

**AGENDA**  
**JOINT MEETING**  
**FINANCE/AUDIT AND CONSTRUCTION COMMITTEES**

**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

**May 8, 2004**

(FINANCE/AUDIT)

**1. RECOMMENDATION TO APPROVE PROPOSED SCHEDULE OF STUDENT FEES AND OTHER MANDATORY FEES FOR 2004-2005**

It is recommended that the per-semester credit-hour fee be increased to \$133.91 for Indiana resident undergraduate students, \$194.52 for Indiana resident graduate students, \$319.41 for non-resident undergraduate students, and \$384.22 for non-resident graduate students.

Approval of a recommendation to the Board of Trustees for approval of the Student Fees and Other Mandatory Fees for 2004-2005 in Attachment A is recommended.

**2. RECOMMENDATION TO APPROVE PROPOSED MISCELLANEOUS FEES FOR 2004-2005**

Approval of a recommendation to the Board of Trustees for approval of the Laboratory and Miscellaneous Fees, Admission Prices for Athletics Events, and Children's Center Fees for 2004-2005 in Attachment B is recommended.

**3. REPORT ON THE PARKING GARAGE PROJECT**

**4. APPROVAL OF BUDGET APPROPRIATIONS, ADJUSTMENTS, AND**

Approval of the budget appropriations, adjustments, and transfers in Attachment C is recommended.

**5. REPORT ON INTERNAL CONTROLS**

At its March 4, 2004, meeting, the Finance/Audit Committee reviewed a report on internal controls prepared by the director of Internal Audit. A review of institutional responses to the Report on Internal Controls and action plans for improvement will be presented (Attachment D).

**6. REVIEW OF RESOLUTIONS TO BE PRESENTED TO THE BOARD OF TRUSTEES**

At its meeting on May 8, 2004, the Board of Trustees will be asked to approve the authorizing resolution for financing the new David L. Rice Library Building project (Attachment E). The resolution will be reviewed.

**7. RECOMMENDATION TO REVISE THE AUDIT-RELATED RESPONSIBILITIES OF THE FINANCE/AUDIT COMMITTEE**

At its meeting on May 10, 2003, the Board of Trustees established the Finance/Audit Committee and assigned it specific audit-related responsibilities. In November 2003, the National Association of College and University Business Officers (NACUBO) issued an advisory report entitled *The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education*. The NACUBO report suggests additions to the list of audit-related responsibilities previously assigned to the Finance/Audit Committee. Consistent with the NACUBO report, it is recommended that the revised audit-related responsibilities assigned to the Finance/Audit Committee be approved (Attachment F).

Approval of a recommendation to the Board of Trustees for approval of the revised Finance/Audit Committee Responsibilities (Audit-Related) in Attachment F is recommended.

**SCHEDULE OF STUDENT FEES AND OTHER MANDATORY FEES FOR 2004-2005**

**Schedule of Fees**  
 Effective Fall Semester 2004  
 Per Semester Credit Hour

	<u>UNDERGRADUATE</u>		<u>GRADUATE</u>	
	Resident	Non-Resident	Resident	Non-Resident
Contingent	\$ 91.16	\$ 91.16	\$ 151.77	\$ 151.77
Academic Facilities	25.00	25.00	25.00	25.00
Student Services	12.75	12.75	12.75	12.75
Technology	5.00	5.00	5.00	5.00
Non-Resident		185.50		189.70
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 133.91	\$ 319.41	\$ 194.52	\$ 384.22

**OTHER MANDATORY FEES**

University Services Fee (8 or more credit hours per semester)	\$30.00
University Services Fee (more than 3 and fewer than 8 credit hours per semester)	22.75
University Services Fee (3 or fewer hours per semester)	10.00
University Services Fee Summer	10.00

**MISCELLANEOUS FEES FOR 2004-2005**

**1. LABORATORY AND MISCELLANEOUS FEES**

	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Effective Date</u>
Application Fee	25.00	25.00	07/01/04
Audit Fee (Plus Applicable Lab Fee)	35.00	35.00	08/30/04
Bad Check Penalty First Check	10.00	10.00	07/01/04
Bad Check Penalty Subsequent	20.00	20.00	07/01/04
Change of Schedule	15.00	15.00	08/30/04
Computer Lab Fee	35.00	35.00	08/30/04
Departmental Exams	15.00	15.00	08/30/04
Distance Education Fee (Learning Center Fee, per credit hour)	25.00	25.00	08/30/04
Distance Education Delivery Fee	10.00	10.00	08/30/04
Distance Education Supply Fee	100.00	100.00	08/30/04
Health Professions Insurance	15.00	15.00	07/01/04
Health Services Fee	40.00	40.00	08/30/04
ID Card Replacement Fee	10.00	10.00	08/30/04
Laboratory Fee	35.00	35.00	08/30/04
Late Registration Fee	25.00	25.00	08/30/04
Matriculation Fee (7 or more credit hours per semester)	62.00	62.00	07/01/04
Matriculation Fee (Fewer than 7 credit hours per semester)	31.00	31.00	07/01/04
Nursing Test Fee	30.00	30.00	08/30/04
Occupational Therapy Clinical Fee	50.00	50.00	08/30/04
Payment Plan Fee	30.00	30.00	07/01/04
Payment Plan Late Fee	25.00	25.00	08/30/04
Transportation & Parking Fee (8 or more credit hours per semester)	30.00	35.00	08/30/04
Transportation & Parking Fee (More than 3 and fewer than 8 credit hours per semester)	24.00	28.00	08/30/04
Transportation & Parking Fee (3 or fewer credit hours)	18.00	21.00	08/30/04
Transportation & Parking Fee (Per summer session)	11.00	14.00	08/30/04
Transportation & Parking Fee (Temporary)	5.00	5.00	08/30/04
Transportation & Parking Tag Replacement Penalty	10.00	10.00	08/30/04
Physical Education Fee	20.00	20.00	08/30/04
Respiratory Therapy Advanced Life Support Fee	100.00	100.00	08/30/04
Special Course Fee (Varies by course; maximum amount)	200.00	200.00	08/30/04
Student Activity Fee (Non-mandatory)	15.00	25.00	08/30/04
Student Resident/Housing Conduct Program Fees			
Level I	25.00	25.00	08/30/04
Level II	50.00	50.00	08/30/04
Level III	100.00	100.00	08/30/04
Studio Fee	35.00	35.00	08/30/04
Traffic Violation Fines			
Reckless Driving	35.00	35.00	07/01/04
Speeding	35.00	35.00	07/01/04
Parking Handicapped Zone	50.00	50.00	07/01/04
Improper Registration (First occurrence)	10.00	10.00	07/01/04
Improper Registration (Subsequent occurrences)	25.00	25.00	07/01/04
All Other Violations	10.00	10.00	07/01/04
All Other Violations (Subsequent occurrences)	25.00	25.00	07/01/04

