

AGENDA
JOINT MEETING
FINANCE/AUDIT COMMITTEE AND CONSTRUCTION COMMITTEES

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

March 1, 2007

(FINANCE/AUDIT)

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

An overview of the Internal Audit Department and a review of the audit-related responsibilities of the Finance/Audit Committee will be presented. A summary of completed audits and outstanding action items will be presented (Attachment A).

The 2007 Internal Audit Plan will be available for review by the Committee.

Approval of the proposed 2007 Internal Audit Plan is recommended.

2. APPROVAL OF RECOMMENDATION TO APPROVE REQUEST FOR EASEMENT

Vanderburgh County requests a perpetual easement and right-of-way to construct a bicycle path linking the University of Southern Indiana with Burdette Park. The bicycle path will be a 12-foot wide hard surface path approximately 2.5 miles long, and will be funded entirely by the County. The path will primarily traverse lands owned by Southern Indiana Higher Education, Inc. (SIHE), and SIHE is being asked to execute a similar easement document. The easement agreement will lapse eight years from the date of its execution if construction is not begun on the University portion of the path on or before that date. Planning for the path has been underway for many years, and it is widely expected to be a useful University and regional recreational amenity. The route of the path was considered in the master planning process for the University. The University will have the right to relocate the path, at its expense, if required in the future.

Approval of a recommendation to the Board of Trustees to approve the Perpetual Bicycle and Pedestrian Trail Easement document in Attachment B is recommended.

(CONSTRUCTION)

3. APPROVAL OF RECOMMENDATION FOR AUTHORIZING RESOLUTION FOR THE UNIVERSITY CENTER EXPANSION/RENOVATION PROJECT

The Indiana General Assembly approved \$9.75 million in bonding authorization in 2003 and \$4 million in bonding authorization in 2005 for the conversion of the former David L. Rice Library to additional University Center space and the renovation of parts of the existing University Center. A Request for Proposal for architectural services for the \$13.75 million project has been issued to solicit architect interest in designing the planned renovations. The resolution below authorizes the Construction Committee to review the proposals and select an architectural firm for recommendation to the Board of Trustees.

Approval of the resolution for recommendation to the Board of Trustees is recommended.

WHEREAS, the Board of Trustees wishes to proceed with plans for the University Center Expansion/Renovation project;

NOW, THEREFORE BE IT RESOLVED that the Construction Committee be authorized to evaluate responses to the Request for Proposal and select firms for further consideration;

FURTHER RESOLVED that the Construction Committee be authorized to interview representatives of the firms selected for further consideration and present a recommendation to the Board of Trustees to accept a proposal or to reject all proposals.

**University of Southern Indiana
Annual Audit Plan - Actual
Calendar Year 2006**

QUARTER BEGINNING	AUDIT AREA	STATUS	DESCRIPTION	HOURS
January 2006	Bookstore	Completed 1/30/06	Revolving fund (cash) count	8
	Bursar	Completed 2/15/06	Revolving fund (cash) count	8
	NH Museum Shop	Completed 1/27/05	Physical inventory test count	10
	Bookstore	Completed 3/7/06	Physical inventory test count	12
	Executive Travel	Completed 2/24/06	Test compliance with university travel policy	175
	Credit Card Security	Completed 4/28/06	Test compliance with credit card security standards	115
April 2006	Control and Risk Assessment	Continuing	Business Affairs - General Accounting and Accounts Payable	150
	SCT Banner - 2	Completed 8/9/06	Security access review - HR	250
	Control and Risk Assessment	Postponed	Residence Halls	
July 2006	Financial Records	Completed 11/15/06	Assist State Board with year end audit and financial report preparation	525
	Accounts Payable Vendors	In progress	Data analysis using computer assisted audit techniques (CAAT)	150
	Procurement Bids and Awards	Completed 11/14/06	Management request	300
	Purchase Card - 2	Moved to 2007	Review purchases of randomly selected users	
	Human Resources/Payroll	Moved to 2007	Data analysis using CAAT - adjunct payroll	
October 2006	Human Resources/Payroll	Moved to 2007	Employee Data Analysis - monitoring fraud indicators using CAAT	
	Athletics	Completed	NCAA financial audit - assist in agreed-upon procedures	75
	University Travel	Moved to 2007	Review expenses of randomly selected travelers	

