other small supplies. The administrative associate has custodial responsibility for the cash but current operating practice allows the administrative assistant to access the cash in the absence of the administrative associate.



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**Risk:** The ability of personnel other than the cash custodian to access the petty cash fund makes it difficult to establish full accountability for the funds and increases the risk of the misappropriation of funds.

**Response:** The petty cash box for the HNH operations office will be stored in a file cabinet that is kept locked and access to the petty cash box will be limited to the administrative associate and/or the director of HNH.

#### **Installing security cameras in the cash handling areas of the Atheneum**

**Issue:** The sales registers at the front desk and in the museum shop at the Atheneum are not monitored by security cameras. As of the date of this report, HNH management was awaiting the installation of security cameras; however, it had not yet been completed.

**Risk:** The lack of security cameras for monitoring the transactions taking place at the sales registers increases the risk that a misappropriation of cash funds may go undetected.

**Response:** As of early March 2012, the security camera installation has been postponed pending a potential redesign of the Atheneum front-desk area and museum shop. Placement of the cameras will be contingent upon the final concept plan, which is scheduled for completion by April 5, 2012. Installation of the cameras will need to be coordinated with any interior redesign activities.

#### **Documenting cash handling policies and procedures for the HNH operations office and art gallery**

**Issue:** Policies and procedures for handling petty cash and cash from art gallery sales at the HNH operations office and New Harmony Gallery of Contemporary Art have not been documented in writing.

**Risk:** The lack of written cash handling procedures increases the risk that cash transactions will not be accounted for properly, procedures may not be consistent among individuals with cash handling responsibilities, and institutional knowledge may be lost with employee turnover.

**Response:** Cash handling policies and procedures have been documented for HNH operations and the New Harmony gallery as of March 3, 2012.

Report No. USIA12-3  
 February 3, 2012

## Audit Report Historic New Harmony Key Box Controls

### Results at a Glance

| Audit Objectives:                                   | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Evaluate key box policies and procedures            |                               |                                   |                                      |   |
| Review physical security over keys in the key boxes |                               |                                   |                                      |   |
| Review key check-out and return tracking            |                               |                                   |                                      |   |
| Review key box inventory management                 |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of Historic New Harmony (HNN) key box controls is presented below. We would like to thank Christine Crews, John Busch, Frank Nagy, and Connie Weinzapfel who contributed positively to our results.

#### Background Information

The HNN operations office maintains a key box that contains numerous facility, utility, cabinet, and exhibit case keys that may be checked out for short-term use by HNN personnel or qualified service providers or which are intended as a backup in the event that keys in circulation are lost. A list of keys is maintained by HNN operations staff and by the University locksmith. A key control log is maintained by the HNN key box custodian to record the check-out and return of keys when access to a facility is needed.

The HNN maintenance department also maintains a key box that contains keys for a variety of facilities and equipment under the control of HNN. Access to these keys is controlled by the lead maintenance mechanic and the senior maintenance mechanic. Issuance of these keys is limited to the maintenance and custodial staff.

Internal Audit was asked to review the key box policies, procedures, and inventory after a HNN facilities sub-master key was found on a table in a residence life recreational facility on the University campus. This key was not recorded as having been checked out and had not been discovered as missing by HNN personnel.

Report No. USIA12-3  
February 3, 2012

This report is based on a review of the policies and procedures in place for securing, handling, and tracking keys housed in the HNH operations key box and the HNH maintenance department key box. The audit approach consisted of interviews with HNH operations and maintenance personnel, a review of key box policies and procedures, and the performance of an inventory of keys located in the key boxes.

The **objectives** of the audit were to:

- Evaluate the adequacy of HNH key box policies and procedures
- Review physical security over keys stored in the HNH key boxes
- Review check-out and return tracking of keys stored in the HNH key boxes
- Review key box inventory management

#### Conclusion

In general, the results of our audit procedures indicate that **adequate controls and practices** exist with respect to the management of keys stored in **the HNH maintenance department** key box, while key box controls in the **HNH operations office** present **opportunities for improvement**. Specifically, we noted opportunities for **moderate improvement** in the areas of **key box policies and procedures** and **key check-out and return tracking**. Opportunities for **significant improvement** exist in the areas of **physical security over the key box** and **key box inventory management**.

Management will take or has taken the following actions:

- Improving key box physical access controls and key check-out and return tracking
- Tracking frequently issued keys on separate key control logs
- Maintaining a complete and up-to-date key inventory
- Documenting a key box management policy and procedure

No additional action or response is required.

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Report No. USIA12-3  
February 3, 2012

## Historic New Harmony Key Box Controls Audit Report

### Control Issues and Responses

#### Improving key box physical access controls and key check-out and return tracking

**Issue:** The HNH operations office maintains a key box that contains numerous facility, utility, cabinet, and exhibit case keys. The key box is located in a rarely accessed area of the building, but is not kept locked.

**Risk:** The lack of adequate physical access controls over the key box increases the risk that keys are removed without the knowledge of the key custodian, unauthorized personnel gain access to and misappropriate university assets, and unreturned or missing keys go undetected.

**Response:** As of February 3, 2012, the key to the key box is located in the office of the administrative associate (AA) in a locked file cabinet. Only the AA and the director of HNH have access to this file cabinet. The key check-out and return log is also located in the office of the AA. All key check-out and returns will be documented in the key control log. The key custodian will record the key number, date of issuance, the name of the person the key is issued to, the name and signature (or initials) of the person issuing the key (custodian), and the return date with the custodian's initials. Signatures of persons to whom keys are issued will be obtained at the time of issuance. However, signatures for guest house occupants and lessees of HNH facilities will not be required due to logistical matters unique to those parties and the availability of other documentation (e.g. lease agreements) to support the receipt of keys.

#### Tracking frequently issued keys on separate key control logs

**Issue:** Some HNH facilities (e.g. guest house) involve the use and issuance of multiple copies of the key. In the ordinary course of business, these facilities require frequent check-out and return of keys and are more likely to experience instances of keys not being returned timely.

**Risk:** When commingled with other key log entries, it can become difficult to monitor the status or holder of these keys, increasing the risk that unreturned or missing keys are not detected in a timely manner.

**Response:** As of February 3, 2012, a separate log sheet is being maintained for the guest house key, which is the most frequently issued key.

#### Maintaining a complete and up-to-date key inventory

**Issue:** An inventory conducted by Internal Audit on Friday, February 3, 2012, revealed that numerous keys in the HNH operations office key box are either obsolete or not clearly identified. Additionally, a number of keys that are listed by the USI locksmith as being in the key box were not present and others not listed by the locksmith were in the key box.

**Risk:** An outdated or incomplete key inventory increases the risk that obsolete keys needlessly clutter the box and that unauthorized removal of keys is not detected in a timely manner.

**Response:** An up-to-date key inventory will be completed by April 5, 2012. The inventory will include identification of the key mark (or key number) and a description of what it opens (to the extent this information is known) for all keys stored in the key box, removal and destruction of obsolete keys, updating HNH key records based on the inventory, and reconciling HNH key records for building/facility keys with the USI

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February 3, 2012

locksmith records. In addition, the key custodian will perform periodic inventories (at least once per year) and reconcile each inventory of building/facility keys with HNH and USI locksmith records.

**Documenting a key box management policy and procedure**

**Issue:** Although the HNH key box custodian maintains a key check-out log, a key box management policy and procedure document does not exist.

**Risk:** The lack of a documented key management policy and procedure increases the risk that day to day practice will be inconsistent, essential key management controls are not followed, and institutional knowledge will be lost with employee turnover.

**Response:** A key box management policy and procedure will be documented by March 23, 2012.

Report No. USIA12-4  
 April 2, 2012

## Audit Report Bookstore Shipping and Receiving

### Results at a Glance

| Audit Objectives:  | RISK MITIGATION               |                                   |                                      |   |
|--|-------------------------------|-----------------------------------|--------------------------------------|---|
|  | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Review the adequacy of controls over textbook purchases, receiving, and maintenance of perpetual inventory records                                   |                               |                                   |                                      |   |
| Review the adequacy of controls over textbook shipments (returns), maintenance of perpetual inventory records, and monitoring for receipt of credits |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of USI Bookstore shipping and receiving is presented below. We would like to thank Mike Goelzhauser, Cheryl Grant, and other bookstore personnel who contributed positively to our results.

#### Background Information

While the USI Bookstore offers a variety of merchandise, including apparel, school supplies, and gift items, textbooks and course materials represent the most significant components of the bookstore's business. According to a 2011 report issued by Campus Bookstore Consulting, textbooks and course materials comprised approximately 88% (over \$4.9 million) of the USI Bookstore's adjusted sales during the 2011 fiscal year. Furthermore, these items typically represent upwards of 75% (over \$1 million) of the inventory on hand during the annual physical inventory conducted in March of each year.

Internal Audit has traditionally participated in and observed the accuracy of the annual physical inventory counts performed by bookstore personnel. While overall variances between the physical count and the perpetual inventory records have consistently been within industry standards, in some years shortages for one or two titles have been greater than what might be expected from shrinkage due to typical loss or theft. Having established the accuracy of the physical inventory counts and considering the implications of shipping and receiving controls on physical inventories, Internal Audit performed a review of textbook shipping and receiving processes and procedures.

This report is based on a review of the bookstore's procedures for the purchase, receipt, and inventory of textbooks, payment of publishers for textbooks and the procedures for returning textbooks and obtaining credit from publishers. The audit approach consisted of interviews with bookstore management and shipping/receiving personnel and walkthroughs of the receiving and shipping procedures conducted with bookstore staff.

Report No. USIA12-4  
April 2, 2012

The **objectives** of the audit were to:

- Assess the adequacy of controls over textbook purchases, receiving, and additions to perpetual inventory records
- Review the adequacy of controls over textbook shipments (returns), reductions in perpetual inventory records, and monitoring for receipt of credits

#### Conclusion

In general, the results of our audit procedures indicate that **adequate controls and practices** exist with respect to **textbook purchases, receiving, and additions to perpetual inventory records**, while **opportunities for minor improvement** exist with respect to controls over **textbook shipments (returns), reductions in perpetual inventory records, and monitoring for receipt of credits**.

Management will take or has taken the following actions:

- Processing whole-box textbook returns according to standard return procedures

No additional action or response is required.

Bradley V. Will  
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Report No. USIA12-4  
April 2, 2012

## **Bookstore Shipping and Receiving Audit Report**

### **Control Issues and Responses**

#### **Processing whole-box textbook returns according to standard return procedures**

**Issue:** During the annual physical inventory count, bookstore personnel identified a 48-book (\$7,300) shortage between the perpetual inventory records and the physical quantity on hand for one textbook title. The shortage resulted because whole-box returns were processed differently than standard return procedures, specifically without the items being included on a “pick list”.

**Risk:** Processing whole-box returns differently than standard returns increases the risk that books could be shipped to the publisher without the creation of a chargeback and result in unnecessary write-offs.

**Response:** Effective March 20, 2012, bookstore shipping personnel will process whole-box returns following the procedures used for other textbook returns. A “pick list” will be created by the senior bookstore administrator (SBA) and will be used by shipping personnel to create the shipment and verify book counts. Following verification, the pick list will be returned to the SBA to complete and post the chargeback.



Report No. USIA12-5  
 May 7, 2012

## Audit Report Construction Project Management

### Results at a Glance

| Audit Objectives:   | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Verify construction projects are approved, planned, budgeted, competitively bid, and properly contracted        |                               |                                   |                                      |   |
| Obtain reasonable assurance that construction projects are properly managed                                     |                               |                                   |                                      |   |
| Obtain reasonable assurance that change orders are authorized and construction projects are properly closed-out |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of USI construction management is presented below. We would like to thank Steve Helfrich, Fred Kalvelage, Gary Burgdorf, Debbie Weigand, and other Facility Operations department and Procurement department personnel who contributed positively to our results.

#### Background Information

Over the last several years, the University has completed a number of significant construction projects to meet the academic and programming demands of the growing student population. Two such projects, the Business and Engineering Center and the University Center Expansion were completed in the fall of 2010 and late spring of 2011, respectively. Currently the University is in the early stages of construction of the Applied Engineering Center and anticipates the start of construction of the Teaching Theatre in the fall of 2012.