**2. ADMISSION PRICES FOR ATHLETICS EVENTS**

	<u>Current</u>	<u>Proposed</u>
<b>BASKETBALL, MEN AND WOMEN</b>		
<b>SEASON TICKET</b>		
Reserved Chairback	\$110.00	\$120.00
General Admission Bench	75.00	80.00
<b>SINGLE GAME</b>		
Reserved Chairback	10.00	10.00
General Admission Bench, Adult	7.00	7.00
General Admission Bench, Child (12 & under)	4.00	4.00

A valid student identification card admits USI students free to regularly scheduled athletics events. Children two years of age and under not occupying a seat will be admitted free when accompanied by an adult. Children occupying a seat will be charged the child (12 & under) fee. Senior citizens 65 years of age or older will receive a \$1 discount on each single-admission ticket or pass.

**3. CHILDREN'S CENTER FEES**

	<u>Current</u>	<u>Proposed</u>
<u>Full-time Attendance – 2 year olds*</u>		
Daily Rate (One Child)	\$ 21.50	\$ 22.50
Weekly Rate (One Child)	107.50	110.00
<u>Full-time Attendance – 3-5 year olds*</u>		
Daily Rate (One Child)	19.00	19.00
Weekly Rate (One Child)	88.00	90.00
<u>Hourly Attendance – 3-5 year olds**</u>		
One hour	3.50	3.50
Two hours	5.25	5.25
Three hours	7.00	7.00
Four hours	8.75	8.75
Five hours	10.50	10.50

Over five hours = full day

\* Snacks and lunches are included in the full-time fee.

\*\* Additional charges for snacks and lunches will be assessed all children enrolled on a part-time basis in attendance at snack and/or lunch time.

In the event that a child is not picked up by closing (5:00 p.m.), a late fee of \$0.20 per minute per child will be assessed for the first 10 minutes and \$1.00 per minute per child for each minute thereafter.

**BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS**

**1. Additional Appropriation of Income**

From:	Unappropriated Auxiliary Funds		
To:	3-30615	Women's Cross Country Supplies and Expense	2,065
To:	3-36200	Intramurals Operations Supplies and Expense	4,675
To:	3-36210	Intramurals Programs Supplies and Expense	16,207

**2. Transfer and Appropriation of Funds**

From:	1-10200	School of Liberal Arts	
To:	3-32004	Lincoln Amphitheatre 2004 Personnel Services	2,370
From:	1-10200	School of Liberal Arts	
To:	3-35004	New Harmony Theatre 2004 Personnel Services	2,370
From:	1-14000	Student Affairs	
To:	3-36000	Fitness Center Supplies and Expense	1,750
From:	3-36001	Fitness Center Reserve	
To:	3-36000	Fitness Center Supplies and Expense	18,427
From:	6-60000	Auxiliary System Reserve	
To:	6-60170	Housing Drainage Supplies and Expense/Capital	250,000

**3. Transfer of Funds**

From:	2-20050	Student Services Operations	
To:	3-33405	Student Housing Association	507
From:	2-20062	Eagle Gran Prix	
To:	2-20061	SpringFest	917
From:	2-20110	Student Activities	
To:	2-20061	SpringFest	2,000
To:	2-20120	Multicultural Center	400
From:	2-20200	Activities Programming Board	
To:	2-20061	SpringFest	5,000
From:	2-20300	Student Government	
To:	3-33405	Student Housing Association	800
From:	2-21105	Student Activity Fee	
To:	2-20180	Student/Faculty Honors Symposium	500
From:	3-30200	University Center	
To:	2-20061	SpringFest	5,000

# UNIVERSITY OF SOUTHERN INDIANA

## REPORT ON INTERNAL CONTROLS

### *With Institutional Response in Red Italics*

The internal controls over the operational and financial activities of the University of Southern Indiana have been grouped into three categories: accounting controls, administrative controls, and information systems controls. Accounting controls relate directly to safeguarding assets and the reliability of the financial records. They address authorizations, approvals, and separation of duties between record keeping and asset custody. Administrative controls are concerned with operational efficiency and adherence to policies. They generally include controls such as comparative analyses, performance reports, training programs, and quality control. Information system controls are concerned with access to systems and data, the integrity of mission critical information, and the physical security of hardware and software systems. They include such controls as user authentication, backup and restore procedures, disaster recovery planning, and protection of equipment against theft and loss.

The controls identified below and on the following pages reflect management's representation of the internal control structure presently in place at the University. Comments are included in some situations where the control has changed from the last report or is less than ideal.

### **ACCOUNTING CONTROLS**

#### I. ACCOUNTS PAYABLE AND OTHER LIABILITIES

##### A. Conforms to Best Practices

1. Liability control accounts are reconciled with subsidiary records on a regular basis.
2. Accounts payable are maintained independently of cash receipts and disbursement functions.
3. Accounts payable and other liability adjustments are supported by documentation that has been properly reviewed and approved.
4. Procedures exist to facilitate payments to vendors in a timely fashion.
5. Procedures exist to prevent duplicate payments and payments for damaged goods.
6. Procedures exist to ensure proper credit for returned purchases.
7. Debit balances in liability accounts are reviewed regularly and reclassified at year end if appropriate.
8. Year end procedures ensure inclusion of all items purchased during the period.

##### B. Deviates from Best Practices

1. Receiving reports are not required for proof of delivery; therefore, the standard control of a three-way match of vendor invoice, purchase order, and receiving report does not exist prior to payment.
  - a. Compensating controls: Fiscal agents approve all items ordered via a purchase order.
  - b. Risk: Minimal

*The existing compensating controls of fiscal agent notification, coupled with fiscal agent approval of requisitions, are judged adequate to mitigate the minimal risk.*

2. Invoices up to \$5,000 are paid by negative confirmation if a purchase order exists and the invoice amount agrees (within reason) with the purchase order amount.