Total Hours 1778
Hours needed 1800

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME OBJECTIVE	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
Executive Travel (1.) To determine whether travel has been properly authorized	The established practice has been to retain on file a blanket travel authorization for each executive and trustee of the board. At one time, these were renewed annually, but the practice has been inconsistent in recent years. At time of audit, formal travel authorization was lacking for one new executive and one new board member.	Reinstate practice of renewing blanket travel authorizations for executives and trustees. Develop procedure to ensure that new executives' and board members' travel authorizations are processed.	We previously prepared such an authorization as we were mistakenly under the impression that it was necessary for employee Workmen's Compensation coverage. Travel Services will work with University staff and define those positions where job responsibilities entail frequent travel and maintain an inventory for authorization documentation.	In development. Target date for completion set for March 2007.
(2.) To determine whether travel expenses have been incurred for official university business.	The business purpose of most reimbursed expenses was clearly documented. Some small reimbursed amounts were ambiguous as to their relation to the stated business purpose of the trip; one overnight stay was not documented; some <i>side trips</i> not documented.	The traveler and Travel Services should ensure that the business purpose of all travel, including any side trips or extra night's stays, is clearly documented on the reimbursement form.	Travel Services agrees that employee travel reimbursements need to follow University policy and their validity must be documented.	Document validation process implemented and ongoing.
(3.) To determine whether reimbursement requests are properly authorized, supported by required documentation, and adequately reviewed.	All reimbursements were properly authorized. There is not always an obvious connection between supporting documentation for a reimbursement request and the business purpose of the trip, and an adequate explanation is not always recorded by either the traveler or the reviewer. Some mileage reimbursements were non-standard due to an established "personal standard" between traveler's home and repetitive destination.	Travel Services should ensure that all supporting documentation is clearly explained and referenced to the business purpose of the trip. Travel Services should document the reason for any non-standard reimbursements so that they cannot be mistaken for exceptions to policy or preferential treatment.	Standard mileage reimbursement has been assigned for travelers who make the same trip on a frequent basis. Travel Services will document these standards and maintain a supplementary record of any that have been determined. Further, if a variance is identified, Travel Services will request documentation of the variance and an explanation of the reason for the variance.	Process implemented and ongoing.
(4.) To determine whether travel policies and procedures provide adequate controls and to evaluate compliance with policies and procedures.	Policies and procedures appear to be adequate, understood, and applied by the Travel Services staff, but a comprehensive set of written policies and procedures does not exist. Without written policies it may be difficult to consistently apply them to individual travel situations and may result in confusion on the part of the traveler.	Travel Services should develop a comprehensive set of written policies and procedures.	We agree that an effective deterrent to erroneous claims is clear and available policies. The current policies are detailed on the Travel Services web site, a portion of which was down during the audit. The site has been reopened and identified errors have/will be corrected. The site will be reviewed annually for accuracy and completeness.	Completed and ongoing.
Credit Card Security Assessment (1.) To test the University's compliance with the Payment Card Industry's Data Security Standard (PCIDSS).	At review time, USI didn't comply with the PCIDSS, primarily because the standards require 100% compliance to pass.	Develop a record retention policy that calls for the destruction of sensitive information when no longer needed.	NA - the assessment and resulting report was for informational purposes only.	The primary University operations have moved their credit card operations to a third party provider which eliminates much of the storage and paper handling issues going forward. Also, the move to Banner changed information collection requirements. Another self assessment will be scheduled in the near future.
(2.) To identify data security weaknesses and address them in communications to management.	We found that the handling of paper documentation containing cardholder information caused the greatest opportunity for identity theft in our environment.	Educate employees about the importance of safeguarding sensitive information at all times.		