Given the scope and materiality of these projects, a strong control environment is critical to ensure that the projects are managed on time, within budget, and constructed according to the building specifications. Internal Audit performed a review of the construction management activities associated with the Business and Engineering Center and the University Center Expansion. While these two projects have been complete for some time, the timing of the review is relevant in that any control findings can be addressed and corrected for the projects currently underway or which are nearing the end of the design phase.

This report is based on a review of the activities associated with the construction of the Business and Engineering Center and the University Center Expansion. The audit approach consisted of interviews with Facility Operations personnel and Procurement personnel, review of project approvals, budgets, bid documents, contracts, proof of insurance, and bonding, review of construction observation and testing reports,

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May 7, 2012

evaluation of a sample of contractor applications for payment, including retainage calculations and escrow accounts, review of a sample of approved change orders, and verification of punch lists.

The **objectives** of the audit were to:

- Verify construction projects are properly approved, appropriately planned and budgeted, competitively bid, and properly contracted
- Obtain reasonable assurance that construction projects are properly managed to ensure quality of materials and workmanship and completion within owner timeframes
- Obtain reasonable assurance that change orders are reviewed and authorized and construction projects are properly closed-out

#### Conclusion

In general, the results of our audit procedures indicate that **adequate controls and practices** exist with respect to **approval, planning, budgeting, bidding, and contracting, as well as construction quality management**, while **opportunities for minor improvement** exist with respect to controls over **change order review and authorization**.

Management will take or has taken the following actions:

- Documenting construction observations performed by construction managers
- Requiring contractors to adhere to contractual change order pricing guidelines
- Obtaining confirmation from the architect that all punch list items (i.e. final construction tasks) have been satisfactorily completed

No additional action or response is required.

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Report No. USIA12-5  
May 7, 2012

## Construction Project Management Audit Report

### Control Issues and Responses

#### Documenting construction observations performed by construction managers

**Issue:** Based on discussions with construction management personnel and review of project documentation for the Business and Engineering Center and the University Center expansion, construction observation reports were not consistently prepared throughout the projects' construction schedule. According to the construction managers, the lack of consistent reporting was due to managing multiple projects and an unexpected leave of absence during one of the projects.

**Risk:** Lack of consistent documentation of construction observations may put the University at a disadvantage in the event of a dispute with contractors over materials or workmanship and could make turnover/takeover activities more difficult when project oversight responsibilities must be transitioned between project managers.

**Response:** On May 30, 2012, Facility Operations administrative staff met to discuss and review guidelines, developed by the Director of Facility Operations and Planning, for the frequency of construction observation reports. As a result of the meeting, the construction project managers immediately began following the new guidelines, which establish the frequency of both written reports and photographic documentation for construction projects based on the estimated cost of the project. Facility Operations administrative staff also established a common storage location and directory structure on the network for saving documentation related to construction projects.

#### Requiring contractors to adhere to contractual change order pricing guidelines

**Issue:** Based on reviews of approved change orders for the Business and Engineering Center and the University Center expansion, some contractors did not submit change orders with the level of detailed pricing required by Exhibit B to the Owner-Contractor contract. In addition, it appears that some contractors may have assessed profit and overhead rates in excess of the rates allowed according to Exhibit B.

**Risk:** The University may incur higher costs on change orders because those that lack detailed pricing information are more difficult for construction managers to evaluate and, if not monitored, profit and overhead rates can be applied in such a way as to create an effective rate in excess of the contractual rate.

**Response:** Construction management personnel will ensure that architects, engineers, and contractors are informed of the change order pricing guidelines for all future projects, beginning with two projects currently underway: the University Center Loft renovation and the University Center Bookstore renovation. Furthermore, the Supplementary Conditions to the American Institute of Architects (AIA) "General Conditions of the Contract for Construction" and contract modification procedures have been updated to remove ambiguities related to the pricing of change orders. Finally, Facility Operations personnel have developed an Excel spreadsheet to aid contractors in providing the required details for change order pricing.

#### Obtaining confirmation from the architect that all punch list items (i.e. final construction tasks) have been satisfactorily completed

**Issue:** Based on discussions with construction management personnel, the University does not receive a formal confirmation or certification from the contractors or architect indicating that all (or substantially all) punch list items have been completed.

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May 7, 2012

**Risk:** The lack of formal confirmation that punch list items have been properly addressed increases the risk that outstanding items may go undetected and remain incomplete.

**Response:** Facility Operations and Planning will draft a provision, to be included in the owner-architect contract and the owner-engineer contract, requiring the architect and engineer to provide written certification that all punch list items are satisfactorily completed. Other pertinent certifications from the architect and engineer will also be considered, such as submission of as-built drawings, waiver of liens, delivery of shop drawing files and spare materials, delivery of written warranties as required in the project manual, and training of owner personnel on equipment and systems as required in the project manual. Contract provisions will be completed and reviewed by legal counsel on or before July 30, 2012.

Report No. USIA12-6  
May 18, 2012

## **Audit Report Child Protection Policies Risk Assessment**

### Introduction

Our report of the risk assessment review of USI child protection policies is presented below. We would like to thank Ginger Ramsden, Amanda Wheaton-Collins, and Phyllis Oeth who contributed positively to our results.

### Background Information

As a result of allegations of child sexual abuse at Penn State and Syracuse University and charges that officials at those institutions failed to report suspected abuse to the authorities, universities across the country are evaluating their policies and procedures regarding interactions with children. The focus is on the development or strengthening of policies to protect the safety and well-being of children who are participating in university-sponsored programs, regardless of location, or third-party programs held at university facilities.

As part of its mission to evaluate risk management and governance processes, Internal Audit performed a review of policies and procedures associated with USI-sponsored children's programs and third-party programs held at University facilities. The approach consisted of interviews with Outreach and Engagement personnel, Children's Learning Center personnel, and Special Events and Scheduling Services. Internal Audit reviewed the Employee Handbook for the inclusion of policies specific to the protection of children participating in the aforementioned programs, as well as policies related to responsibilities for reporting evidence of child abuse to the appropriate authorities.

The **objectives** of the review were to:

- Identify the types of children's programs offered and the parties responsible for administering such programs
- Assess the existence and adequacy of child protection and abuse reporting policies
- Assess the adequacy of child protection provisions in contracts with third-parties who conduct children's programs in University facilities or on University property

USI sponsors a number of programs geared towards children:

- The University operates a child care/pre-school at the USI Children's Learning Center
- Kindergarten Camp and Summer Enrichment Camp are administered by the Children's Learning Center
- Super Summer classes for children are offered through the Division of Outreach and Engagement
- The Pott College of Science, Engineering, & Education hosts the Girls-Only Science, Technology, Engineering, and Mathematics (GO STEM) summer camp

The University also enters into facility rental agreements with third-parties who use university facilities to conduct athletic and career camps geared towards minors.

Report No. USIA12-6  
May 18, 2012

### Conclusion

The results of our review indicate that the University **does not have a comprehensive, University-wide policy for the protection and safety of children** participating in University-sponsored programs or third-party sponsored programs occurring at University facilities.

Internal Audit recommends that the administration, with guidance from legal counsel, develop a comprehensive policy and submit such policy to the Board of Trustees for review and approval. Concepts that should be considered for the policy include:

- A statement regarding the University's commitment to protecting the safety and well-being of children who participate in University-sponsored programs and activities conducted by third parties on University premises, including but not limited to:
  - Daycare/Preschool
  - Academic enrichment programs
  - Career camps
  - Athletic camps
- Requirement for University personnel working with children to report inappropriate conduct or child abuse, whether suspected, observed, or reported to them
- Supervision requirements for children participating in programs covered by the policy:
  - Two or more authorized adult supervisors at all times
  - Prohibition of unsupervised one-on-one contact
  - Separate accommodations for adults and children
- Requirement for annual background checks of employees and volunteers who routinely work with children
- When background checks are not practical:
  - Require program administrators to compare the list of names and addresses of volunteers to the sex offender registry prior to the program
  - Require that volunteers work with children in public places supervised by a background checked person
- Training requirements, including frequency of training, for employees and volunteers regarding the child protection policy and responsibilities for reporting abuse
- Terms and conditions of contractual agreements with third-parties concerning use of University facilities for programs involving children must include a requirement that the third-party comply with the policy
- A statement regarding who is responsible for ensuring compliance with the policy (e.g. academic and administrative supervisors)
- A statement addressing to whom the policy shall apply:
  - All employees of the University and individuals and entities with contractual relationships with the University
  - All students who interact with children as part of their work-related duties or academic program
  - Vendors or guests on University premises

Report No. USIA12-6  
May 18, 2012

Following Board of Trustee approval, the policy should be disseminated to all employees in order to create awareness throughout the campus community.

Management will take or has taken the following actions:

- On July 17, 2012, a group of individuals representing a variety of areas across the University, including the athletics department, Children's Learning Center, faculty, human resources, risk management, and special events and scheduling services, was assembled at the request of the Provost to form a committee that has been charged with the development of a University-wide policy for the protection and safety of children. The committee has expanded to include representation from public safety and housing and has established a goal to have a draft policy by the end of the fall 2012 semester.

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
Internal Audit Manager

Distribution: Amanda Wheaton-Collins  
Mark Rozewski  
Dr. Ronald Rochon  
Dr. Linda L. M. Bennett

Report No. USIA12-7  
 July 10, 2012

## Audit Report Facility Operations Storeroom Inventory Controls

### Results at a Glance

| Audit Objectives:  | RISK MITIGATION               |                                   |                                      |   |
|--|-------------------------------|-----------------------------------|--------------------------------------|---|
|  | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Controls over inventory receiving, disbursing, and adjustments are effective and functioning as designed |                               |                                   |                                      |   |
| Physical access to the storeroom is restricted and secured   |                               |                                   |                                      |   |

### Introduction

Our report of the internal audit of Facility Operations storeroom inventory controls is presented below. We would like to thank Keith Royster and Marsha Salee who contributed positively to our results.

### Background Information

USI Facility Operations & Planning is responsible for the day-to-day operation of campus facilities and grounds, including repair and maintenance of facilities and equipment, custodial services, and upkeep of grounds. Facility Operations maintains a storeroom stocked with inventory of equipment, tools, materials, parts, and supplies which are frequently used or which are required to be on hand for emergency repairs. The quantity and cost of the inventory on hand is recorded and tracked in a perpetual inventory system.

This was the second annual audit of storeroom inventory management. The previous audit was performed and reported on in July 2011, at which time Internal Audit noted opportunity for moderate improvement with respect to controls over inventory receiving, disbursing, and adjustments and opportunity for minor improvement with respect to storeroom physical security.

The **objectives** of the audit were to:

- Verify controls over inventory receiving, disbursing, and adjustments are effective and functioning as designed
- Verify physical access to the storeroom is restricted and secured



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July 10, 2012

This report is based on verification of inventory reported on the perpetual inventory system and review of physical access controls to the parts and supplies inventory. The audit approach consisted of reviewing policies and procedures for inventory management, verification of quantity on hand and unit price for a sample of items reflected in the perpetual inventory system as of May 30, 2012, observation of parts/supplies storage locations, and a review of personnel with traditional key or card key access to the inventory storage facilities.

Conclusion

We noted **adequate controls and practices** with respect to **storeroom inventory issuance and tracking** and **storeroom physical security**.

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
Internal Audit Manager

Distribution: Marsha Salee  
Miles Mann  
Steve Helfrich  
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Dr. Linda L. M. Bennett

Report No. USIA12-8  
 August 30, 2012

## Audit Report Employment, Payroll, and Benefits

### Results at a Glance

| Audit Objectives:  | <i>RISK MITIGATION</i>        |                                   |                                      |   |
|--|-------------------------------|-----------------------------------|--------------------------------------|---|
|  | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| New hires, terminations, and other employee-related changes are accurately processed on the human resources and payroll system                               |                               |                                   |                                      |   |
| Employment eligibility verification processes comply with federal requirements and Banner I-9 data is reliable   |                               |                                   |                                      |   |
| Benefit elections, tax filing status, withholding allowances, and payroll direct deposit data are authorized and recorded accurately in the payroll system   |                               |                                   |                                      |   |
| Pay rate changes are properly authorized and processed accurately  |                               |                                   |                                      |   |
| Payroll hours are reported accurately and employees are properly compensated   |                               |                                   |                                      |   |
| Payroll transfers are authorized, checks are properly secured, deposits are made to the appropriate accounts, and taxes are properly calculated and remitted |                               |                                   |                                      |   |
| Benefit invoices are reconciled to participant data in the human resources system  |                               |                                   |                                      |   |
| Access to the human resources module in Banner is properly restricted  |                               |                                   |                                      |   |

Report No. USIA12-8  
August 30, 2012

### Introduction

Our report of the internal audit of USI employment, payroll, and benefits is presented below. We would like to thank Cindi Clayton-Schnitker, Donna Evinger, Dianne Herrmann, Ingrid Lindy, Brandy Smith, and other Human Resources (HR) personnel who contributed positively to our results.