- a. Compensating controls: Fiscal agents are notified of invoices scheduled for payment and given 15 days to notify AP of a reason why the vendor should not be paid. If no response is received from the fiscal agent, or his/her alternate if the fiscal agent is absent, payment is processed as scheduled.
- b. Risk: Minimal

*The existing compensating controls of fiscal agent notification, coupled with fiscal agent approval of requisitions, are judged adequate to mitigate the minimal risk.*

## II. ACCOUNTS RECEIVABLE

### A. Conforms to Best Practices

1. Accounts receivable are maintained independently of cash receipts and disbursement functions.
2. Bad debt write-offs, credit memos and allowances are approved independently of processing, recording, and collecting.
3. Individual accounts are independently reconciled with the control account on a regular basis.
4. Aged accounts, and accounts with credit balances, are being reviewed periodically.
5. Measures exist that encourage prompt collection of student accounts receivable.
6. Procedures exist for follow-up and collection of delinquent accounts.
7. Disputed liabilities are handled by persons other than those receiving payment.
8. Completed invoices are controlled and properly accounted for.
9. Adequate control exists over the mailing of statements to prevent interception prior to mailing.

### B. Deviates from Best Practices

1. Account receivable balances have not been independently confirmed on a periodic basis.
  - a. Compensating controls: None
  - b. Risk: Not yet determined.

*The University's Internal Audit Department will add this task to its workplan, as resources permit.*

## III. CASH DISBURSEMENTS

### A. Conforms with Best Practices

1. Check Disbursements
  - a. Adequate separation of duties exists between the approval and payment functions.
  - b. Only printed, pre-numbered checks are used.
  - c. All checks are made payable to specific payee.
  - d. Advance signing of checks is prohibited.
  - e. All disbursements are properly authorized and supported by appropriate documentation, which is reviewed before checks are issued.
  - f. All bank accounts and check signatures are properly authorized; check signers are adequately bonded.
  - g. Procedures provide for immediate bank notification when an authorized signer of checks changes duties or resigns.
  - h. The supply of blank checks is adequately controlled.
  - i. Voided checks are properly mutilated and held for inspection; old outstanding checks are voided after one year.
  - j. Vouchers, or other approved documentation, are prepared for all expenditures, including wire transfers and ACH debit entries.
  - k. Facsimile signature plates are adequately secured and under proper control.
  - l. A firm procedure establishes the conditions under which disbursements can be made.
  - m. Each bank account is under a separate ledger control.

- n. Bank accounts are reconciled monthly by a person independent of cash functions.
- o. The sequence of check numbers are accounted for when reconciling bank accounts.

2. Petty Cash Disbursements

- a. Petty cash funds are properly authorized, the responsibility of only one person, and are properly safeguarded.
- b. Petty cash vouchers are signed by the person receiving cash, prepared in ink, and required for each expenditure.
- c. Petty cash disbursements are supported by original receipts verifying the amount disbursed.
- d. Reimbursement vouchers to replenish funds are approved by a responsible employee who has no daily cash handling responsibilities.
- e. Vouchers and attachments are properly cancelled to preclude reuse.
- f. The custodian is restricted from handling more than one petty cash fund.
- g. Petty cash funds are limited to expenditures not exceeding a fixed amount; variances to that amount require special approval.
- h. Petty cash fund balances are adequate for the activity's needs.
- i. The funds are verified by surprise counts.

3. Travel Disbursements

- a. The authority for approval of travel requests is established at all organization levels.
- b. Travelers are educated regarding the institutions travel regulations.
- c. Travel is supported by an approved travel request form with the exception of local travel within a radius of 50 miles and no overnight stay.
- d. The business purpose of travel is stated on the face of the travel request.
- e. Cash travel advances are limited in scope and tightly controlled, and original receipts are required to reconcile travel advances.
- f. The appropriate fiscal agent or approved alternate approves all travel reimbursement vouchers.
- g. All travel vouchers are independently reviewed in detail for allowability and reasonableness.
- h. Travelers are required to provide original receipts for all travel expenditures, and unauthorized personal travel expenses are excluded from reimbursement.
- i. Travel plans are made sufficiently in advance to obtain the most favorable transportation rates.
- j. Procedures are in place to govern student and field trip travel.

B. Deviates from Best Practices

- 1. Bank statements are opened before delivery to the individual reconciling the account.
  - a. Compensating controls: The University has twelve bank accounts at two different banks and it is not evident which statement is in each of the bank envelopes. One person has been designated to open all bank statements, log them in, and forward to the reconciler to eliminate confusion.
  - b. Risk: Minimal, because the designated employee does not have the ability to create and process an unauthorized check.

*The University has centralized the receipt of statements in order to better manage the reconciliation process, and accepts the related minimal risk.*

- 2. Endorsements on cancelled checks are not periodically examined nor are paid checks randomly scrutinized for suspicious and irregular features. The check volume is so large that this would be a daunting task. It is doubtful that such a scrutiny would result in identifying an altered or a fraudulently endorsed check.



- a. **Compensating controls:** A great number of payments are now being made electronically rather than by paper checks. Check stock has security features which make them difficult to alter. Cancelled checks are reviewed in full if an issue arises with a vendor who claims not to have received payment.
- b. **Risk:** Minimal to moderate

*The University agrees that scrutiny of individual checks would consume significant resources and provide minimal benefit, and is probably not warranted at this time.*

#### IV. CASH RECEIPTS

##### A. Conforms with Best Practices

1. Cash receipts are maintained independently of accounts receivable, accounts payable, and check disbursement functions.
2. Cash receipts are promptly recorded using pre-numbered receipts, on-line computer numbered receipts, or cash registers by an individual designated to receive cash.
3. Cash register/cashiering procedures reflect proper daily check-out and documentation.
4. Customer receipts (computer generated or multi-copy hand written) are dated, numerically controlled, and identifiable to a specific cashier.
5. Employees connected with the cash receipts function rotate duties periodically.
6. Cash overages/shortages for each cashier are maintained and recorded on the books.
7. Cash receipts are posted daily to income or subsidiary accounts receivable records.
8. Cashiers are provided separate cash drawers to establish accountability. These drawers are locked during the cashier's absence.
9. Cash receipts are deposited intact on a daily basis; deposits are verified by means of a bank receipt or bank statement.
10. Adequate facilities are provided for the safeguarding of cash prior to deposit.
11. Safe combinations and keys to cash boxes/files are restricted to an essential number of employees; combinations and locks are changed at each personnel change.
12. Checks returned by the bank are posted to subsidiary accounts receivable records; notification letters are sent to the payor requesting prompt redress.
13. All persons handling cash are adequately bonded.

**NOTE:** The above cash receipts controls apply to the Bursar/Cashier department. They may or may not be in place at all locations that handle cash.