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS	
Banner HR Security (1.) To evaluate security access granted to HR staff to a. determine if access is appropriate for related job duties b. confirm that excessive or conflicting update authority does not exist, and c. ensure that proper separation of duties exist.	Generally, access granted to HR staff is appropriate to job duties, is not excessive, and separation of duties is not compromised. One terminated employee continued to have access. The manager of HR information systems (MHRIS) is also a super-user with sole maintenance access to a large number of forms with some compensating controls but without adequate backup.	- Confirm access changes by requesting a listing from the data base administrator. Consider additional restrictions or compensating controls on super-user role, or develop a more distributed redundancy. - Analyze the critical functionality that could be compromised without adequate backup for the MHRIS super-user.	- Security access listings are now requested on a monthly basis. - HR has reviewed the need for backup to the MHRIS super-user. A new position has been approved for hire during FY 2006-07 to serve that need.	Completed and ongoing. The job description is under development and the target hire date is set for April 2007.	
	(2.) To evaluate security access granted to non-HR staff to determine appropriateness of access and update capabilities.	Access granted to non-HR staff is appropriate to job responsibilities.	None	NA	NA
	(3.) To review access approval procedures and controls.	The MHRIS has a good understanding of the process and the controls over the process. However, written procedures do not yet exist.	- Document process by recording a set of procedures.	MHRIS will document the thought process in assigning roles and their access.	Completed.
Procurement Bids & Awards (1.) To determine if purchasing policies and guidelines are being followed.	In general policies and guidelines are being followed. We noted opportunity for minor improvement in accuracy of website information and public works projects requirements.	- Changes to the website should be posted by one staff member and reviewed/proofread by a second; guidelines should be updated when changes occur.	Agreed. All changes to website content will be reviewed by assistant treasurer or designee prior to placement.	Website corrected and updates. Action item ongoing.	
		- Standardize date- and time-stamping and filing of quotes.	A date- and time-stamping device has been purchased and will be used at the next opportunity.	Recommendation implemented.	
		- Review bidders' financial statements to evaluate financial health and ability to fulfil contractual commitment.	Agreed to investigate value of financial statement review. Believe the contractor's acquisition of performance bond from reputable firm negates need for financial evaluation as bonding company would do that review.	Investigating bonding company ratings impact on need for financial statement review. Target date for completion is September 2007.	
	We noted opportunity for moderate improvement in areas of procurement of supplies, equipment, and services in both the \$5K to \$20K range and in purchases greater than \$20K.	- Attach competitive quotes to purchase order. If no quotes, document basis of selection and justification for no quotes.	Agreed. Whenever variation from guidelines occur, a notation will be made identifying rationale.	Recommendation implemented and ongoing.	
		- Retain evidence of quote arrival dates and times; document by witnesses' initials and date any changes to bids.	Agreed. Bid envelopes and other date & time records will be retained. Changes will be documented.	Recommendation implemented and ongoing.	
		- Invoices should not be approved/processed for amounts that differ from the purchase agreement without discussion with vendor and change order.	Agreed. A vendor credit or correcting invoice should be requested for the erroneous amount and a change order should be processed if outside system tolerances.	Recommendation implemented and ongoing.	
		- Director should not be sole signator on large-dollar contracts.	Propose to set a standard fiscal year cash outflow of \$250K per contract to trigger the need for internal decision reviews and co-signatures when appropriate.	Recommendation implemented and ongoing.	
		-Complex purchase orders should have attached listing of items ordered.	Agreed. Also will encourage purchasing staff to use the notes feature in Banner and implement the XtenderSolution product as soon as possible.	Recommendation implemented and ongoing.	

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
OBJECTIVE				
		- Furniture purchases should have unique written guidelines or follow same guidelines as exist for other equipment.	In addition to pricing agreement structures with area vendors, a new policy employing third-party design counsel on large projects will encourage broader participation and bidding of comparables.	Third-party design counsel policy currently in memo form. It will continue to be developed as it is applied to varying situations.
(2.) To screen vendor data for fraud indicators and investigate as warranted.	No instances of fraud indicators were detected.	None	NA	NA

Audit Report Executive Travel

Results at a Glance

AREAS	<i>RISK MITIGATION</i>		
	Adequate Controls and Practice	Opportunity for Minor to Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:			
Travel properly authorized		X	
Travel expenses incurred for official university business		X	
Reimbursement request properly authorized	X		
Reimbursement request supported by adequate documentation		X	
Reimbursement request properly reviewed by travel office		X	
Adequacy of travel policies and procedures		X	
Compliance with travel policies and procedures	X		

EXECUTIVE SUMMARY

INTRODUCTION

The Department of Internal Audit has completed an audit of executive travel. Executive travel should set the standard for the overall organization. The policies and procedures governing executive travel are the same as those governing travel by other employees. Executive travelers should be held to the same standards of documentation and substantiation as other travelers for the University.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To determine whether travel has been properly authorized.
2. To determine whether travel expenses have been incurred for official University business.
3. To determine whether reimbursement requests are properly authorized, supported by required documentation, and adequately reviewed.
4. To determine whether travel policies and procedures provide adequate controls and to evaluate compliance with policies and procedures.

AUDIT SCOPE

In the course of the audit we examined the following:

- Travel policies, procedures and controls.
- Interview of the Travel Coordinator for background and understanding.
- The entire population of travel reimbursements for USI executives¹ for the period of January 1 through December 31, 2005.

AUDIT SUMMARY

Through our review, we found that there are adequate procedural controls and practice in place to ensure that:

- Travel reimbursement requests have been properly authorized.
- Travelers have complied with travel policies and procedures.

We also noted opportunity for minor to moderate improvement in each of the following audit objectives:

- Formal authorization of travel.
 - Action Plan Task: Travel Services will work with University staff and define those positions where job responsibilities entail frequent travel and maintain an inventory for authorization documentation. Other positions where business travel is infrequent within the state shall continue to be expected to follow the *Blanket Travel Authorization* process.
- A stated business purpose for some reimbursed expenses.
 - Action Plan Task: Travel Services will ensure that the traveler clearly documents the business purpose of all travel, including any side trips or extra night's stays, on the reimbursement form.
- Supporting documentation for some reimbursed expenses, and
- Reimbursement request review by Travel Services personnel.
 - Action Plan Task: In some instances, standard mileage reimbursement has been assigned for travelers who make the same trip on a frequent basis. Travel Services will document these standards and maintain a supplementary record of any that have been determined. Further, if a variance is identified, Travel Services will request documentation of the variance and an explanation of the reason for the variance.
- Travel policies and procedures.
 - Action Plan Task: Travel Services agrees that an effective deterrent to erroneous claims is clear and available policies. As such, we maintain a web site that details the current policies of the campus. At the time that the audit was performed, a portion of the web site was down for maintenance. The site has been reopened and is available for use. Identified errors in the web site have been corrected and review of the site for accuracy and completeness will be performed on an annual basis.