### Background Information

The HR department supports the University of Southern Indiana in maintaining a fully-staffed workforce, adhering to employment laws, designing and administering employee benefits, and processing payroll. To accomplish these objectives, HR is organized by functional responsibilities including: administration; employee relations; immigration; compensation; job analysis and job design; employment; employee benefits; payroll; and HR information systems.

The University employs approximately 1,000 full-time employees and 1,500 part-time and student employees. Salaries and benefits expenses comprise nearly 55% of the University's total annual operating expenses. Given the complexities associated with the employment, benefits, and payroll functions, as well as the materiality of salaries and benefits expense, a strong system of internal controls is critical to ensure that employment records, employee benefits, and payroll are processed timely and accurately. Internal Audit performed a review of controls associated with adding/removing employees to/from the human resources and payroll system, commencement and termination of employee benefits, and payroll processing.

This report is based on a review of the processes and procedures for setting up and maintaining employee data in the human resources and payroll system, producing payroll, and administering and reconciling employee benefit elections, withholdings, and remittances. The audit approach consisted of interviews with human resources management; a review of employee files, payroll information, and benefit elections for a sample of 60 employees, including administrators, faculty, support staff, and student employees; a review of the accounting entries, monetary transfers, and benefit liability reconciliations for a sample of six payroll periods from January through May 2012; a review of Banner data related to I-9 compliance; and a review of user access to the Banner HR module.

The **objectives** of the audit were to obtain reasonable assurance that:

- New hires, terminations, and other employee-related changes are accurately processed on the human resources and payroll system
- Employment eligibility verification processes comply with federal requirements and Banner I-9 data is reliable
- Benefit elections, tax filing status, withholding allowances, and payroll direct deposit data are authorized and recorded accurately in the payroll system
- Pay rate changes are properly authorized and processed accurately
- Payroll hours are reported accurately and employees are properly compensated
- Payroll transfers are authorized, checks are properly secured and distributed, deposits are made to the appropriate employee and benefit vendor accounts, and taxes are properly calculated and remitted timely
- Benefit invoices are reconciled to participant data in the human resources system
- Access to the HR module in Banner is properly restricted

### Conclusion

In general, the results of our audit procedures indicate **opportunity for improvement** with respect to each of the audit objectives evaluated. Specifically, **opportunities for moderate improvement** exist with respect to **employment verification and reliability of Banner I-9 data, processing pay rate changes, and reconciling benefit invoices** to participant data in the human resources system. Internal audit noted **opportunities for minor improvement** with respect to **adding/removing new/terminated employees; processing employee**

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**related changes, benefit elections, tax withholding allowances, and payroll direct deposit elections; reporting payroll hours; processing payroll transfers, payroll checks, and remittance of withholdings to the appropriate vendor or agency; and user access to the Banner HR module.**

Management will take or has taken the following actions:

- Reviewing new employee setup and terminated employee processes, checklists, and assignment of input and verification responsibilities
- Comparing electronically submitted annual salary worksheets to the final management-approved salary schedules or eliminating dual submission
- Formalizing the verification of salary data entered from salary worksheets
- Reviewing I-9 files and documentation, comparing Banner data to employment verification documents, and ensuring employment verification is completed within required timeframes
- Reporting course and section cancellations received by the Registrar's Office to payroll personnel
- Utilizing technology solutions to increase efficiency of payroll processing
- Consider transitioning the monthly payroll schedule to a bi-weekly payroll schedule
- Removing payroll check custodial responsibilities from payroll personnel
- Automating the reconciliation of certain benefit enrollments and payroll withholding

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
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Distribution: Cindi Clayton-Schnitker  
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## **Employment, Payroll, and Benefits Audit Report**

### **Control Issues and Responses**

#### **Reviewing new employee setup and terminated employee processes, checklists, and assignment of input and verification responsibilities**

**Issue:** A review of a sample of personnel files revealed inconsistencies in the practices associated with setting up new employees and processing terminated employees. New employee checklists and terminated employee checklists were not consistently initialed by personnel performing the data entry and/or by personnel performing verification of the data entered. In some instances, verification was performed by multiple personnel, while in other cases there is no evidence that independent verification was performed.

**Risk:** Lack of consistent processing may be a symptom of checklists that are no longer meaningful to certain aspects of the process. The lack of consistency may lead to unidentified errors, inefficient processing, and duplication of effort.

**Response:** The HR management team agrees with the need to update the new hire and termination checklists to reflect current processes and to update the processes as well to ensure sufficient (but not excessive) review of work. An assigned manager will create draft updates of the checklists and a draft process flow outline. These drafts will be evaluated by the HR administrators in a group meeting, and both forms and processes will be modified as needed. Prior to implementation, the HR staff meeting will include a review of the new forms and the need for quality in data entry and consistency in the review process and sign off. The new forms and process will then be initially implemented on or before March 31, 2013.

#### **Comparing electronically submitted annual salary worksheets to the final management-approved salary schedules or eliminating dual submission**

**Issue:** University-wide salary adjustments are processed annually in July when funding allows. Financial managers submit proposed raises for their staff via soft-copy spreadsheets and also submit a hard-copy spreadsheet signed by the financial manager and the appropriate vice president. HR personnel use the electronic submission to enter pay rates for the new fiscal year. Although the Human Resources Information Systems Manager (HRISM) compares the total salary pool used on the electronic spreadsheet to the hard-copy version, there is currently no comprehensive comparison of the pay rates between spreadsheets for each person.

**Risk:** The lack of a comparison of individual rates increases the risk that differences between the electronic and hard-copy spreadsheets go undetected and incorrect pay rates are used.

**Response:** The HRIS manager will investigate the following procedural change options and based on findings, submit a process change recommendation by February 28, 2013, for implementation by March 31, 2013:

- 1) Line by line comparison of electronic spreadsheet to hard (paper) copy spreadsheet
  - a. Comparison made by HRISM and additional HR staff member
  - b. Comparison made at the VP/Provost level, with administrative associate as responsible person
- 2) Change process to submit only electronic copy, with electronic signatures

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### **Formalizing the verification of salary data entered from salary worksheets**

**Issue:** Financial managers submit proposed raises for their staff via soft-copy spreadsheets and also submit a hard-copy spreadsheet signed by the financial manager and the appropriate vice president. HR personnel use the electronic submission to enter pay rates for the new fiscal year. HR standard procedure includes independent verification of the pay rates entered into the HR/payroll system. However, the worksheets used for data entry and verification of fiscal year 2011 compensation changes could not be located. Furthermore, salary worksheets do not include a place for the data entry person and the person performing verification to initial indicating the completion of their particular step.

**Risk:** The lack of formal signoff requirements for the data entry and verification of salary data increases the risk that verification steps are either performed multiple times or not at all and makes it difficult to hold personnel accountable for the accuracy of their work.

**Response:** The HRISM will add two columns to the data entry spreadsheet and instruct data entry staff to use first column to record the initials and date of the employee entering the data and use the second column to record the initials and date of the employee who is data checking. Forms will be retained in the annual salary process file rather than individual personnel files. This process change will be implemented with the next round of salary increases.

### **Reviewing I-9 files and documentation, comparing Banner data to employment verification documents, and ensuring employment verification is completed within required timeframes**

**Issue:** Internal Audit reviewed the I-9 forms, employment eligibility documentation, and I-9 Banner system information for the sample of employees selected for payroll audit testing (approximately 60 employees). The results of the review indicate the following:

- Inconsistent filing practices – copies of documents presented for verification were sometimes filed with the I-9 form and sometimes filed in the employee's personnel file
- Missing or misfiled I-9 forms
- Inaccurate information in the I-9 section of Banner (e.g. Banner indicates a temporary document was obtained and/or has expired although permanent documentation was subsequently received)
- Failure to complete verification within three business days

**Risk:** The issues noted above increase the risk that the University could incur financial penalties for failure to comply with the Immigration Reform and Control Act of 1986.

**Response:** HR is currently seeking a legal opinion regarding whether to conduct an audit of I-9 forms for all current employees since immigration attorneys in the past have advised against them. We will make a decision about whether or not to perform such an audit by March 31, 2013.

HR believes copies of documents used for verification have been filed consistently with the I-9 forms since E-verify was implemented (June 26, 2011). By March 31, 2013, we will establish a project plan for identifying and correctly filing any supporting documents that are in personnel files from pre-June 2011.

Upon investigation by HR personnel of the issues noted in the audit, one I-9 form (from 1999) was actually missing, and one was misfiled in the personnel file. We have moved the misfiled form. We are seeking an attorney opinion by January 31, 2013, on the next step regarding the missing I-9 form.

All entries that were not marked as "received" in Banner at the time of the internal audit have been updated. In this group, no documents were actually outstanding; all errors were data entry only. Employment staff and reviewing generalists have been reminded about this process so that future updates are completed timely. In addition, we have implemented a new Banner report to check for I-9 status entries other than "received". The

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employment HR generalist now checks this report monthly and ensures that a staff member follows up with the employee regarding his or her documents.

Since HR began using E-verify, all document expiration dates which require updating and recertification are stored in the E-verify database. We receive information about expiring documents from the system and are prompted to follow up. Because of the E-verify tracking capability, HR administration will consider discontinuing the use of the US Regulatory tab in Banner (PEAEMPL screen) to store such information for personnel hired subsequent to the implementation date of E-verify; alternatively, we will develop a procedure to periodically reconcile the two systems (Banner and E-verify) for those tracked in both. A decision will be made by March 31, 2013.

Several steps to improve timely and accurate I-9 processing have been added since the implementation of the E-verify system, including:

- Introducing a special (checkempstatus) email address, answered within two hours, for all hiring employees to identify whether a proposed hire (especially adjunct or student) is, in fact, a new employee requiring a tax packet with I-9
- Re-training and disciplinary processes for hiring employees who allow an employee to work without an I-9 and notification to their deans and vice presidents on any subsequent occurrences

In addition to those existing processes, we will now:

- Review form errors and filing errors that were identified by the audit for special processes that increase the chance of error (e.g., repeated hiring and termination of one-year temporary), and sensitize HR staff members to these situations in a special training to be developed and implemented by March 31, 2013
- Identify whether further HR training and/or job aids are needed
- Evaluate the processes for entering hire dates in Banner to see if any changes can be made that eliminate appearance of non-compliance where in fact I-9's are completed timely
- Identify any date discrepancies required by payroll function or practicality of implementation and document for future audits

#### **Reporting course and section cancellations received by the Registrar's Office to payroll personnel**

**Issue:** The current operating environment relies upon personnel within each of the colleges to notify payroll when a course or section is canceled. As a result of this decentralized environment, sometimes payroll is not notified timely of such cancellations.

**Risk:** Failure to timely notify payroll personnel of course or section cancellations increases the risk that instructors may be paid in error. Furthermore, when such payment errors are identified, they require a significant amount of time and effort by the payroll manager to correct.

**Response:** The payroll manager now receives a weekly report of cancelled courses. However, HR does not consider this report an optimal solution to the issue based on our test use of it.

The HRISM will investigate other methodologies for preventing overpayment of staff and develop a written recommendation by February 28, 2013, with planned implementation in March 2013.

#### **Utilizing technology solutions to increase efficiency of payroll processing**

**Issue:** During the audit, payroll personnel indicated they have established as an objective to increase the use of technology through the selection and implementation of an electronic time-keeping/time-tracking system. The current payroll processing environment relies heavily on hard-copy documents for tracking and reporting

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August 30, 2012

hours worked and employee time off (both paid and unpaid time). The University uses paper time sheets for employees to record their hours. In addition, personnel within the various departments summarize the hours from employee timesheets by recording them on a hard-copy recap document.