##### B. Deviates from Best Practices

1. The mail is not opened by someone independent of cashiering duties. One cashier opens the mail daily and places a restrictive endorsement on incoming checks at the time the check is receipted into the computer system.
  - a. **Compensating controls:** Mail is opened in a secure and controlled environment and in the presence of other people.
  - b. **Risk:** Minimal

*All mail for the Business Office is received centrally and opened by staff within the appropriate subunit.*

*In the future, mail for the bursar's function will be opened by a clerk within the area who will also ensure that restrictive endorsements are placed on all checks prior to being transferred to cashiers. This individual will not normally have cashier responsibilities and therefore will be separated from the receipting process.*

## V. INVESTMENTS

### A. Conforms with Best Practices

1. An investment policy has been established by the Board of Trustees.
2. Changes in types of investments in the portfolio are approved in accordance with the investment policy.
3. Investments are purchased and sold only on proper authorization.
4. Original papers evidencing purchases and sales are properly filed.
5. An independent safekeeping agent is utilized; investments are either in a safe deposit box or in the University vault.
6. Investment documents are under the control of a responsible official as custodian.
7. All investment documents are registered in the name of the University.
8. A record is maintained for each investment, including cost, description, purchase date, maturity date, interest rate, and identifying number.
9. A record of investment income is maintained, and accruals are recorded as investment income is earned.
10. Investments are examined periodically and reconciled to controlling accounts.
11. Earnings are reconciled periodically with published financial records.
12. Confirmations are obtained from outside holders of investment documents.

### B. Deviates from Best Practices

1. Procedures do not require that more than one person be present during inspection of investments held in the safe deposit box or the University vault.
  - a. Compensating controls: The bank maintains a record of who visited the safe deposit box on a specific date.
  - b. Risk: Minimum

*Negotiable instruments are maintained by the University's banking partners and are not stored in an on-site safe deposit box or vault.*

2. All persons having access to investments are bonded, but the level of bonding may not be adequate if a successful theft should occur.
  - a. Compensating controls: All investments are registered in the University's name; no individual should be able to successfully confiscate the funds.
  - b. Risk: Minimal

*The University will continue to monitor bonding levels and work with insurance carriers to maintain sufficient security levels.*

## VI. PURCHASES

### A. Conforms with Best Practices

1. Purchase Order Processes
  - a. Purchasing policies are defined by written procedures.
  - b. Purchases, other than those from petty cash, by procurement card, or below the minimum dollar threshold, are made on properly approved orders.
  - c. The use of confirming (after the fact) purchase orders is documented and monitored.
  - d. Adequate separation of duties exist in connection with controlling blank purchase orders, placing orders with vendors, approving vouchers for payment, processing approved vouchers, and disbursing funds.
  - e. Policies provide for the assignment of responsibility for final purchasing decisions at the appropriate level.
  - f. All purchase orders numbers are system generated and accounted for.

- g. Leasing procedures insure compliance with statutory purchasing regulations, as well as University rules and regulations.
- h. A system of competitive bidding is used.
- i. Long-term contracts are under adequate control.
- j. There is a policy statement with regard to conflicts of interest, including employee-vendor relationships.

2. Procurement Card Processes

- a. All procurement cards policies and procedures have been approved by authorized management.
- b. All cardholders are provided with an up-to-date copy of the policies and procedures, and are required to undergo training before their cards are activated.
- c. All cards are issued in the name of individual employees to fix accountability.
- d. All cardholders are required to sign a cardholder's agreement that states terms and conditions.
- e. New and replacement card issuance is controlled by written policies and procedures.
- f. New and replacement cards are issued inactive, distributed in a secure manner, and only activated upon action by the cardholder.
- g. Cardholders are held personally responsible for unauthorized or personal purchases, and disciplinary measures are in place for card misuse/abuse.
- h. Card usage is monitored for personal use, and charges are examined monthly for authorization, propriety, and purchasing limits.
- i. There is a process for reporting and deactivating lost or stolen cards, and liability for fraudulent use is limited between the time of the card being stolen and the time it is reported.
- j. All card purchases required to be signed-off on by the fiscal agent of the charged account.
- k. All purchases are required to be supported by original receipts including vendor's name, date of purchase, total amount, itemized description of each item purchased, and business purpose if not evident.
- l. Cardholders are required to reconcile their credit card statement to actual receipts on a monthly basis.
- m. Card usage is monitored for "stringing," i.e., breaking down one large purchase into several smaller purchases to circumvent purchase authorization limits.
- n. There is an established procedure for dealing with disputed transactions with the card issuer.
- o. All cards have expiration dates.
- p. There is a procedure for retrieving the Procurement Card when an employee leaves the organization.

B. Deviates from Best Practices

- 1. Confirming (after the fact) purchase orders that are not initiated by the purchasing department have not been subject to review for best vendor or best price comparisons.
  - a. Compensating controls: Departmental budgets and fiscal agent authority
  - b. Risk: Unknown

*While University policy requires that purchases over \$1,000 be initiated by the Purchasing Department, that policy has not been uniformly enforced. The policy and enforcement procedures will be reviewed by the vice president for Business Affairs.*

2. Blanket orders are issued to frequently used vendors for "miscellaneous supplies" so that what is being purchased is not known in advance. If known, some items could be bid out for better prices.
  - a. Compensating controls: Departmental budgets and fiscal agent authority
  - b. Risk: Unknown

*Blanket orders typically address very low-cost miscellaneous items (i.e. office supplies) where it would not be reasonable to expect the Purchasing Department to obtain bids. Purchasing reviews blanket orders every year and advises the department if competitive bidding is appropriate for future purchases.*

## VII. EQUIPMENT

### A. Conforms to Best Practices

1. Capital expenditures are authorized by appropriate officials.
2. Equipment acquisitions are originated by requisitions that show description, estimated cost, and accounts to be charged.
3. Equipment additions are controlled by a budget. Variations between budget and actual costs require fiscal agent approval.
4. A policy exists that differentiates between expenditures to be capitalized and those to be expensed.
5. Identifying information (tag or bar code) is placed on equipment after it is installed/placed in its intended location and removed from equipment prior to disposal.
6. Detailed subsidiary records of equipment are maintained, reconciled to the general ledger by fund, and adjusted when equipment is disposed of or transferred.
7. Physical inventories of all equipment are taken periodically. An inventory of large dollar items is taken at least annually.
8. Inventories are tested periodically by an official having no responsibility for the inventory.
9. A computerized preventive maintenance program is used to schedule and identify inspections and maintenance for major heating and cooling systems.
10. Training sessions are held to inform staff on the proper use of tools, equipment and systems. The equipment is stored in a secured location or locked to prevent unauthorized use.
11. A procedure exists of identifying and disposing of unused or obsolete equipment. An asset control personnel authorizes the disposal and appropriate paperwork is completed.
12. The sale, transfer, scrapping or dismantling of equipment requires written approval. Scrapped equipment is placed in metal material recycling bins for sale to the scrap yard. The serial number, model number, and other identifying information are recorded on a work request and filed.