CONCLUSION

Travel Services personnel do an excellent job of administering USI executive travel. Implementing the recommendations will strengthen internal controls and improve the transparency of travel reimbursements.

¹ The executive classification, for purposes of this audit, includes the positions of Assistant Vice President and above and the Board of Trustees.

Audit Report Payment Card Industry Cardholder Information Security

EXECUTIVE SUMMARY

BACKGROUND

In 2004, the payment card industry developed security standards to safeguard sensitive cardholder data from internal and external thefts. These standards address the electronic and physical collection, transmission, storage, and destruction of cardholder information by merchants, credit card processors, software providers, and other service providers.

Every merchant and service provider that stores, processes, or transmits cardholder data by all acceptance channels (e.g. face-to-face, by telephone, electronically) are required to comply with the data security standards. Compliance is tested by different measures for different levels of merchants and service providers. (See description of merchant levels on page 9.) Noncompliance may result in a fine or restrictions imposed on the merchant or its agent.

USI is currently classified as a Level 4 merchant. A Level 4 merchant processes not more than 20,000 e-commerce transactions annually and is required to comply with the Payment Card Industry Data Security Standards (PCIDSS). Compliance is validated by completing a self-assessment questionnaire and a network scan. Both of these validation methods are recommended annually - not required - for a Level 4 merchant.

This audit report covers the results of the self-assessment questionnaire only. The University will need to contract with an external provider to perform a network scan.

AUDIT OBJECTIVES

1. To test the University's compliance with the PCIDSS.
2. To identify data security weaknesses and address them in communications to management.

AUDIT SCOPE

We reviewed the complete Cardholder Information Security Program information, including the PCIDSS, on Visa's website at www.visa.com/cisp.

We interviewed operations staff in all areas on campus and in New Harmony who processed credit card transactions to gain knowledge of their procedures for collecting, storing, distributing, and disposing of cardholder information. The areas included were the Cashier Office, Bookstore, Eagle Card Office, Children's Center, Extended Services, Nursing, Dental Clinic, Athletics, Recreation and Fitness Center, Theatre Office, and New Harmony operations (tour, museum shop, and gallery).

We distributed the PCI Self-Assessment Questionnaire to key Computer Center staff and then met with them as a group to discuss their responses.

AUDIT SUMMARY

At the present time, USI does not comply with the PCIDSS. Most of the standards address computerized collection, transmission, and storage of cardholder information, but security of paper documentation is included as well. We found that the handling of paper documentation containing cardholder information causes the greatest opportunity for identity theft in our University environment. Electronic access and storage is much more secure, but there is room for improvement in that area as well.

AUDIT RESULTS AT A GLANCE

The audit results are based on the responses we received from the Computer Center staff and the operations staff to the self-assessment questionnaire. The questionnaire addressed the 12 requirements of compliance proscribed by the PCIDSS. Each of the 12 requirements included a list of questions to which an affirmative answer supported the standard. To be in compliance, the PCI requires a "yes" or a "NA" response to every question. USI's results are depicted in the table below.

Scoring was based on the number of "yes" and "NA" responses out of total responses to specific questions within each of the twelve requirements. Pass =100%; Very Good = 90% - 99%; Good = 80% - 89%; Not Good < 80%. **Anything less than "Pass" is not considered to be in compliance with the self-assessment portion of the PCIDSS.** The other scores are presented so that management can see where the riskier areas are and determine how best to direct limited resources to achieve compliance.

PCI Data Security Standards	USI Compliance Score			
	PASS	VERY GOOD	GOOD	NOT GOOD
1. Install and maintain a firewall configuration to protect data			84%	
2. Do not use vendor-supplied defaults for system passwords and other security parameters	100%			
3. Protect stored data			84%	
4. Encrypt transmission of cardholder data and sensitive information across public networks			80%	
5. Use and regularly update anti-virus software	100%			
6. Develop and maintain secure systems and applications	100%			
7. Restrict access to data by business need-to-know	100%			
8. Assign a unique ID to each person with computer access		91%		
9. Restrict physical access to cardholder data		91%		
10. Track and monitor all access to network resources and cardholder data	100%			
11. Regularly test security systems and processes			83%	
12. Maintain a policy that addresses information security				55%

AUDIT CONCLUSIONS

None of the university's areas of non-compliance would be difficult to correct, and the payment card industry provides an excellent blueprint to follow. Internal Audit will schedule a follow-up review for the March-April timeframe next year to determine what progress has been made.