**Risk:** The paper recap documents require a fairly significant amount of time and effort to prepare and distribute for each department and each payroll period. In addition, the current process involves a duplication of effort with department personnel filling out the recap and then payroll personnel entering the hours from the recap into the payroll system. These activities limit the amount of time that payroll personnel can devote to analytical and review procedures.

**Response:** The Payroll manager and HRISM are meeting on a weekly basis to explore and compare the options of implementing either a Banner-provided or a separate web time-entry system to increase the efficiency of the time-recording and entry portion of payroll processing. The managers will make a recommendation of the appropriate option to pursue, that option will be evaluated by HR administrators, and a final decision made on a process to implement by March 31, 2013.

### **Consider transitioning the monthly payroll schedule to a bi-weekly payroll schedule**

**Issue:** The current payroll processing schedule includes a bi-weekly payroll for support staff and temporary workers, a bi-weekly payroll for student workers, and monthly payroll for full-time faculty, administrative staff members, and adjunct faculty. The bi-weekly payrolls are paid one week in arrears, while the monthly payrolls are paid current.

**Risk:** Depending upon start date and contract, a monthly employee may have to wait from four to six weeks before receiving their first paycheck. Although the University provides short-term payroll advances upon employee request, these add complexity to the payroll process. In addition, the monthly payroll requires a separate cycle which impacts processing efficiency and may make payroll information more difficult to administer and understand. Finally, the monthly payroll schedule does not correspond well with the summer academic sessions resulting in the creation of numerous special pay schedules to more closely align payment with the performance of instruction.

**Response:** The HR management team agrees that a different pay schedule (bi-weekly or semi-monthly) is desirable for the payrolls currently processed on a monthly basis for faculty and administrators' regular pay. However, for adjunct/overload and summer pay, we believe the challenges of timely reporting and last-minute changes to classes by dozens of chairs, together with the need for a separate reconciliation for these payrolls, make the separate monthly schedule a necessity for these pays. We also believe that a change from monthly pay for regular faculty and administrators' pay is a major project that could not be successfully implemented at the same time as a web time-entry system change. Therefore, the HR administrator group will evaluate these projects, and the Payroll and HRIS managers recommend their priority order by March 31, 2013. At that time a project plan would be built for the top priority project and subsequent deadlines established.

### **Removing payroll check custodial responsibilities from payroll personnel**

**Issue:** During the audit, payroll personnel indicated that printed checks are stored in a cabinet in the payroll manager's office until the day before payday. The senior payroll assistant or payroll supervisor who processed the payroll pressure seals the checks and delivers them to the Cashiers Office for distribution to employees. In addition, checks that are returned to the University as undeliverable are sent to the payroll department and stored in the payroll manager's office while they attempt to locate the payee.

**Risk:** The lack of segregation of duties between payroll processing and custody of payroll checks increases the risk that payments to ghost employees go undetected and/or that payroll checks for employees that have terminated are misappropriated.



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August 30, 2012

**Response:** The payroll manager agrees with the recommendation that the custodial responsibility for payroll checks be removed from the Payroll Department. Together with the Assistant Vice President of Finance or the Controller, we will evaluate where the physical custody of checks belongs within the Business Office. We expect to have the meeting and a plan identified by March 31, 2013.

#### **Automating the reconciliation of certain benefit enrollments and payroll withholding**

**Issue:** A review of liability account reconciliations associated with various elective employee benefits revealed a significant amount of manual effort to complete the reconciliations. For example, the reconciliation process for dental insurance requires the reconciler to compare individual benefit participant details from the invoice to the payroll deduction register and compare participant details from the current month invoice to the prior month to identify changes in elected coverage.

**Risk:** Performing these comparisons manually can be time consuming and may result in rework due to participant additions or deletions being overlooked.

**Response:** Automation of these reconciliations has been a goal of the Business Office since it assumed responsibility for these reconciliations in fall 2011. However, management elected to delay action due to staff turnover in the position responsible for these reconciliations.

Automation of these reconciliations will be a collaborative effort by the Controller's Office and Information Technology. The accounting contact for payroll will work with insurance vendors to request reports of plan participants. University programming personnel will develop or obtain reports of plan participants from the Banner payroll module and develop exception reports to identify the differences between University and vendor records. Finally, the accounting contact for payroll will implement a process to ensure insurance liability exceptions are resolved.

Dental insurance will be the first elective benefit to be attempted since it is the largest and most time consuming reconciliation and the University already receives an electronic report of plan participants from this vendor. The proposed timeline for automation of the dental insurance reconciliation follows:

|          |   |
|----------|---|
| 12/31/12 | Request the development of an exception report to identify the differences between University and vendor records  |
| 03/31/12 | Target date for first test reconciliation   |
| 06/30/13 | Anticipated implementation of automated process (dependent on successful development of exception reports by IT). |

When feasible, other existing elective benefit liability reconciliations will be automated with a target completion date of June 30, 2014. Feasibility of automation will be evaluated on a case by case basis for reconciliations of new elective benefits that may be offered in the future.

Report No. USIA12-9  
 October 29, 2012

## Audit Report Student Financial Assistance Federal Compliance

### Results at a Glance

| AREAS   | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| <b>Audit Objectives:</b>  |                               |                                   |                                      |   |
| Compliance with Federal Student Financial Aid Common Requirements   |                               |                                   |                                      |   |
| Compliance with Federal PELL Grant Requirements   |                               |                                   |                                      |   |
| Compliance with Federal Campus-Based Program Requirements   |                               |                                   |                                      |   |
| Compliance with Federal Direct Loan and PLUS Loan Requirements  |                               |                                   |                                      |   |
| Fiscal Operations Report and Application to Participate (FISAP) accurately completed and submitted timely |                               |                                   |                                      |   |
| Policies, Procedures and other Issues   |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of USI Student Financial Assistance (SFA) is presented below. We would like to thank Mary Harper, the SFA staff, and Business Office personnel who contributed positively to our results.

#### Background Information

SFA operates in a complex and rapidly changing regulatory environment. The federal student aid programs are authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended, and administered by the U.S. Department of Education Federal Student Aid office. They include federal grants, loans, and work-study programs.

SFA is responsible for monitoring the eligibility of prospective financial aid recipients, verifying certain applicant data as required by the Department of Education, determining the best combination of aid to meet each student's financial need, applying federal aid to student accounts within regulatory timeframes, and identifying

over-awards and student withdrawals that require the return of federal funds. Business Office personnel are responsible for the drawdown, accounting, and return of federal student aid funds to the Department of Education, the administration of credit balances created from the application of federal student aid to student accounts, and preparation of the FISAP. Compliance with federal student aid regulations is critical because violations may jeopardize the institution's participation or reduce the institution's authorized level of participation in federal student aid funding.

This was the fourth annual audit of SFA performed by Internal Audit. The previous audit of SFA was performed and reported on in October 2011, at which time Internal Audit noted **adequate controls and practices** for each of the compliance audit objectives and opportunity for **minor improvement** in the area of policies, procedures, and other issues.

This report is based on the review of SFA activity for the fall 2011, spring 2012, and summer 2012 academic terms. The audit approach consisted of reviewing SFA procedures and controls, reviewing federal student aid regulations, interviews with SFA management and staff, and analysis of student records for the fall 2011, spring 2012, and summer 2012 academic periods. State grants and other non-federal aid were reviewed when those funds were awarded to students in the audit sample.

The **objectives** of the audit were to:

- Evaluate compliance with the Federal Student Financial Aid Common Requirements
- Evaluate compliance with Federal PELL Grant Requirements
- Evaluate compliance with Federal Campus-Based Program Requirements
- Evaluate compliance with Federal Direct Loan & PLUS Loan Requirements
- Determine whether the FISAP has been accurately completed and submitted on time
- Evaluate policies, procedures, and other issues not impacting compliance

#### Conclusion

In general, the results of our audit procedures indicate that the administration of SFA is in compliance with federal requirements governing the Title IV student aid programs. **Adequate controls and practices** exist for each of the compliance audit objectives evaluated. Internal Audit noted opportunity for **minor improvement** in the area of policies, procedures, and other issues.

Management will take or has taken the following actions:

- Documenting the vote tally for appeal decisions made by the student financial assistance appeals committee
- Identifying unclaimed Title IV credit balance refunds at 180 days following issuance

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
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Distribution: Mary Harper  
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## Student Financial Assistance Federal Compliance Audit Report

### Control Issues and Responses

#### Documenting the vote tally for appeal decisions made by the student financial assistance appeals committee

**Issue:** Based on a review of a sample of financial assistance appeals for the 2011-2012 academic year, appeal decisions made by the financial assistance appeals committee are recorded on a financial assistance appeal results form. However, the vote tally of the committee is not documented.

**Risk:** Documentation of the vote tally provides additional support for the decision and evidence of the committee review. Furthermore, the vote tally may be useful if there are any subsequent questions about the appeal decision.

**Response:** The appeals committee will document the vote tally of each decision on the appeal results form.

#### Identifying unclaimed Title IV credit balance refunds at 180 days following issuance

**Issue:** Based on discussions with the senior administrative assistant (SAA) for Internal Audit, the process for identifying unclaimed student refunds involves reviewing the outstanding checks listed on the bank reconciliation and communicating to the Bursar those issued to students that have been outstanding for 180 days or more. The SAA was not aware of the requirement that unclaimed student refunds resulting from the Title IV federal financial aid programs must be returned to the appropriate programs no later than 240 days after the check was issued. As a result, the SAA has not consistently reviewed the outstanding checks on a monthly basis.

**Risk:** Failure to review outstanding student refund checks on a monthly basis increases the risk that unclaimed student refunds are not returned to federal programs within the 240 day regulatory requirement.

**Response:** Per discussion with the SAA and Bursar, effective immediately, the SAA will prioritize the review of 180-plus day outstanding student refund checks to ensure that they are identified and communicated to the Bursar on a monthly basis and report all student refund checks that are 180 days old or older.

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## Audit Report Federal Grant Administration and Compliance

### Results at a Glance

| Audit Objectives:   | <i>RISK MITIGATION</i>        |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Review controls over pre-award grant activities for adequacy and effectiveness  |                               |                                   |                                      |   |
| Review post-award grant management for compliance with internal policy, regulatory requirements, and grant agreements |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of federal grant administration and compliance is presented below. We would like to thank Jeff Sickman, Jina Campbell, Karen Tuley, Dr. Katherine Draughon, Dr. Scott Gordon, Dr. Ann White, Emily Lynn, and other personnel who contributed positively to our results.

#### Background Information

The administration of federal grants is generally divided between pre-award and post-award activities. Most pre-award activities are managed by the Office of Sponsored Projects & Research Administration (OSPRA). These activities include providing information and resources for university faculty and staff seeking external funding, reviewing proposals, obtaining institutionally required pre-submission approvals, and negotiating and authorizing agreements for awarded grants on behalf of the University.

Most post-award activities are managed by the Business Office accounting personnel. Post-award activities include establishing a separate fund for each award (and cost share fund, if applicable), ensuring correct fund classification, reviewing cost transactions for allowability, allocability, reasonableness, and consistent treatment, ensuring certification of faculty and staff effort on awards, managing cash and cash requests, preparing and submitting required financial reports by established due dates, and closing out awards and funds.

The previous audit of federal grant administration and compliance was performed and reported on in August 2011, at which time Internal Audit noted opportunity for moderate improvement in the areas of pre-award grant activities and post-award grant management.

This report is based on interviews with OSPRA and Business Office personnel and a review of a sample of federal awards that were active in fiscal year 2012. The audit approach consisted of reviewing policies and

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procedures for grant management including a draft copy of the USI Grant Management Guide (GMG), examining proposals, agreements, accounting transactions, and grant reports.

The **objectives** of the audit were to:

- Obtain reasonable assurance that grant proposals are reviewed and approved by appropriate University personnel; proposals are submitted to the granting agency and agreements are executed by an authorized representative of the University; and
- Obtain reasonable assurance that grant funds, expenditures, financial reporting, and program reporting are managed and performed in accordance with regulatory requirements and the grant agreement

#### Conclusion

We noted opportunities for **moderate improvement** in the areas of **pre-award grant activities** and **post-award grant management**.