NOTE: The above policies and procedures apply to equipment under the control of Purchasing and Risk Management and the Physical Plant. Different policies and procedures are in place for the equipment controlled by the Computer Center.

### B. Deviates from Best Practices

1. Even though procedures are in place, some pieces of equipment were missing during the last State Board of Accounts inventory review of fixed assets. They recommended the University focus more effort on educating and reminding the University community of the policies and procedures in this area. To this end, a recent email to all fiscal agents addressed this issue and provided a link to the fixed asset policy on the website.

*The University will continue its efforts to educate and remind employees of its policies and procedures in this area.*

## VIII. PAYROLL

### A. Conform to Best Practices

1. Policies regarding time worked, vacations, sick leave, holidays, and other employee benefits are published in the USI handbook.
2. Written approval is required for employee additions and deletions from the payroll, changes in pay rates, and payroll deductions.
3. Time sheets and pay vouchers are approved by someone in authority.
4. There is a segregation of personnel and payroll functions.
5. Procedures exist to ensure that all employees are bona fide, and that employees do not receive more than the authorized salary payment.
6. Payroll checks are either direct deposited to employee's bank or distributed by the Cashier's office.
7. Identification is required before receiving paycheck from the cashier.
8. Procedures exist for the control and disposition of any old, outstanding payroll checks.
9. Payroll office employees are cross-trained on many duties to cover absences.
10. Vacation, sick leave and compensating time off are properly documented and controlled.
11. The payroll bank account is maintained on an imprest basis and reconciled by someone having no payroll duties.
12. Blank payroll checks are adequately controlled.
13. Procedures exist to prevent employees from receiving pay other than through properly approved and processed payroll procedures for services performed.

### B. Deviates from Best Practices

1. No formalized record retention policy has been developed for payroll or personnel source documents.
  - a. Compensating controls: Records are retained for longer than needed rather than being destroyed too soon.
  - b. Risk: Minimal

*The University expects to develop a formal records retention policy in the near future which is expected to include all Human Resources and Payroll records. The Human Resources Department has implemented interim procedures to address those areas which generate the largest amount of records.*

## **INFORMATION SYSTEM CONTROLS**

### I. DATA OPERATIONS

#### A. Conforms to Best Practices

1. All operations tasks including program and equipment maintenance, computer system upgrades, and testing are scheduled in advance.
2. Management has prioritized jobs in the event of contention for resources.
3. Operations procedures include recording software and hardware problems, management of the tape/cartridge library, cleaning and performing preventive maintenance on the computer equipment (vendor contract), powering up and shutting down the equipment, and running and correcting jobs.
4. Backups of all systems are performed on a daily basis. Backup procedures include the backup of master files, tables, and transactions; the backup of application programs; the backup of systems software; the backup of automated log data; the labeling and identification of backup files; the retention and timely rotation cycle of backup files; the storage of application, system software, disaster recovery plan, and other system operations documentation at a secure location away from the Computer Center; cross-training of data processing staff; and removal of all backups to a secure location away from the Computer Center.

5. Cross-training of staff includes the rotation of operators on each application and operations function and more than one person being familiar with the systems software.
6. A written disaster recovery plan exists and was last evaluated and updated in October 2003.
7. All abnormal terminations are logged, and applications have checkpoint and restart procedures which allows processing to continue from the record of the last checkpoint before an abnormal termination occurred.

**B. Deviates from Best Practices**

1. Cross-training is limited due to staff size: only one programmer/analyst for each of the system applications (FRS, HRS, SIS, ADS) and only one data control person who is familiar with the handling of each application. A staff turnover during Banner implementation, or immediately following, would be detrimental to the seamless operation of University processes.
  - a. Compensating controls: None identified
  - b. Risk: Medium

*Each computer module is assigned a Computer Programmer and a backup Computer Programmer. Personnel backups and redundancy are always a concern when operating a small staff, and the University will continue to do the best it can within available resources.*

2. Although a written disaster recovery plan exists, the plan has not been tested. A formal risk assessment was not undertaken in developing the plan.
  - a. Compensating controls: periodic evaluations and updates
  - b. Risk: Not yet determined

*The Computer Center staff has begun meeting with the internal auditors, the University's insurance carrier, and geological experts to expand the plan to incorporate risk assessments and set up a periodic evaluation schedule.*

**II. MAINFRAME ENVIRONMENT**

**A. Conforms to Best Practices**

1. Written procedures are in place for access security.
2. An information security policy has been implemented, communicated, and is maintained
3. Updates to production programs are monitored using a written change control procedure, assigned change control personnel, a report of all updates to programs, and a review of all programs in production.
4. Programmers and other unauthorized personnel are prohibited from adding, replacing, updating or deleting production data files.
5. Methods are in place to restrict access to confidential data to authorized persons only.
6. Access by individuals to on-line systems is controlled using passwords, data access restrictions within applications, auto log-off due to inactivity, and single log-on restrictions.
7. Password controls consist of password change required every 90 days, 6 character minimum length, password does not appear in clear text during log-on or on reports, password encrypted or password table secured, and lock-out after three unsuccessful log-on attempts. Passwords are assigned to individual users rather than user groups.
8. An automated log or journal is produced to identify all accesses to data and who made that access.
9. Invalid access attempts are identified, logged, and investigated.
10. Physical access to data is restricted to those authorized.