MERCHANT LEVELS (referenced on page 7)

Merchant levels defined

Acquirers are responsible for determining the compliance validation levels of their merchants. All merchants will fall into one of the four merchant levels based on annual Visa transaction volume. The transaction volume is based on the aggregate number of Visa transactions from a Doing Business As (DBA) or a chain of stores (not of a corporation that has several chains). Merchant levels are defined as:

Merchant Level	Description
1	Any merchant-regardless of acceptance channel-processing over 6,000,000 Visa transactions per year. Any merchant that has suffered a hack or an attack that resulted in an account data compromise. Any merchant that Visa, at its sole discretion, determines should meet the Level 1 merchant requirements to minimize risk to the Visa system. Any merchant identified by any other payment card brand as Level 1.
2	Any merchant processing 150,000 to 6,000,000 Visa e-commerce transactions per year.
3	Any merchant processing 20,000 to 150,000 Visa e-commerce transactions per year.
4	Any merchant processing fewer than 20,000 Visa e-commerce transactions per year, and all other merchants processing up to 6,000,000 Visa transactions per year.

Compliance validation basics

In addition to adhering to the PCI Data Security Standard, compliance validation is required for Level 1, Level 2, and Level 3 merchants, and may be required for Level 4 merchants.

Level	Validation Action	Validated By	Due Date
1	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Qualified Data Security Company or Internal Audit if signed by Officer of the company Qualified Independent Scan Vendor 	9/30/04
2 and 3	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Merchant Qualified Independent Scan Vendor 	6/30/05
4*	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Merchant Qualified Independent Scan Vendor 	Determined by the merchant's acquirer

*Level 4 merchants must comply with the PCI Data Security Standard; however, compliance validation for merchants in this category is determined by the merchant's acquirer.

Audit Report Banner HR Security Access

Results at a Glance

AREAS	<i>RISK MITIGATION</i>		
	Adequate Controls and Practice	Opportunity for Minor to Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:			
Appropriate access for related job duties		X	
Excessive or conflicting update authority		X	
Proper separation of duties	X		
Access granted to non-Human Resources Department users	X		
Approval process procedures and controls		X	

EXECUTIVE SUMMARY

BACKGROUND

The Department of Internal Audit has completed an audit of the SunGard Banner Human Resources system access security. The SunGard Banner enterprise-wide software system provides security on three levels. First, Oracle security provides database level security. Second, Banner security provides form, report, and process level security across the Banner applications of Finance, HR, Student, Financial Aid, and Advancement. Finally, the Banner HR application provides security at the user ID level based on employee class, organization, salary level, salary planner, and employer code. USI utilizes Oracle and Banner security configurations for the HR module but does not currently use the security options that are unique to Banner HR.

The Manager of Human Resource Information Systems (MHRIS) acts as the security administrator for Banner HR. The security administrator controls access to Banner by assigning authorized users to a user role or roles. Each user role has access to a set of forms, reports, and processes within the Banner application. The access granted for each form, report, or process can either be maintenance, which is updating capability, or query, which is view only access.

Users should be granted sufficient access to perform all job duties, but access should be as limited as possible to minimize the possibility of fraud or the exposure of sensitive or confidential information. For example, a single user should not be able to complete a full business cycle such as creating a new employee in the system, entering and approving time worked, and producing payroll checks. If such a scenario does exist, strong compensating controls must be in place to prevent or detect unauthorized activity.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To evaluate the security access granted to Human Resource employee users for SunGard Banner HR to:
 - a. determine if access is appropriate for related job responsibilities,
 - b. confirm that employees do not have excessive or conflicting update authority, and
 - c. ensure that proper separation of duties exists.
2. To evaluate the security access granted to non-Human Resource department users of Banner HR to determine the appropriateness of access and any update capabilities.
3. To review the access approval procedures and controls to determine how access is granted, how specific form access needs are determined and approved, and how update form conflicts are resolved.

AUDIT SCOPE

We examined the following regarding Banner HR access security:

- Security documentation for the Banner HR system.
- Reports from the database administrator for form, report, process and user role security as of May 10, 2006.
- User roles for appropriateness of form, report, and process access.
- Appropriateness of user role assignments to position and job duties for all users.
- The process by which access is granted to users.
- How the extent of access is determined.

AUDIT SUMMARY

Through our review, we found that there are adequate procedural controls and practice in place to ensure that:

- A proper separation of duties exists.
- Access granted to non-HR department users is appropriate.