Management will take or has taken the following actions:

- Completion and approval of the GMG and implementation of the faculty workload assignment form
- Training faculty and administrative personnel regarding compliance requirements and University policies related to federal grants
- Requesting additional accounting staff to facilitate the involvement of grant accounting personnel in the development of grant proposal budgets
- Tracking program reporting requirements and submission to grantor
- Creating a checklist of critical post-award activities

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
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Distribution: Jina Campbell  
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## Federal Grant Administration & Compliance Audit Report

### Control Issues and Responses

#### **Completion and approval of the GMG and implementation of the faculty workload assignment form**

**Issue:** As noted in the August 31, 2011 Federal Grant Administration and Compliance audit report, the Business Office and OSPRA, with input from the academic deans, have co-authored a GMG to facilitate understanding of grant compliance requirements among faculty and accounting personnel. As was the case during the 2011 audit, the GMG remains an unapproved draft. Furthermore, the faculty/administrative workload assignment forms for defining "full workload" and up-front effort distribution have not been fully implemented.

**Risk:** The lack of an approved and published GMG increases the risk that personnel do not consistently apply the University's grant management policies and may result in confusion regarding standard practices. Furthermore, the lack of a well-defined description of "full workload" increases the risk of inequities in the allocation of salary dollars to grants and institutional activities.

**Response:** The GMG has been completed and final formatting is currently being performed. The GMG will be posted on the OSPRA website by December 16, 2012. During the week of January 7, 2013, when faculty return for the spring semester, announcements about the GMG will be made via email as well as during the spring faculty and administrative staff meeting. In addition, a reference to the GMG and a link to it on the OSPRA website will be included in the following:

- the OSPRA grant application pre-notice form
- the OSPRA standard reply email sent upon receipt of the pre-notice form
- the OSPRA standard reply email sent to the principal investigator/program director (PI) upon submission of a grant application to a funding agency
- a post-award checklist will be sent to the PI upon receipt of award notice

The Faculty Workload Assignment form will be integrated into the sponsored projects approval form for external grant applications no later than December 16, 2012. All faculty members associated with external grant applications must complete the Faculty Workload Assignment form, even if salary is not being requested in the grant application. Instructions on how to complete the form will be included on the OSPRA website as well as on the faculty senate website.

#### **Training faculty and administrative personnel regarding compliance requirements and University policies related to federal grants**

**Issue:** There does not appear to be a consistent, formal training activity to ensure that personnel working with grants have carefully reviewed the GMG and attained an awareness of some of the nuances of federal grant compliance requirements.

**Risk:** The lack of a training program increases the risk that University personnel fail to manage grants in compliance with federal requirements.

**Response:** OSPRA and the Business Office plan to develop a series of short PowerPoint presentations with audio overlay that highlight key federal and University policies related to grant administration. The development of these presentations will begin in January 2013 and we expect to produce a minimum of one presentation every three months until the list of topics is exhausted. Topics will include but are not limited to:

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- Compensation issues
- Facilities and administrative costs (rates and application of rates)
- Allowable and unallowable direct costs
- Cost sharing
- Budget development basics
- Proposal submission process
- PI responsibilities as the grant fund manager
- PI non-financial reporting responsibilities
- The post-award process and PI responsibilities

These short presentations will be posted on the OSPRA website. Faculty and staff will be directed to the links as part of standard email correspondence after a pre-notice form is received by OSPRA and as part of the post-award checklist being developed by the Business Office.

In addition, OSPRA and the Business Office will host “lunch and learn” type programs once each semester for faculty and staff. These hour-long sessions will include a brief overview of the pre-award and post award issues and topics and provide an opportunity for participants to ask questions. The first of these events will be held during the 2013 fall semester.

#### **Requesting additional accounting staff to facilitate the involvement of grant accounting personnel in the development of grant proposal budgets**

**Issue:** The current grant application process involves the preparation of the grant budget by the department requesting the grant. Grant accountant review of the proposed budget occurs prior to submission of the application.

**Risk:** The lack of grant accountant involvement during the budget preparation may lead to a higher volume of budget adjustments immediately preceding the submission cutoff date and/or inadequate time to make adjustments to the proposed budget.

**Response:** Management agrees that the current process results in communication issues and does not allow Controller’s Office staff to lend their knowledge to assist PIs with budget development. However, current staffing levels do not permit participation in the up-front development of grant related budgets. The time and skills necessary to increase the Controller’s Office level of participation in the proposal budget development process would necessitate the addition of another staff accountant. As a result, the Controller’s Office will request a new, full-time staff accountant in its budget request for the 2013-2014 fiscal year.

#### **Tracking program reporting requirements and submission to grantor**

**Issue:** The 2011 internal audit of non-financial aid grants resulted in a recommendation to implement a process to track program reporting requirements for each grant awarded to the University, communicate approaching deadlines to the appropriate PI, and obtain copies of program reports as evidence of completion. Based on discussions with OSPRA, although they have explored some alternatives for performing these activities, a formal and consistent process is not yet in place.

**Risk:** The lack of a monitoring process for completion and submission of program reports increases the risk that reports will not be completed and submitted to the grantor in a timely manner.

**Response:** The 2011 audit recommendation was issued to the Sponsored Research Office (SRO). Subsequently, as a result of personnel retirements, the organizational structure of SRO and management responsibility for the administration of federal grants transitioned to different management under OSPRA. OSPRA is committed to addressing this recommendation and will develop a spreadsheet by January 1, 2013, to record and track the following information for all active and subsequently funded federal grants:



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- The grant catalog of federal domestic assistance (CFDA) number
- Grant official title/name
- Grant description
- Non-financial progress report due dates
- Reminder 1 date (30 days prior to the due date)
- Reminder 2 date (10 days prior to the due date)
- Date the report is filed by the PI
- Name of the report file

The process for reminders and tracking of non-financial progress reports will be as follows:

- A reminder will be sent to the PI 30 days prior to the due date indicating the deadline for submission to the grantor and that an electronic copy must also be provided to OSPRA
- If necessary, a second reminder will be sent to the PI 10 days prior to the due date
- Once the report is filed and received by OSPRA, the date will be noted in the spreadsheet along with the name of the report
- The electronic report file will be kept in the grant file on the OSPRA server
- If the PI fails to submit the non-financial report to the funding agency by the deadline, OSPRA will reserve the right to withhold submission of any new grant applications by the PI until the report is submitted

#### **Creating a checklist of critical post-award activities**

**Issue:** Based on review of a sample of federal grants, Internal Audit noted that payroll notifications for the allocation of grant-related salaries were not submitted timely, particularly for the first academic term of grant activity following the award.

**Risk:** Failure to submit payroll notifications to Human Resources prior to the first payroll deadline following commencement of grant activity causes inaccuracies in salary allocations processed through the payroll system. Manual corrections must be made to reallocate salaries to the appropriate funds. The result is an increased risk of salary allocations not accurately reflecting the activities of University personnel.

**Response:** Management envisions a post-award checklist which would serve as the bridge from the pre-award phase to the post-award phase and allow the relationship with the PI to transition from OSPRA to Accounting. The checklist will be provided to the PI and the financial manager of the grant fund through email by Accounting upon receipt of a notice of award from OSPRA. The message will include a reminder about the need to complete payroll notifications for personnel to be paid from the grant. The assistant controller will develop the post-award checklist and adopt it into practice by March 31, 2013.

Accounting will continue to monitor personnel and non-personnel grant expenses. Effective immediately, Accounting will adhere more closely its 60-day threshold for cost transfers as a means to reinforce the importance of submitting payroll notifications timely.

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 December 5, 2012

## Audit Report Office of Public Safety Clery Act Reporting

### Results at a Glance

| Audit Objectives:   | RISK MITIGATION               |                                   |                                      |   |
|---|-------------------------------|-----------------------------------|--------------------------------------|---|
|   | Adequate Controls & Practices | Opportunity for Minor Improvement | Opportunity for Moderate Improvement | Opportunity for Significant Improvement |
| Security incidents are assigned an appropriate incident type  |                               |                                   |                                      |   |
| Accuracy of crime statistics presented in the annual campus security report and reported to the Department of Education |                               |                                   |                                      |   |
| Compliance with federal regulatory requirements for annual security reporting   |                               |                                   |                                      |   |

#### Introduction

Our report of the internal audit of USI Office of Public Safety Clery Act reporting is presented below. We would like to thank Steve Woodall and Steve Bequette who contributed positively to our results.

#### Background Information

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act, generally referred to as the Clery Act, requires all postsecondary institutions participating in federal student financial assistance programs to annually disclose campus crime statistics and security information and submit the crime statistics to the Department of Education. The USI Office of Public Safety publishes an Annual Security and Safety Report containing the required crime statistics and security information and submits the crime statistics to the Department of Education.

Internal Audit previously reviewed the 2010 Annual Security and Safety Report in response to a management request. Given the regulatory requirements, as well as the recommendations resulting from the prior review, Internal Audit has performed a subsequent review of the Office of Public Safety's 2012 Annual Security and Safety Report which reports the crime statistics for calendar year 2011.

The **objectives** of the audit were to:

- Verify security incidents are assigned an appropriate incident type
- Verify the accuracy of crime statistics presented in the annual campus security report and reported to the Department of Education
- Evaluate compliance with federal regulatory requirements for annual security reporting

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This report is based on a review of campus security incidents logged for calendar year 2011. The audit approach consisted of reviewing processes and procedures for recording, tracking, and reporting safety and security incidents, reviewing the incident type assigned to a sample of incidents, reviewing supporting documentation for the crime statistics reported, and reviewing the 2012 Annual Security and Fire Safety Report.

#### Conclusion

We noted **adequate controls and practices** in the areas of **incident type assignment** and **accuracy of crime statistics**. We noted **opportunity for minor improvement** in the area of **compliance with federal regulatory reporting requirements**.

Management will take or has taken the following action:

- Including in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

J. Robert Howell  
Internal Audit Manager

Distribution: Steve Woodall  
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Dr. Linda L.M. Bennett

Report No. USIA12-11  
December 5, 2012

**Office of Public Safety  
Audit Report**

**Control Issues and Responses**

**Including in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act**

**Issue:** Based on a review of the Clery Act, the U.S. Department of Education "Handbook for Campus Safety and Security Reporting", and discussions with Office of Public Safety management personnel, Internal Audit noted that the 2012 Security Report did not contain several policy and process information statements, required by the Clery Act, that had been included in the 2011 report.

**Risk:** Failure to include all required statements of policy and process in the Security Report could lead to a determination that the University is not compliant with the annual reporting and disclosure requirements of the Clery Act.

**Response:** Beginning with the October 2013 Annual Security and Fire Safety Report, the Security Department will update the report to include the required policy and process information identified as having been omitted from the 2012 report.