**B. Deviates from Best Practices**

1. There are a limited number of generic IDs and passwords for the mainframe for some payroll processing and registration activities during peak periods.
  - a. Compensating controls: The usage is controlled within the departments and access is restricted to a specific job or process.
  - b. Risk: Minimal

*The generic IDs are created to run one particular payroll task. That task may be performed by various individuals in the Payroll area. In January 2005, the issue will be moot as the new Banner payroll system replaces the existing mainframe payroll system.*

**III. NETWORK ENVIRONMENT**

**A. Conforms to Best Practices**

1. Access by individuals to on-line systems is controlled using passwords and single log-on restrictions.
2. Password controls consist of password change required every 60 days; 6 character minimum length; password does not appear in clear text during log-on or on reports; password encrypted or password table secured; and lock-out after three unsuccessful log-on attempts. Passwords are assigned to individual users rather than user groups.
3. Security software is in place to detect or prevent unauthorized access to the network environment, and security patches are kept up to date.
4. Network access is terminated when the Computer Center is notified of employee terminations.
5. All drives and files on the network are scanned for viruses in real time, and virus software is updated as new data is available.
6. There is a firewall protecting the network environment through which all traffic must pass, and all dial-up users must provide authentication to get within the firewall.
7. There are controls in place to prevent denial of service attacks, and to detect intrusion attempts and unusual activity.
8. Access to data is restricted on a "need to know" basis, and physical access to data is restricted.
9. Security logins are required for access to the wireless network and wireless access to the internet.
10. Wireless access points are properly configured to restrict network access, and the network is monitored for unauthorized access points.
11. Security controls are in place to restrict wireless network access.

**B. Deviates from Best Practices**

1. Recommended passwords should require both numbers and letters in their makeup and be changed every 30 days. The University encourages, but does not require, both numbers and letters be used and require mainframe passwords to be changed every 90 days and network passwords every 60 days. However, network administrator passwords do not expire. They are changed on an irregular schedule at least once a year or whenever there are staff changes.
  - a. Compensating controls: Complexity required for network administrator passwords
  - b. Risk: Medium

*New procedures have been adopted by which administrative passwords are changed every six months. The new passwords include numbers and letters.*

2. There is not auto log-off from the network due to inactivity. Some employees remain logged onto the network for extended periods or seldom log off. The workstation is then available for anyone to access in the employee's absence.
  - a. Compensating controls: None identified
  - b. Risk: Not yet determined

*Reminders will be sent to users to encourage them to log off when their computers are not in use. Additionally, users will be encouraged to use password-protected screensavers.*

3. Encryption keys for the wireless network may be vulnerable to 'sniffing' programs that can be used to collect wireless packets. When enough packets are collected, security keys can be deciphered and a hacker could gain unauthorized access.
  - a. Compensating controls: Intrusion detection system running on the network
  - b. Risk: Minimal

*The University currently uses an application program called NetReg to match the wireless network login request to the MyUSI user file, verifying that the person who is attempting to login is a student, registered guest, or a member of the faculty or staff.*

*The wireless network is on the computer lab network, not the administrative network. So even if an intruder entered the wireless network, there would be no access to sensitive administrative data.*

#### IV. PHYSICAL SECURITY

##### A. Conforms to Best Practices

1. Access to the computer room and to program and data libraries is limited to operators and other employees whose job duties require physical access to them.
2. Unauthorized access to the computer room is restricted by the use of keys for personnel, screening by a receptionist, and a sign-in log for vendors.
3. Physical access to the tape/cartridge libraries is restricted to the librarian and others authorized by using a key sign-out log.
4. Emergencies can be reported by using an alarm pull box that sounds in the computer room and in the control room in the physical plant.
5. Periodic drills reinforce emergency evacuation procedures.

##### B. Deviates from Best Practices

###### 1. Fire Protection

- a. The main computer room is protected by an extinguishing system that uses Halon. Halon is a gas that replaces the oxygen in a sealed room. It can be lethal to humans, but it will smother out a fire quickly, and it will not harm the computer equipment. However, holes for cabling access have been cut into the walls above the ceiling, and the openings have not been sealed with fireproof material. This breach in an otherwise sealed room will allow fire to penetrate into the room and allows Halon to escape from the room. The cost of the equipment in this room exceeds \$1.4 million; the cost to seal the holes, less than \$500.

*The Physical Plant has filled all holes with a fire retardant material.*



- b. The nearby network room houses \$280,000 in servers and peripheral equipment. This room is not fire rated because a second doorway has been cut into one corner of the room. The only fire protection is a sprinkler system which would cause damage to the computer equipment.

*The sprinkler system will be removed and replaced with a chemical fire protection system for electrical equipment. The Inergen system is a mixture of nitrogen, argon, and carbon dioxide, and specially developed to provide fire protection for sensitive electronic equipment. It is safe for human-occupied facilities. Representatives from Simplex Fire Alarm System and Johnson Controls are providing recommendations and cost estimates. The project is estimated to be complete by the end of May 2004.*

- c. The remote storage facility for backup tapes and documentation is not fire rated and is protected by a sprinkler system and individual extinguishers. The backup tapes are in a metal storage unit which might resist fire and water damage for a short period of time.

*The storage container for the backup tapes will be replaced with a fire-resistant safe to provide fire and impact protection. The safe should be installed by the end of May 2004.*

## 2. Water Hazards

- a. The computer room and network room are located in the lower level of the Orr Center. This area has been subject to water leakage in the past, both from ground water and cooling equipment failure. Flooding from plumbing failures also is a possibility. The computer room has a raised floor, but no warning sensor alarms are in that area. The network room does not have a raised floor.

*The Physical Plant has received a proposal from Johnson Controls to install water monitors in the network room. The monitors will be connected to the Energy Management System in the Physical Plant control room. The project should be complete by the end of May 2004.*

- b. The remote storage room is in the lower level of the Liberal Arts Center. The floor is built over a pit that houses the cabling. There are no warning sensor alarms in that area. This area has not been subject to flooding to date.

*The storage area has been moved to the lower level of the Health Professions Center due to the weight of the new safe. There have been no flooding problems in that area. Additionally, for mission-critical files, backups of the backups will be stored off-campus.*

*The project should be complete by the end of May 2004.*

## **ADMINISTRATIVE CONTROLS**

### I. GENERAL

- a. The University has a statement of mission and objectives.
- b. The University is governed by a Board of Directors who is appointed by the Governor of the State of Indiana.
- c. There is a current organizational chart in use which reasonably fixes the responsibility of key personnel.
- d. A formalized internal policy and procedures manual exists and is updated regularly.
- e. Written job descriptions exist for all employee positions.
- f. A budgetary control system is in place and monitored regularly.
- g. Financial reports provide complete and timely information.

## II. MANAGEMENT REVIEW

- a. All major channels of communication are utilized effectively.
- b. Fiscal authority has been formally delegated to specific management personnel.
- c. Fiscal responsibility exists at all management levels.
- d. Employees are evaluated regularly.
- e. Managers/supervisors review the evaluations with their employees.
- f. Management provides in-house employee training and educational programs that are job oriented.
- g. Management encourages participation in continuing professional education activities provided by outside organizations.
- h. Management promulgates and upholds ethical practice and behavior in all endeavors on behalf of the University.