We noted opportunity for minor to moderate improvement in the areas of:

- Appropriate access for related job duties.
 - Recommended: Confirm Banner HR access changes by requesting listings from the DBA.
 - Action Plan: Request that access listings be run on a monthly basis for review by MHRIS
 - Status: Completed.
- Excessive or conflicting update authority.
 - Recommended: HR can further reduce the risk by either placing minimal restrictions on super-user access, developing a more distributed redundancy and backup strategy, or by developing additional compensatory controls. HR should analyze the MHRIS position for critical functionality that could be compromised due to inadequate backup for the position.
 - Action Plan: A new position has been approved for hire in 06-07 that, in part, will serve as backup to MHRIS.
 - Status: The job description is under development and hire is targeted for April 2007.
- Approval process procedures and controls.
 - Recommended: Document the process by recording a set of procedures.
 - Action Plan: Record the process for developing and assigning roles for HR Banner Security.
 - Status: Completed.

CONCLUSION

The Banner HR security administrator has a good understanding of security setup and administration. User roles are well defined and update access is limited to job related duties. The implementation of the action plan items will improve the security administration function.

GLOSSARY

EMPLOYEE CLASS SECURITY: When employee class security is activated in the Banner HR module, an individual user's access to data can be limited to a specific employee class or classes, e.g. 'Faculty 9 month'.

ORACLE: Oracle is a relational database system which provides the underlying table data storage structure for SunGard SCT Banner. The database administrator creates usernames in Oracle and assigns privileges and roles within the database. Password security is an Oracle function.

ORGANIZATION SECURITY: When organization security is activated in the Banner HR module, an individual user's access to data can be limited to a specific organization or organizations, e.g. 'College of Business' or 'Biology'.

SALARY LEVEL SECURITY: When salary level security is activated in the Banner HR module, an individual user's access to data can be restricted to data for employees who earn up to a specified maximum salary level.

MANAGER OF HUMAN RESOURCE INFORMATION SYSTEMS: The Manager of Human Resource Information Systems is responsible for ensuring that users are given the appropriate access to forms, processes, and reports through assignment to the correct Banner user role or roles.

USER ROLE: Roles are named groups of related privileges (access to forms, processes, and reports) that are granted to users or other roles. Roles allow for easier security administration. They also allow for the change in the role privileges and the security of all users to whom the role is granted are automatically changed by reference. A user role is used to group users who have common privilege requirements, e.g. payroll functionality.

SALARY PLANNER SECURITY: The Salary Planner Security Form enforces security for the Salary Planner module in *Employee Self-Service*. This form allows the security administrator to include or exclude organization access for each user in self-service. Access may be granted or denied for a range of organizations or for specific organizations within or outside the range.

EMPLOYER CODE SECURITY: Employer code security may be utilized at institutions that have multiple employers defined. Access may be allowed or denied to specific employers within the system. USI has only one employer defined in the system.

Audit Report Procurement Project Bids & Awards

Results at a Glance

AREAS	<i>RISK MITIGATION</i>			
	Adequate Controls and Practice	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:				
1. To determine if purchasing policies and guidelines are being followed.				
a. Website		X		
b. Public Works		X		
c. Supplies, Equipment, or Services			X	
d. General			X	
2. To screen vendor data for fraud indicators and investigate as warranted.		X		

EXECUTIVE SUMMARY

BACKGROUND

The Department of Internal Audit has completed an audit of the procurement bid and award process and large purchase orders related to projects. These items were chosen for review due to the numerous continuing construction and renovation projects on campus. We used the Procurement Guidelines and Procedures as published on the USI Procurement website and interviews with procurement personnel as the basis for our evaluation. Guidelines and procedures governing different dollar thresholds and types (e.g., public works) of procurement activity are documented on the USI Procurement website.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To determine if purchasing policies and guidelines are being followed.
2. To screen vendor data for fraud indicators and investigate as warranted.

AUDIT SCOPE

In the course of the audit we examined the following:

- Procurement data files from the USI Banner Finance system
- The Requests for Proposals area on the USI Procurement website.
- The Procurement Guidelines and Procedures as posted on the website.

- Interviews of procurement office staff regarding procedures, internal controls, and Banner utilization.
- Bid files and purchase orders for selected construction or renovation projects and related furnishing and equipment purchases for the period of April 2004 to August 2006.