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2011 Audits**

| <b>AUDIT NAME</b>   |   |  |  |                               |
|---|---|--|--|-------------------------------|
| <b>OBSERVATION</b>  | <b>RECOMMENDATION</b>   | <b>RESPONSE</b>  | <b>TARGET</b>  | <b>STATUS</b>                 |
| <b>NCAA Student Athlete Eligibility Compliance</b>  |   |  |  |                               |
| 1. USI does not have an internal written manual or set of procedures for determining or monitoring student-athlete eligibility.   | The development of a procedures manual specific to USI processes (e.g. internal and external forms, software uses and steps, etc.) would provide continuity in the case of staff illness or turnover.   | The compliance officer will develop a written manual of compliance procedures.   | August 31, 2010,<br>Revised:<br>May 30, 2011,<br>August 31, 2011,<br>December 5, 2011,<br>August 31, 2012  | Completed                     |
| <b>Hazardous Materials Management and Disposal</b>  |   |  |  |                               |
| 1. The current operating environment lacks centralized oversight and coordination of disposal activities such that each department is handling its waste independently. | Environmental Health and Safety Department (EHS) should provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:   | EHS agrees to provide University wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:  |  |                               |
|   | a.) Obtain inventory listings on an annual basis from all areas generating and storing waste, including location where it is stored. Have departments provide maximum quantity of hazardous chemicals and wastes on hand at any given time (for emergency response purposes). | a.) EHS requested a listing of all hazardous materials, their locations, and maximum expected quantities from the deans on August 18, 2011, with the hope they would provide assistance in gathering the information by demonstrating support. An Excel spreadsheet was provided as a template to aid in preparation and to provide some standardization.  | August 18, 2011  | Completed and ongoing         |
|   | b.) Maintain a database or file on the computer network of the inventory, which is accessible by appropriate University personnel.  | b.) EHS will combine the submitted spreadsheets into a master list that will be accessible to University personnel by November 30, 2011.   | November 30, 2011<br><br>Revised:<br>March 16, 2012,<br>May 31, 2013   | In progress                   |
|   | c.) Determine and document generator status University-wide for universal and hazardous waste based on actual quantities generated.   | c.) Upon completion of the master hazardous chemicals list EHS will determine and document generator status University-wide for universal and hazardous waste. We anticipate completion of this by November 30, 2011.  | November 30, 2011<br><br>Revised:<br>March 16, 2012  | Completed                     |
|   | d.) Review departmental policies for required content and completion of required reviews or updates.  | d.) EHS will engage a third party to perform a review of its departmental policies for required content and completion of required reviews or updates to such policies. EHS will work to identify someone who could provide that service by January 1, 2012.<br><br>Update: Based on training obtained by the EHS manager, a third party consultant is no longer needed. EHS will review departmental policies and update as needed. | Identify consultant:<br>January 1, 2012<br><br>Revised:<br>April 16, 2012<br><br>Consultant Review:<br>Spring 2012<br><br>Revised:<br>Summer 2012,<br>January 31, 2013 | NA<br><br>NA<br><br>Completed |



**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2011 Audits**

| <b>AUDIT NAME</b>  | <b>RECOMMENDATION</b>  | <b>RESPONSE</b>  | <b>TARGET</b>   | <b>STATUS</b>  |
|--|--|--|---|--|
| <p><b>OBSERVATION</b></p> <p>2. There is currently no area with responsibility for monitoring the submission of program reports in accordance with award requirements.</p>   | <p>Implement a process to track program reporting requirements for each grant awarded to the University, communicate approaching deadlines to the appropriate PI/PD, and obtain copies of program reports as evidence of completion.</p> | <p>The Sponsored Research Office (SRO) proposes to comply with the Internal Audit recommendation in three phases: (1) tracking the non-financial program report due dates, (2) sending a reminder notice to the PI/PD for each grant awarded, and (3) documenting submission of the reports. For all grant proposals submitted in a timely manner through the SRO approval process, SRO should be able to develop and implement a process to complete phases 1 and 2 by October 1, 2011 with existing staff. Phase 3, developing a process to obtain copies of the reports and file them electronically will take more time; implementing the process will require additional staff. Since this will have budget implications, we do not anticipate full implementation of phase 3 until the new fiscal year, after June 30, 2012.</p> | <p>Tracking due dates:<br/>October 1, 2011</p> <p>Reminder notices:<br/>October 1, 2011</p> <p>Documenting submission of reports:<br/>June 30, 2012</p> | <p>Completed</p> <p>Completed</p> <p>Re-issued this recommendation with 2012 audit</p> |
| <b>Student Financial Assistance 2010-2011</b>  |  |  |   |  |
| <p>1. Institutional student information records (ISIR) from the U.S. Department of Education for students who eventually choose to attend other universities are stored indefinitely in a data table of unmatched records.</p> | <p>Develop a retention and disposal policy for unmatched electronic ISIRs.</p>   | <p>The Office of Student Financial Assistance (SFA) has determined that unmatched electronic ISIRs should be retained for a period of two academic years following receipt based on potential need for the data.</p> <p>Beginning June 30, 2012, SFA personnel will run a Banner process to purge unmatched electronic ISIRs that exceed the retention period.</p>   | <p>Immediate</p> <p>June 30, 2012</p>   | <p>Completed</p> <p>Completed</p>  |
| <p>2. The SFA department does not have a fully cross-trained backup administrator for state aid programs.</p>  | <p>Continue efforts to cross-train personnel on state financial aid programs.</p>  | <p>Currently the SFA office does not have personnel with workload capacity and/or the skill set to begin a cross-training process. A request for an additional SFA counselor level position will be submitted during the annual budget hearing.</p>  | <p>NA</p>   | <p>Cross-training in progress</p>  |

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2011 Audits**

| <b>AUDIT NAME</b>   | <b>RECOMMENDATION</b>   | <b>RESPONSE</b>   | <b>TARGET</b>   | <b>STATUS</b>  |
|---|---|---|---|--|
| <b>OBSERVATION</b>  |   |   |   |  |
| 3. The information systems associate validates changes made to Free Application for Federal Student Aid records by manually comparing the number of student records and each student name in the SFA upload file to the Department of Education's Central Processing System (CPS) return file.  | Automate the validation of changes submitted to and processed by the CPS.   | The associate director of SFA, with the assistance of a financial assistance advisor, will explore the development and implementation of a program that will automate the validation of changes to student records.<br><br>Update: After additional evaluation, SFA management believes the cost to automate the validation may outweigh the benefits. This item will not be pursued any further.   | June 30, 2012<br><br>NA   | NA   |
| <b>NCAA Grant-in-Aid</b>  |   |   |   |  |
| 3. Internal Audit discussed with the athletic compliance coordinator the classification of various forms of non-athletic, institutional aid and whether that aid should be countable or non-countable towards individual and team award limitations. The compliance coordinator uses a conservative approach by counting aid in the award limitations unless there is obvious reason to exclude the award. However, there may be instances where aid is being counted toward individual and team limits that could potentially be excluded.   | Review the classification of aid as countable or non-countable for institutional and other awards commonly received by student-athletes.  | Athletic department personnel will meet with SFA personnel to review awards commonly received by student-athletes to determine if the aid should be classified as countable or non-countable.   | May 31, 2012  | Completed and ongoing                                    |
| 5. Grant-in-aid forms are the documents by which renewals of athletic grant-in-aid are communicated to student-athletes. These forms are prepared by athletic office personnel and reviewed by financial aid personnel after the student-athlete has signed and returned the form. In addition, notification letters to student-athletes of cancellation/non-renewal/opportunity for a hearing are produced by athletic department personnel under authorized signature of the director of student financial aid (which signature is affixed via stamp by athletic department personnel). | Route grant-in-aid forms and notification of cancellation/non-renewal/opportunity for hearing letters to SFA personnel for review and signature prior to delivery to student-athletes in conformance with NCAA regulations.         | The Office of Student Financial Assistance and Department of Athletics will develop a process to route grant-in-aid forms and notification letters through the financial aid office prior to delivery to student-athletes. Furthermore, the authorized signature of the director of student financial assistance shall be affixed to notification letters by a designee within SFA.                 | February 1, 2012<br><br>Revised:<br>March 1, 2012   | Completed and ongoing                                    |
| 6. The University requested the NCAA conduct a Compliance Blueprint Review of the athletic program, which took place in April 2011. In conjunction with the audit of athletic grant-in-aid, Internal Audit reviewed the recommendations and enhancements in the Blueprint Review specific to financial aid. The recommendations and enhancements (including written procedures) had not yet been implemented.   | Implement the NCAA Blueprint Compliance Review recommendations and enhancements, develop a timeline for implementation of each recommendation, and provide periodic reports to the University Athletics Council regarding progress. | Athletic department personnel will develop a timeline (project plan) for implementation of each applicable Blueprint recommendation.<br><br>The timeline will target implementation of all applicable Blueprint recommendations. Athletic department personnel will provide updates to the University Athletics Council during its regularly scheduled meetings regarding progress versus the plan. | Project Plan:<br>January 2, 2012<br><br>Revised:<br>March 1, 2012<br><br>Implementation of Blueprint items:<br>TBD based on project plan. | Project Plan developed<br><br>Implementation in progress |



**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2011 Audits**

| AUDIT NAME   |  |  |  |           |
|--|--|--|--|-----------|
| OBSERVATION  | RECOMMENDATION   | RESPONSE   | TARGET   | STATUS    |
| <b>Capital Asset Management and Reporting</b><br>1. The capital asset policy does not describe the depreciation method used by the University, nor does it describe the trigger for capitalization of an asset.  | Include a statement in the capital asset policy regarding the University's use of the straight line method of depreciation and define the trigger for capitalization and depreciation.   | The Business Office will include a statement in the capital asset policy regarding the University's use of the straight line method of depreciation and define the trigger for capitalization and depreciation.  | March 31, 2012   | Completed |
| 2. The "Equipment Transfer/Disposal Request" form used to communicate potential asset disposals does not have a field to record the disposal method for the asset nor the recipient of the asset if sold or donated. Furthermore, the request form is not retained as support for the authorization of the disposal. | Add the disposal method and recipient to the Equipment Transfer/Disposal Request form and retain the request form in the Procurement Department or in the Business Office as evidence that the disposal was authorized and as a record of how and to whom an asset was disposed. | Business Office and Procurement management are reviewing alternatives for procedures and documentation that will provide evidence of the authorization of disposal, method of disposal, and the recipient of disposed assets, when applicable. The target date for determining the procedures and documentation is March 1, 2012, with a subsequent implementation date that will be based upon programming and training requirements. | Procedure review:<br>March 1, 2012<br><br>Revised:<br>March 1, 2013<br><br><br>Implementation date:<br>TBD |           |
| 4. The library materials asset, accumulated depreciation, and depreciation expense are being calculated and tracked in an Excel spreadsheet rather than the fixed asset system.  | Consider adding the library materials to the Banner fixed asset system and utilizing the system to calculate depreciation expense.   | The manager of accounting operations will research the practices of other Banner institutions by June 30, 2012, and reevaluate use of Banner Finance for library materials for the 2012-2013 fiscal year in light of that research.  | June 30, 2012<br><br>Revised:<br>July 1, 2013  |           |

University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012

| AUDIT NAME   | RECOMMENDATION  | RESPONSE  | TARGET  | STATUS                |
|--|---|---|---|-----------------------|
| <b>Information Technology Equipment Management and Reporting</b>   |   |   |   |                       |
| 1. The Information Technology (IT) department is in the process of implementing a new systems management appliance for computer equipment inventory and software tracking. The implementation is in the very early stages and IT management is developing processes and procedures, considering the types of equipment that will be inventoried, and identifying the personnel that will be responsible for creating and maintaining the equipment inventory and reviewing reports of software deployed across the network versus paid licenses. | Document the policy and procedures for tracking IT computer equipment and software.   | Policies and procedures will be developed to document the types of equipment that will be inventoried and why those items have been selected for tracking. In addition, documentation will be developed regarding the personnel assigned the responsibility for various aspects of the computer equipment inventory, software analysis, and report review, including documentation of the procedures that must be completed based on the results of these activities. | June 1, 2012<br><br>Revised:<br>February 22, 2013 | In progress           |
| 2. IT management should develop disposal processes and procedures, define the personnel who may authorize disposals, and determine forms or documents that must be completed, and the retention period for those documents.  | Document the disposal policy and procedures for IT computer equipment.  | Policies and procedures for disposal of IT computer equipment will be documented by June 1, 2012. The policies and procedures shall include details regarding who may authorize computer equipment disposals and any forms or documents (and the associated retention period) that must be completed to demonstrate disposals were properly authorized.   | June 1, 2012<br><br>Revised:<br>February 22, 2013 | In progress           |
| <b>Historic New Harmony Cash Controls</b>  |   |   |   |                       |
| 1. The New Harmony historical interpreters take a headcount of all persons participating in each tour conducted, but the headcount is not compared to the tour receipts sold for the day.  | Reconcile tour headcounts to tour receipts.   | Management will reconcile the headcount of tourists recorded by the historical interpreters on the tour form with the number of tours sold per the daily sales report.  | Immediate   | Completed and ongoing |
| 2. Occasionally it is necessary for cashiers at the front desk and museum shop in the Atheneum to work a partial shift. Since multiple cashier drawers are not available, cashiers must work out of the same cash register drawer. A count of the drawer is not taken when the change of cashiers occurs.  | Count down the cash drawer when cashiers are changed during a shift.  | Atheneum cash drawers will be counted down when more than one cashier works a shift at the same register on the same day.   | Immediate   | Completed and ongoing |
| 3. The donation box located in the visitor's center at the Atheneum is not locked nor securely attached to its wooden base. Cash donations are visible and accessible during business hours by anyone that enters the Atheneum. Furthermore, the donations are routinely collected by a single individual at the end of each day with no compensating controls to ensure proper accounting of the cash.  | Install a lock on the Atheneum donation box and secure the box in place; or replace the box with a secured lockable box; and implement dual custody over cash during removal from the donation box through deposit preparation. | The donation box has been removed. Any donations will be recorded at the registers via the point of sale system.  | Immediate   | Completed and ongoing |
| 4. Historic New Harmony (HNN) operations maintains a petty cash fund to cover incidental expenses for postage and other small supplies. The administrative associate has custodial responsibility for the cash but current operating practice allows the administrative assistant to access the cash in the absence of the administrative associate.   | Limit petty cash access to the cash custodian and the director of HNN.  | The petty cash box for the HNN operations office will be stored in a file cabinet that is kept locked and access to the petty cash box will be limited to the administrative associate and/or the director of HNN.  | Immediate   | Completed and ongoing |
| 5. Policies and procedures for handling petty cash and cash from art gallery sales at the HNN operations office and New Harmony Gallery of Contemporary Art have not been documented in writing.   | Document cash handling policies and procedures for the HNN operations office and art gallery.   | Cash handling policies and procedures have been documented for HNN operations and the New Harmony gallery.  | March 3, 2012                                     | Completed             |