### **SUMMARY**

No list of internal controls can be all-inclusive, nor can it reveal all the dimensions of any statement regarding internal control. Even though the above list represents the standard operating controls and practices of this university and its employees, there will occasionally be deviations from these controls and practices. Sometimes the deviations are warranted by the circumstances; sometimes by thoughtlessness. To our knowledge, there has not been a willful violation of internal controls that resulted in fraud or personal gain.

**RESOLUTION OF THE  
UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES  
FOR FINANCING THE NEW DAVID L. RICE LIBRARY**

WHEREAS, the Board of Trustees (the "Board") of the University of Southern Indiana (the "University") has determined that a necessity exists to consider financing the acquisition, construction, expansion, renovation, rehabilitation and/or equipping of a new library building on the University's Evansville campus, as well as related site preparation and other improvements and renovations (the "Project") and the refunding of all or a portion of the University's outstanding Student Fee Bonds (the "Prior Bonds"); and

WHEREAS, the Board of Trustees (the "Board") of the University of Southern Indiana (the "University") has full power and authority under and by virtue of the laws of the State of Indiana, including, more particularly, the provisions of Indiana Code 20-12-6, to issue bonds secured by Student Fees to finance and refinance academic and building facilities on its Evansville campus; and

WHEREAS, the University has heretofore executed and delivered to The Merchants National Bank of Terre Haute, as succeeded by Old National Trust Company, as Trustee (the "Trustee"), a certain Trust Indenture dated as of November 1, 1985 (the "Indenture"), for the purpose of securing its Student Fee Bonds issued from time to time thereunder; and

WHEREAS, Article IV of the Indenture authorizes the issuance of additional series of Bonds by the University and the authentication and delivery of those additional series of Bonds by the Trustee under the conditions set forth in Article IV, which conditions have been complied with so as to authorize the issuance, authentication and delivery of those Bonds by the Trustee under the conditions set forth in Article IV, to provide the funds required to finance and refinance the construction of the library facility and related site preparation (the "Project") and to refund all or a portion of the Prior Bonds; and

WHEREAS, the Treasurer has investigated, developed, evaluated and presented a Plan of Financing to the Board; and

WHEREAS, the Board desires to approve the Plan of Financing presented by the Treasurer; and

WHEREAS, there has now been submitted to the Board a form of Seventh Supplemental Indenture (the "Seventh Supplemental Indenture"), a form of Preliminary Official Statement (the "Official Statement"), a form of Bond Purchase Agreement (the "Bond Purchase Agreement"), a form of Construction and Rebate Agreement (the "Construction and Rebate Agreement") a form of Escrow Deposit Agreement, (the "Escrow Agreement") and a form of Supplement to Continuing Disclosure Undertaking Agreement (the "Undertaking Agreement") in connection with the issuance of the Bonds in an aggregate principal amount not to exceed the sum of (i) **\$30,708,830** for the financing and refinancing of the Project, (ii) plus all amounts necessary to refund the Prior Bonds (iii) plus certain additional costs and discounts and funding requirements,

which financing and refunding have been approved by the State Budget Agency of the State of Indiana;

WHEREAS, the University intends to acquire, construct, equip, renovate and/or rehabilitate the Project, and reasonably expects to reimburse certain costs of the Project with proceeds of debt to be incurred by the University; and

WHEREAS, the University expects to issue debt not exceeding **\$30,708,830** in aggregate principal amount for purposes of reimbursing costs of the Project; and

NOW, THEREFORE, BE IT RESOLVED by this Board as follows:

1. The University hereby declares and reaffirms its official intent to acquire, construct, equip and/or rehabilitate the Project described in Exhibit A; to reimburse certain costs of acquiring, constructing, equipping and/or rehabilitating the Project with proceeds of debt to be incurred by the University; and to issue debt not exceeding **\$30,708,830** in aggregate principal amount for purposes of financing, refinancing or reimbursing costs of the Project.

2. The Plan of Financing is hereby approved with respect to the financing of the Project and the refunding of the Prior Bonds. Also, the use of bond insurance is hereby approved.

3. The issuance of the Bonds by the University on the terms and conditions set forth in the Seventh Supplemental Indenture is hereby authorized in the total principal amount not to exceed the sum of (i) **\$30,708,830** for the financing of the Project, (ii) plus all amounts necessary to refund all or a portion of the Prior Bonds, (iii) plus underwriter's discount, as described below, original issue discount, as permitted by law, costs of issuance, costs of any premium for bond insurance and capitalized interest on the Bonds. The Bonds shall be designated "University of Southern Indiana Student Fee Bonds, Series I" (the "Bonds"). The true interest cost of the Bonds shall not exceed 7%, with a maximum underwriter's discount of 1% and with such serial or term maturities and redemption features as the executing officers shall approve. The final maturity of the Bonds shall not extend beyond **October 1, 2026**. The Bonds shall be sold pursuant to the Bond Purchase Agreement at negotiated sale to RBC Dain Rauscher, Inc., as underwriter.

4. The Seventh Supplemental Indenture is approved in substantially the form submitted to the Board and is made a part of this Resolution as if fully set forth herein. The Chair or Vice Chairs of the University, or any of them, is hereby authorized to execute and deliver, and the Secretary or Assistant Secretary of the University, or either of them, is hereby authorized to attest the signature of and to imprint the corporate seal of the University on the Seventh Supplemental Indenture in substantially the form presented to this meeting, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

5. The Official Statement is approved in substantially the form submitted to the Board and is made a part of this Resolution as if fully set forth herein and the prior distribution and use of the Official Statement is hereby ratified and confirmed. The Treasurer or Assistant Treasurer of the University is hereby authorized and directed to make those changes in form or substance as are necessary or appropriate, and to deem an Official Statement to be final or nearly

final for purposes of applicable Securities and Exchange Commission rules, to execute and deliver the form of any final Official Statement with those changes in form or substance that the Treasurer or Assistant Treasurer shall approve, and to cause printed copies of the final Official Statements to be provided to those prospective purchasers, investors and other persons as he may deem advisable in order to market the Bonds, and any such prior actions are hereby ratified and confirmed.