AUDIT SUMMARY

Through our review, we noted opportunity for minor improvement in the areas of:

- Accuracy of information posted to the Procurement website.
 - Recommended: Changes to the website should be posted by one staff member and reviewed/proofread by a second; Guideline and Procedures information should be updated in a timely fashion when changes occur.
 - Management Response: We will make sure that this is our policy. All changes to web site content are to be reviewed by assistant treasurer or designee prior to placement.
- Public Works projects:
 - Recommended: Standardize date-and-time stamping and filing of quotes. Look into purchasing an automatic date-and-time stamping machine to remove some of the human element of receipting quotes.
 - Management Response: We have purchased a date and time stamping device and will begin using it.
 - Recommended: Develop some method of reviewing financial statements for the purpose of evaluating the bidder's financial health and ability to fulfill the contractual commitment. Consult with the other state universities on the review standards they use and work with the business office to develop a standard for USI.
 - Management Response: Management agrees to further investigate the utilization of bidder financial reports and their role in the awarding of contracts. Management's belief is that the acquisition of performance bonds from reputable firms negates, to some degree, the relevance of financial report evaluation as the bond issuer will have performed such analysis. Obtaining a bond provides the institution with a higher level of security than the assets of the successful bidder.
- Indicators of fraud: [NOTE: We discovered no evidence or indicators of fraud, but improved procedures in regard to non-public works furnishing purchases would protect the procurement staff from unfounded questions or allegations.]
 - Recommended: See recommendation under General observations below.
 - Management Response: See response under General observations below.

We also noted opportunity for moderate improvement in the areas of:

- Procurement of Supplies, Equipment, or Services [\$5,000 to \$20,000]:
 - Recommended: Competitive quotes should be attached or quoted on the purchase order and readily available for review - or the basis for selection and reason for not getting competitive quotes should be stated on the requisition or purchase order.
 - Management Response: When competitive quotes are warranted and obtained they should be part of the purchasing package. Since these are guidelines and not requirements, Procurement Services has the ability to consider alternative procurement process to include sole source vendors. Whenever the director or staff varies from the guidelines, then a notation will be made in the notes identifying the rationale for the variance.
 - Recommended: If altered bids or quotes are received by mail, two procurement employees should sign to verify receipt as is. If the vendor representative changes the bid document in person when delivering the bid, the vendor representative should sign along with two procurement employees.
 - Management Response: We can certainly do so if two employees are present at the time. Whenever a document is changed in our presence, Procurement Services will require the change initiator as well as a staff member to initial and date next to the change. If upon opening a bid we see an altered document, we will make note of the fact.

- Recommended: Retain evidence of quote arrival dates and times.
 - Management Response: We will initiate a procedure to keep all records including envelopes with the RFP's.
- Recommended: Invoices should not be approved or processed for a basis differing from the purchase agreement without a discussion with the vendor and the processing of a change order.
 - Management Response: Management concurs that invoices should not be paid for an amount different than presented by the vendor without consultation with the vendor. Where possible, with vendor participation, a credit or correcting invoice should be requested for the erroneous amount previously presented. Further, unless system tolerances allow payment, a change order should be processed to reflect the change.
- Procurement of Supplies, Equipment, or Services [$>$ \$20,000]:
 - Recommended: Competitive quotes should be attached or quoted on the purchase order and readily available for review - or the circumstance and justification for not getting competitive quotes should be attached to or stated on the requisition or purchase order.
 - Management Response: Management agrees that documentation should be considered as part of the total purchasing history and will endeavor to insure that files are maintained to reflect the process. When purchases are made where no current competitive bid is obtained, procurement services will note the rationale for the purchasing decision.
 - Recommended: The Director of Procurement should not sign large-dollar contracts on behalf of the University, especially in situations where he has significant influence or decision power in the choice of vendor.
 - Management Response: Management believes that a standard needs to be established to provide for internal decision reviews and co-signatures where appropriate. We propose that any institutional purchase of goods or services that generate a fiscal year cash outflow of more than \$250,000 per contract require the signature of the director of procurement services and either the treasurer or assistant treasurer. For those transactions entered into beyond the purview of Procurement Services, the signature requirement would be the functional vice president or department head and the treasurer or designee.
 - Recommended: Purchase orders that are too complex to include individual line items in the body of the purchase order and are instead entered as a "lot" should include an attached listing of items purchased along with unit prices for comparison with vendor invoices.
 - Management Response: We can certainly do this. We also believe that a more concerted effort by Procurement to utilize purchase order notes, as well as implementation of the XtenderSolutions product, will enhance this process and allow for a more accurate and auditable evaluation of purchases. The XtenderSolutions implementation will enable Procurement Services to index bid and planning documents to an invoice and enhance product tracing.
 - Audit Response: The implementation of XtenderSolutions would significantly enhance the availability of supporting documentation for transactions.
- General observations:
 - Recommendation: Furniture should be governed by the same guidelines that cover other types of purchases or written policy and procedures unique to furniture purchases should be developed in coordination with and approval by the Vice President for Business Affairs.
 - Management Response: Our historical development of pricing agreement structures and institutional dependency on a consistent source and look negated going through a formal bidding process on most internally developed projects. Nevertheless, the new policy of employing third-party design counsel on larger projects will encourage a broader participation and bidding of comparables. Looking beyond just this analysis, consistency in product line will continue and, as such, we will continue to see large dollar purchases made by the University from vendors where question could arise about the relationship of campus personnel and the vendor. We need to continue our vigilance with these and maintain the separation of requisitioning, order placement, and payment processes.