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012**

| <b>AUDIT NAME</b>  | <b>RECOMMENDATION</b>   | <b>RESPONSE</b>   | <b>TARGET</b>                 | <b>STATUS</b>         |
|--|---|---|-------------------------------|-----------------------|
| <b>OBSERVATION</b>   |   |   |                               |                       |
| 6. The sales registers at the front desk and in the museum shop at the Atheneum are not monitored by security cameras.   | Install security cameras in the cash handling areas of the Atheneum.            | Placement of the cameras will be contingent upon a potential redesign of the Atheneum front-desk area and Museum Shop. Installation of the cameras will need to be coordinated with any interior redesign activities.<br><br>Update: HNH operations management will revisit the camera installation and coordinate with IT in the first quarter of 2013.  | Spring/Summer 2012<br><br>TBD |                       |
| <b>Historic New Harmony Key Box Controls</b>   |   |   |                               |                       |
| 1. HNH operations office maintains a key box that contains numerous facility, utility, cabinet, and exhibit case keys. The key box is located in a rarely accessed area of the building, but is not kept locked.   | Improve key box physical access controls and key check-out and return tracking. | The key to the key box will be relocated in the office of the administrative associate (AA) in a locked file cabinet accessible only by the AA and the director of HNH. All key check-out and returns will be documented in the key control log located in the office of the AA.  | February 3, 2012              | Completed and ongoing |
| 2. Some HNH facilities (e.g. guest house) involve the use and issuance of multiple copies of the key. In the ordinary course of business, these facilities require frequent check-out and return of keys and are more likely to experience instances of keys not being returned timely.  | Track frequently issued keys on separate key control logs.                      | A separate log sheet will be maintained for the guest house key, which is the most frequently issued key.   | February 3, 2012              | Completed and ongoing |
| 3. An inventory conducted by Internal Audit on Friday, February 3, 2012, revealed that numerous keys in the HNH operations office key box are either obsolete or not clearly identified. Additionally, a number of keys that are listed by the USI locksmith as being in the key box were not present and others not listed by the locksmith were in the key box.                        | Maintain a complete and up-to-date key inventory.                               | An up-to-date key inventory will be completed. The inventory will include identification of the key mark (or key number) and a description of what it opens (to the extent this information is known) for all keys stored in the key box, removal and destruction of obsolete keys, updating HNH key records based on the inventory, and reconciling HNH key records for building/facility keys with the USI locksmith records. The key custodian will perform periodic inventories (at least once per year) and reconcile each inventory of building/facility keys with HNH and USI locksmith records. | April 5, 2012                 | Completed and ongoing |
| 4. Although the HNH key box custodian maintains a key check-out log, a key box management policy and procedure document does not exist.  | Document a key box management policy and procedure.                             | A key box management policy and procedure will be documented.   | March 23, 2012                | Completed             |
| <b>Bookstore Shipping and Receiving</b>  |   |   |                               |                       |
| 1. During the annual physical inventory count, bookstore personnel identified a 48-book (\$7,300) shortage between the perpetual inventory records and the physical quantity on hand for one textbook title. The shortage resulted because whole-box returns were processed differently than standard return procedures, specifically without the items being included on a "pick list". | Process whole-box textbook returns according to standard return procedures.     | Bookstore shipping personnel will process whole-box returns following the procedures used for other textbook returns.   | March 20, 2012                | Completed and ongoing |
| <b>Construction Project Management</b>   |   |   |                               |                       |

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012**

| <b>AUDIT NAME</b>   |  |  |  |   |
|---|--|--|--|---|
| <b>OBSERVATION</b>  | <b>RECOMMENDATION</b>  | <b>RESPONSE</b>  | <b>TARGET</b>                                      | <b>STATUS</b>                                   |
| 1. Construction observation reports were not consistently prepared throughout a project's construction schedule.  | Consistently document construction observations performed by construction managers.  | Facility Operations administrative staff established a common storage location and directory structure on the network for saving project documentation and established guidelines governing the frequency of written reports and photographic documentation for construction projects based on the estimated project cost.   | May 30, 2012                                       | Completed and ongoing                           |
| 2. Some contractors did not submit change orders with the level of detailed pricing required by Exhibit B to the Owner-Contractor contract. In addition, it appears that some contractors may have assessed profit and overhead rates in excess of the rates allowed.   | Require contractors to adhere to contractual change order pricing guidelines.  | Construction management personnel will ensure that architects, engineers, and contractors are informed of the change order pricing guidelines for all future projects. Contractual requirements have been updated to remove ambiguities related to the pricing of change orders. Facility Operations personnel have developed an Excel spreadsheet to aid contractors in providing the required details for change order pricing.  | Immediate  | Completed and ongoing                           |
| 3. The University does not receive a formal confirmation or certification from the contractors or architect indicating that all (or substantially all) punch list items have been completed.  | Obtain confirmation from the architect that all punch list items (i.e. final construction tasks) have been satisfactorily completed.       | Facility Operations and Planning will draft a provision requiring the architect and engineer to provide written certification that all punch list items are satisfactorily completed. Other pertinent certifications from the architect and engineer will also be considered.  | July 30, 2012<br><br>Revised:<br>December 10, 2012 | Completed                                       |
| <b>Child Protection Policies Risk Assessment</b>  |  |  |  |   |
| 1. The University does not have a comprehensive, University-wide policy for the protection and safety of children participating in University-sponsored programs or third-party sponsored programs occurring at University facilities.  | Develop a comprehensive policy, with guidance from legal counsel, and submit such policy to the Board of Trustees for review and approval. | A group representing a variety of areas across the University, including the Athletics, Children's Learning Center, faculty, Human Resources, Risk Management, Special Events and Scheduling Services, Public Safety, and Residence Life was assembled at the request of the Provost to form a committee charged with the development of a University-wide policy for the protection and safety of children.   | January 2, 2013<br><br>Revised:<br>March 15, 2013  | Draft completed and under administrative review |
| <b>Employment, Payroll, &amp; Benefits</b>  |  |  |  |   |
| 1. A review of a sample of personnel files revealed inconsistencies in the practices associated with setting up new employees and processing terminated employees. New employee checklists and terminated employee checklists were not consistently initiated by personnel performing the data entry and/or by personnel performing verification of the data entered. In some instances, verification was performed by multiple personnel, while in other cases there is no evidence that independent verification was performed. | Review new employee setup and terminated employee processes, checklists, and assignment of input and verification responsibilities.        | A Human Resource (HR) manager will create updates of the checklists and a process flow outline. These drafts will be evaluated by the HR administrators and both forms and processes will be modified as needed. Prior to implementation, the HR staff meeting will include a review of the new forms and the need for quality in data entry and consistency in the review process and sign off. The new forms and process will then be initially implemented on or before March 31, 2013. | March 31, 2013                                     |   |

University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012

| AUDIT NAME  | RECOMMENDATION   | RESPONSE  | TARGET   | STATUS           |
|---|--|---|--|------------------|
| <p>2. University-wide salary adjustments are processed annually in July when funding allows. Financial managers submit proposed raises for their staff via soft-copy spreadsheets and also submit a hard-copy spreadsheet signed by the financial manager and the appropriate vice president. HR personnel use the electronic submission to enter pay rates for the new fiscal year. Although the Human Resources Information Systems Manager (HRISM) compares the total salary pool used on the electronic spreadsheet to the hard-copy version, there is currently no comprehensive comparison of the pay rates between spreadsheets for each person.</p>                           | <p>Compare electronically submitted annual salary worksheets to the final management-approved salary schedules or eliminate dual submission.</p>                                   | <p>The HRISM will investigate procedural change options and based on findings, submit a process change recommendation by February 28, 2013, for implementation by March 31, 2013.</p>   | <p>Process change recommendation:<br/>February 28, 2013</p> <p>Implementation:<br/>March 31, 2013</p>                                    |                  |
| <p>3. Financial managers submit proposed raises for their staff to HR. HR personnel use the submission to enter pay rates for the new fiscal year. HR standard procedure includes independent verification of the pay rates entered into the HR/payroll system. However, the worksheets used for data entry and verification of fiscal year 2011 compensation changes could not be located. Furthermore, salary worksheets do not include a place for the data entry person and the person performing verification to initial indicating the completion of their particular step.</p>   | <p>Formalize the verification of salary data entered from salary worksheets.</p>   | <p>The HRISM will add two columns to the data entry spreadsheet and instruct data entry staff to use first column to record the initials and date of the employee entering the data and use the second column to record the initials and date of the employee who is data checking. Forms will be retained in the annual salary process file rather than individual personnel files.</p>  | <p>July 15, 2013</p>   |                  |
| <p>4. Internal Audit reviewed the I-9 forms, employment eligibility documentation, and I-9 Banner system information for the sample of employees selected for payroll audit testing (approximately 60 employees). The results of the review indicate the following:</p> <ul style="list-style-type: none"> <li>• Inconsistent filing practices – copies of documents presented for verification were sometimes filed with the I-9 form and sometimes filed in the employee's personnel file</li> <li>• Missing or misfiled I-9 forms</li> <li>• Inaccurate information in the I-9 section of Banner</li> <li>• Failure to complete verification within three business days</li> </ul> | <p>Review I-9 files and documentation, comparing Banner data to employment verification documents, and ensure employment verification is completed within required timeframes.</p> | <p>HR is seeking a legal opinion regarding whether to conduct an audit of I-9 forms for all current employees.</p> <p>By March 31, 2013, HR will establish a project plan for identifying and correctly filing any supporting documents from pre-June 2011 (hires prior to implementation of E-verify).</p> <p>Upon investigation of the audit issues, one I-9 form (from 1999) was missing, and one was misfiled. We have moved the misfiled form. We are seeking an attorney opinion on the next step regarding the missing I-9 form.</p> <p>Inaccurate information in Banner has been reviewed and updated.</p> <p>Employment staff and reviewing generalists have been reminded about this process so that future updates are completed timely.</p> | <p>Legal opinion:<br/>March 31, 2013</p> <p>Project plan for filing supporting documents:<br/>March 31, 2013</p> <p>January 31, 2013</p> | <p>Completed</p> |