6. The Bond Purchase Agreement is approved in substantially the form submitted to the Board and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chair, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

7. The Construction and Rebate Agreement is approved in substantially the form submitted to the Board and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver and the Secretary or Assistant Secretary of the University, or either of them, is hereby authorized to attest the signature of and to imprint the corporate seal of the University on the Construction and Rebate Agreement in substantially the form submitted to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

8. The Undertaking Agreement is approved in substantially the form submitted to the Board and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Undertaking Agreement in substantially the form presented to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

9. The Escrow Agreement is approved in substantially the form submitted to the Board and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Escrow Agreement in substantially the form presented to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

10. The Treasurer or Assistant Treasurer is hereby authorized to prepare the bond forms, as approved by the Board, in accordance with the Board Resolution, required for use in the issuance of the Bonds, and to cause the same to be executed manually or by facsimile by the proper officers of the University as provided in the Seventh Supplemental Indenture and the Indenture. Upon execution of the Bonds, the Treasurer or Assistant Treasurer shall deliver the Bonds to the Trustee for authentication, and upon their authentication, the Treasurer or Assistant Treasurer is authorized and directed to deliver the Bonds, upon payment of the purchase price, to The Depository Trust Company, New York, New York ("DTC"), on behalf of the purchasers thereof, which purchase price shall reflect the underwriter's discount permitted by this Resolution and original issue discount or premium, if any, as permitted by law.

11. The Chair, Vice Chairs, Treasurer, Assistant Treasurer, Secretary, and Assistant Secretary of the University are, and each of them is, hereby authorized and directed to do any and all further acts and things necessary underlying execution and delivery of such additional or supporting agreements, documents or certificates (including a DTC Letter of Representations and any agreement associated with obtaining bond insurance, if appropriate) as may be requested or necessary in order to complete the transaction contemplated by the Bond Purchase Agreement, the Seventh Supplemental Indenture, the Construction and Rebate Agreement, the Escrow Agreement, the Undertaking Agreement and the Official Statement hereby authorized.

Dated this 8<sup>th</sup> day of May, 2004.

**Exhibit A**

**DESCRIPTION OF THE PROJECT:**

The proposed construction of a new David L. Rice Library and renovation of the existing library will provide space to address growth in library functions and several other services now housed within the existing library building,

A new 115,755 ASF library building will be constructed adjacent to the existing library. A portion of the existing library, 7,940 ASF, will be renovated for academic functions. A steel framed building with 2,600 ASF will be constructed at an off-site location for Central Receiving and Distribution Services and the campus roadway will be improved.

**Revised Finance/Audit Committee Responsibilities (Audit-Related)**

The Board of Trustees will assign audit-related responsibilities to the Finance/Audit Committee as follows:

1. The Finance/Audit Committee will approve the initial mission statement and charter of the internal audit function of the University and update or revise it as needed.
2. The Finance/Audit Committee will provide a structured reporting line for internal audit and facilitate the maintenance of the independence of the internal audit function.
- ~~3. At least annually, the Finance/Audit Committee will meet with the director of Internal Audit to:~~
- 3. The Finance/Audit Committee will meet annually with the director of Internal Audit to:**
  - a. discuss and approve an annual work plan of the internal audit function;
  - b. review internal audit activities and reports of previous periods;
  - c. assess management's responses to recommendations contained in audit reports; and
  - d. consider the adequacy of the University's financial reporting, accounting, and internal control procedures.
4. The director of Internal Audit may contact the chair of the Finance/Audit Committee to discuss emergency items. A decision will be made at that time whether to convene the full Finance/Audit Committee.
- ~~5. The Finance/Audit Committee will periodically review and confirm the organizational structure of the internal audit function.~~
- 5. The chair of the Finance/Audit Committee will be invited to attend the entrance conference conducted by the State Board of Accounts at the inception of the annual financial audit. The Finance/Audit Committee will be encouraged to review the scope of the external auditors' (State Board of Accounts) examination as described in the annual engagement letter and to request clarification of any areas not fully understood.**
- ~~6. The Finance/Audit Committee will be encouraged to review the scope of the external auditors' (State Board of Accounts) examination periodically and to request clarification of any areas not fully understood.~~
- 6. The Finance/Audit Committee names and contact information will be provided to the State Board of Accounts at the start of each annual audit to enable the auditors to contact any member of the Finance/Audit Committee should serious issues be discovered during the course of an audit.**
7. The chair of the Finance/Audit Committee will be invited to attend the annual financial audit exit conference and the federal audit exit conference conducted by the State Board of Accounts. Many times both exit conferences are held simultaneously.
- ~~8. The Finance/Audit Committee will perform such other functions as may from time to time be assigned to the committee by the Board of Trustees.~~
- 8. The University will continue, as part of its Board of Trustees orientation, to provide training for new members of the Finance/Audit Committee so they will be familiar with the operations of the University, including finances, accounting, budgets, and internal controls.**
- 9. The Finance/Audit Committee will annually review the nature and disposition of complaints reported to the institution's "hotline".**



10. **Every five years, or sooner if necessary, the Finance/Audit Committee will:**
  - a. review the adequacy of the code of ethics;
  - b. review procedures for assuring compliance with the code of ethics;
  - c. review reports on the state of internal controls; and
  - d. review the organizational structure of the internal audit function.
  
11. **The Finance/Audit Committee will perform such other functions as may, from time to time, be assigned to the committee by the Board of Trustees.**

**Report to University of Southern Indiana Board of Trustees  
 May 8, 2004**

**Change Orders Issued by the Vice President for Business Affairs**

On September 6, 2001, the Board of Trustees adopted a procedure related to changes in construction contracts which included the following: "Change orders up to \$25,000 may be issued by the Vice President for Business Affairs and reported to the Board of Trustees at its next meeting." Consistent with that policy, the following change orders have been issued.

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**PROJECT:** Henry W. and Betty Jane Ruston Hall

	<u>Description</u>	<u>Contractor</u>	<u>Amount</u>
<b>CO- GO4</b>	Provide new door and frame to widen door opening No. 314 to 42 inches	Arc Construction Co., Inc.	\$ 990
<b>CO- GO5</b>	Modify sixteen door-opening hardware sets to accept card access system installation	Arc Construction Co., Inc.	21,045
<b>CO- M01</b>	Add strainers and valves to chilled water and hot water supply piping	Deig Brothers Lumber and Construction Co., Inc.	2,395
<b>CO- E03</b>	Provide and install additional data jack and outlet in eleven suites	J. E. Shekell Refrigeration, Heating and Electrical Co.	2,754
<b>CO- E04</b>	Modify and install electrical power and system hardware on twenty door openings for installation of card access system.	J. E. Shekell Refrigeration, Heating and Electrical Co.	1,307