University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012

| AUDIT NAME<br>OBSERVATION  | RECOMMENDATION  | RESPONSE  | TARGET   | STATUS |
|--|---|---|--|--------|
|  |   | <p>The Employment generalist now reviews a monthly report for I-9 status entries other than "received" and ensures follow up with the employee.</p> <p>HR administration will consider discontinuing use of the US Regulatory tab in Banner and relying on E-verify for tracking receipt of employment eligibility documents; alternatively, HR will develop a procedure to periodically reconcile the two systems (Banner and E-verify) for those tracked in both. A decision will be made by March 31, 2013.</p> <p>Several steps to improve timely and accurate I-9 processing have been added since the implementation E-verify, including:</p> <ul style="list-style-type: none"> <li>• Introducing a special email address to identify whether a proposed hire requires a tax packet with I-9</li> <li>• Re-training and disciplinary processes for hiring managers who allow an employee to work without an I-9</li> </ul> <p>In addition to those processes, HR will now:</p> <ul style="list-style-type: none"> <li>• Review form errors and filing errors and sensitize HR staff to these in training to be developed and implemented by March 31, 2013</li> <li>• Identify whether further HR training and/or job aids are needed</li> <li>• Evaluate the processes for entering hire dates in Banner to eliminate appearance of non-compliance</li> <li>• Identify any date discrepancies required by HR function and document for future audits</li> </ul> | <p>Employment eligibility document tracking decision:<br/>         March 31, 2013</p> <p>Training:<br/>         March 31, 2013</p> |        |
| <p>5. The current operating environment relies upon personnel within each of the colleges to notify payroll when a course or section is canceled. As a result of this decentralized environment, sometimes payroll is not notified timely of such cancellations.</p> | <p>Report course and section cancellations received by the Registrar's Office to payroll personnel.</p> | <p>The Payroll Manager now receives a weekly report of cancelled courses.</p> <p>The HRISM will investigate other methodologies for preventing overpayment of staff and develop a written recommendation by February 28, 2013, with planned implementation in March 2013.</p>   | <p>Recommendation:<br/>         February 28, 2013</p> <p>Implementation:<br/>         March 31, 2013</p>                           |        |

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012**

| AUDIT NAME<br>OBSERVATION   | RECOMMENDATION  | RESPONSE   | TARGET  | STATUS |
|---|---|--|---|--------|
| <p>6. During the audit, payroll personnel indicated they have established as an objective to increase the use of technology through the selection and implementation of an electronic time-keeping/time-tracking system. The current payroll processing environment relies heavily on hard-copy documents for tracking and reporting hours worked and employee time off (both paid and unpaid time). The University uses paper time sheets for employees to record their hours. In addition, personnel within the various departments summarize the hours from employee timesheets by recording them on a hard-copy recap document.</p> | <p>Utilize technology solutions to increase efficiency of payroll processing.</p>           | <p>The Payroll Manager and HRISM are meeting weekly to explore options of implementing either a Banner-provided or a separate web time-entry system. The managers will make a recommendation and a final decision will be made by March 31, 2013.</p>  | <p>Decision on time-entry system:<br/>March 31, 2013</p>                                  |        |
| <p>7. The current payroll processing schedule includes a bi-weekly payroll for support staff and temporary workers, a bi-weekly payroll for student workers, and monthly payroll for full-time faculty, administrative staff members, and adjunct faculty. The bi-weekly payrolls are paid one week in arrears, while the monthly payrolls are paid current.</p>  | <p>Consider transitioning the monthly payroll schedule to a bi-weekly payroll schedule.</p> | <p>The HR management team agrees that a different pay schedule (bi-weekly or semi-monthly) is desirable for faculty and administrators' regular pay. However, a separate monthly pay schedule is needed for adjunct/overload and summer pay due to the challenge of timely reporting, last-minute changes, and the need for a separate reconciliation.</p> <p>The HR administrator group will evaluate the web time-entry project and possible changes to the payroll processing schedule and the Payroll Manager and HRISM will recommend their priority order by March 31, 2013. At that time a project plan would be built for the top priority project and subsequent deadlines established.</p> | <p>Prioritization of web time-entry and payroll schedule projects:<br/>March 31, 2013</p> |        |
| <p>8. During the audit, payroll personnel indicated that printed checks are stored in a cabinet in the payroll manager's office until the day before payday. The senior payroll assistant or payroll supervisor who processed the payroll pressure seals the checks and delivers them to the Cashiers Office for distribution to employees. In addition, checks that are returned to the University as undeliverable are sent to the payroll department and stored in the payroll manager's office while they attempt to locate the payee.</p>  | <p>Remove payroll check custodial responsibilities from payroll personnel.</p>              | <p>Together with the Assistant Vice President of Finance or the Controller, HR will evaluate where the physical custody of checks belongs within the Business Office. We expect to have the meeting and a plan identified by March 31, 2013.</p>   | <p>March 31, 2013</p>   |        |





**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012**

| AUDIT NAME<br>OBSERVATION   | RECOMMENDATION  | RESPONSE   | TARGET   | STATUS  |
|---|---|--|--|---|
| <p>1. As was the case during the 2011 audit, the Grant Management Guide remains an unapproved draft. Furthermore, the faculty/administrative workload assignment forms for defining "full workload" and up-front effort distribution have not been fully implemented.</p> | <p>Complete and approve the GMG and implement the faculty workload assignment form.</p>   | <p>The GMG has been completed and will be posted on the Office of Sponsored Projects &amp; Research Administration (OSPRA) website by December 16, 2012. During the week of January 7, 2013, announcements about the GMG will be made via email as well as during the spring faculty and administrative staff meeting.</p> <p>A reference to the GMG and a link to it on the OSPRA website will be included in various pre- and post-award forms and emails.</p> <p>The Faculty Workload Assignment form will be integrated into the sponsored projects approval form for external grant applications no later than December 16, 2012.</p> <p>Instructions on how to complete the form will be included on the OSPRA website as well as on the faculty senate website.</p> | <p>GMG completed:<br/>December 16, 2012</p> <p>Faculty Workload form implemented:<br/>December 16, 2012</p>                        | <p>Completed and ongoing</p> <p>Completed</p> |
| <p>2. There does not appear to be a consistent, formal training activity to ensure that personnel working with grants have carefully reviewed the GMG and attained an awareness of some of the nuances of federal grant compliance requirements.</p>                      | <p>Train faculty and administrative personnel regarding compliance requirements and University policies related to federal grants.</p>              | <p>OSPRA and the Business Office plan to develop a series of short PowerPoint presentations with audio overlay that highlight key federal and University policies related to grant administration. The development of these presentations will begin in January 2013 and we expect to produce a minimum of one presentation every three months until the list of topics is exhausted.</p> <p>In addition, OSPRA and the Business Office will host "lunch and learn" type programs once each semester for faculty and staff. The first of these events will be held during the 2013 fall semester.</p>  | <p>Develop training presentations:<br/>one every three months until topics are exhausted</p> <p>Lunch and learn:<br/>Fall 2013</p> |   |
| <p>3. Lack of grant accountant involvement during the budget preparation may lead to a higher volume of budget adjustments immediately preceding the submission cutoff date and/or inadequate time to make adjustments to the proposed budget.</p>                        | <p>Involve grant accounting personnel in the up-front development of grant related budgets rather than limiting their role to that of reviewer.</p> | <p>The time and skills necessary to increase the Controller's Office level of participation in the proposal budget development process would necessitate the addition of another staff accountant. The Controller's Office will request a new, full-time staff accountant in its budget request for the 2013-2014 fiscal year.</p>   | <p>2013 - 2014 Budget Hearings</p>   |   |

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012**

| AUDIT NAME<br>OBSERVATION  | RECOMMENDATION  | RESPONSE   | TARGET                                      | STATUS           |
|--|---|--|---|------------------|
| <p>4. A formal and consistent process is not in place to track program reporting requirements for each grant awarded to the University, communicate approaching deadlines to the appropriate PI, and obtain copies of program reports as evidence of completion.</p> | <p>Implement a process to track program reporting requirements for each grant, communicate approaching deadlines to the appropriate PI, and obtain copies of program reports as evidence of completion.</p> | <p>OSPRA will develop a spreadsheet by January 1, 2013, to record and track information for all active federal grants.</p> <p>Non-financial progress reports will be monitored and tracked as follows:</p> <p>A reminder will be sent to the PI 30 days prior to the due date.</p> <p>If necessary, a second reminder will be sent to the PI 10 days prior to the due date.</p> <p>The date the report is filed and received by OSPRA will be noted in the spreadsheet.</p> <p>The electronic report will be retained in the grant directory on the OSPRA server.</p> <p>If the PI fails to submit the non-financial report by the deadline, OSPRA reserves the right to withhold submission of new grant applications for the PI until the report is submitted.</p> | <p>Develop spreadsheet: January 1, 2013</p> | <p>Completed</p> |
| <p>5. Payroll notifications for the allocation of grant-related salaries were not submitted timely, particularly for the first academic term of grant activity following the award.</p>  | <p>Create a checklist of critical post-award activities.</p>  | <p>The assistant controller will develop the post-award checklist and adopt it into practice by March 31, 2013.</p> <p>Accounting will continue to monitor grant expenses. Effective immediately, Accounting will adhere more closely to its 60-day threshold for cost transfers as a means to reinforce the importance of submitting payroll notifications timely.</p>  | <p>Post-award checklist: March 31, 2013</p> |                  |

University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2012

| AUDIT NAME   | RECOMMENDATION   | RESPONSE  | TARGET  | STATUS |
|--|--|---|---|--------|
| OBSERVATION  |  |   |   |        |
| Office of Public Safety Clery Act Reporting  |  |   |   |        |
| 1. The 2012 Security Report did not contain several policy and process information statements, required by the Clery Act, that had been included in the 2011 report. | Include in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act. | Beginning with the October 2013 Annual Security and Fire Safety Report, the Security Department will update the report to include the required policy and process information identified as having been omitted from the 2012 report. | October 2013 Annual Security and Fire Safety Report |        |

**University of Southern Indiana  
 Annual Audit Plan  
 Calendar Year 2013**

| <b>QUARTER BEGINNING</b> | <b>AUDIT AREA</b>                       | <b>DESCRIPTION</b>  | <b>HOURS</b> |
|--------------------------|---|---|--------------|
| January 2013             | Athletics Recruiting                    | NCAA Division II compliance review  | 250          |
|                          | New Harmony Cash Controls and Inventory | New Harmony - Museum Shop Physical Inventory Count and Cash Controls follow-up                              | 25           |
|                          | Bookstore                               | Physical inventory observation  | 40           |
|                          | Payment Card Industry Compliance        | Compliance with debit and credit card data security requirements  | 75           |
|                          | Statistical Data                        | Accuracy and consistency in reported data   | 250          |
| April 2013               | Contracting Authority                   | Policies and procedures regarding contract review, approval, and execution                                  | 175          |
|                          | Registrar                               | Review controls over grades/transcripts, academic grievance procedures                                      | 200          |
|                          | Business Office                         | Investments and wire transfer policies/procedures   | 260          |
|                          | Physical Plant Inventory Controls       | Review controls over parts inventory  | 100          |
| July 2013                | Student Financial Aid                   | Grants and scholarships   | 230          |
|                          | Non-financial aid grant fund(s)         | Compliance with grantor regulations   | 235          |
|                          | Privacy Legislation                     | Review Compliance with Family Educational Rights and Privacy Act and Gramm-Leach-Bliley Act safeguards rule | 180          |
| October 2013             | International Travel                    | Review policies and procedures associated with University-sponsored international travel                    | 180          |
|                          | Procurement Services                    | Review controls over bid process, requisition, and purchase orders  | 250          |
|                          | Grounds Center                          | Fuel pump access and accountability   | 190          |

|  |             |
|--|-------------|
| <b>Total Hours</b>                     | <b>2640</b> |
| Hours Available                        | 2649        |
| Hours available for unscheduled audits | 9           |

## Summary of Construction Change Orders Authorized by the Vice President for Finance and Administration

### 1. TEACHING THEATRE PROJECT

#### Empire Contractors, Inc. - General Contractor

|       |  |            |
|-------|--|------------|
| CO-G2 | Perform general construction work to relocate elevator equipment room            | \$12,647   |
| CO-G3 | Reduce the cost of theatre seating through value engineering                     | (\$25,145) |
| CO-G4 | Remove rock encountered at site while excavating for foundations and lower level | \$14,859   |

#### Deig Brothers Construction Co. Inc. - Mechanical Contractor

|       |  |         |
|-------|--|---------|
| CO-M5 | Make revisions to mechanical work required to relocate elevator equipment room and modify ductwork in University Center at connection with Teaching Theater building | \$6,191 |
|-------|--|---------|

#### Alva Electric Co, Inc. - Electrical Contractor

|       |   |         |
|-------|---|---------|
| CO-E1 | Perform electrical work required to change emergency shower location in mechanical room   | \$1,254 |
| CO-E2 | Perform electrical work to install additional circuits to audio-visual floor boxes, to relocate elevator equipment room, and to revise power and controls for sliding dock door | \$7,727 |