Our procedures were designed to detect indicators of fraud. The Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* states, "The internal auditor should have sufficient knowledge to identify indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud." The standards also state, "Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected." We did not discover any instances of fraud in the transactions chosen for our sample. This does not, however, guarantee the absence of fraud.

CONCLUSION

In general, purchasing policies are being followed on a routine and regular basis. However, we did encounter a number of departures from published policies, procedures, and guidelines. Implementation of the recommendations will help ensure that practices adhere to policies, procedures, and guidelines.

**University of Southern Indiana
2005 Outstanding Action Items**

AUDIT NAME	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
OBJECTIVE				
<p>Stipend Payment Analysis</p> <p>(1.) To determine if current practice of paying stipends for duties that fall within the employee's job description violates University policy.</p> <p>(2.) To provide an analysis of stipends currently being paid.</p>	<p>(1.) In general, the University has no guidelines in its policy that limit or define how much or for what purpose a stipend can be paid.</p> <p>(2.) For the past three years, both the dollar amount and the number of people receiving stipends have increased. Large dollar stipends supplemented regular contract salaries of those receiving them by as much as 25% to 47%.</p>	<p>Form a committee to develop a policy to define stipends and provide guidelines for their issuance. The policy should address restraints placed on stipends by federal grants, approvals required for payment, and conflicts of time and interest with regular job responsibilities.</p>	<p>Vice Presidents for Business Affairs, Governmental Relations, and Academic Affairs committed to put a committee together to review the stipend issue and develop a policy.</p>	<p>Because of a change in HR Directors, this project has been delayed many months. Stipends were tracked and analyzed for several months. With input from senior administrators, types of stipends were defined and a draft policy created. Final reviews will be done in the next two or three months. Subject to vice presidential approval, a final policy will be ready by June 30, 2007.</p>
<p>Banner Finance Security</p> <p>(1.) To evaluate security access granted to Business Office users to determine if access is appropriate for job responsibilities,</p> <p>(a.)</p> <p>(b.) confirm excessive or conflicting update authority does not exist, and</p> <p>(c.) ensure proper separation of duties does exist.</p> <p>(3.) To review access approval process and controls.</p>	<p>(1a.) Access generally appropriate; however, update access granted to Computer Center personnel for <i>go-live</i> still exists in production.</p> <p>(1b.) A few users have excessive update capabilities with limited compensating controls in place.</p> <p>(1c.) See Findings for (1a.) and (1b.) above.</p> <p>(3.) Procedures and controls are adequate but not documented in written form.</p>	<p>(1a.) Re-evaluate and restrict update access for most computer center personnel now that system implementation issues have been resolved.</p> <p>(1b.) Reduce user capabilities and strengthen compensating controls where appropriate and reasonable.</p> <p>(1c.) See (1a.) and (1b.)</p> <p>(3.) Prepare a set of written procedures.</p>	<p>(1a.) Security administrator will review access as a whole and reexamine role permissions since a year's experience has provided new insights.</p> <p>(1b.) Security administrator will reevaluate super user and other conflicting access.</p> <p>(1c.) See (1a.) and (1b.)</p> <p>(3.) Security administrator will prepare written procedures and develop ad hoc security reports to aid in appropriate security assignments.</p>	<p>- In progress as of October 2006. - Target date changed from September 2006 to February 2007.</p> <p>See above</p> <p>See above</p> <p>- Not yet started. Target date changed from January 2007 to April 2007. - Target date for developing ad hoc security reports remains set for June 2007.</p>

BICYCLE AND PEDESTRIAN TRAIL EASEMENT

THIS INDENTURE WITNESSETH, that the University of Southern Indiana Board of Trustees, whose principal address is 8600 University Boulevard, Evansville, Indiana ("Grantor") of Vanderburgh County, State of Indiana Conveys and Warrants to the Board of Commissioners of Vanderburgh County, Indiana ("Grantee"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, an easement and right of way in, under and upon certain real estate described in Volume 517 Page 490 and in Instrument No. 2003R00014460 as recorded in the Office of the Recorder of Vanderburgh County, and situated in the County of Vanderburgh, State of Indiana, and which is more particularly described on Exhibit A attached hereto and depicted on Exhibit B attached hereto ("Easement").

This Easement is for the purpose of Grantee's construction, reconstruction, maintenance, operation and repair thereupon of a bicycle and pedestrian trail and appurtenances thereto, which said appurtenances may include, but are not limited to, ditches and drainage facilities, retaining walls, slopes, rip rap, culverts and like features necessary for the said bicycle and pedestrian trail ("Bicycle and Pedestrian Trail"). All of such construction, reconstruction, maintenance, operation and repair shall be at the sole expense of the Grantee.

The initial term of this Easement shall be for a period of forty (40) years running from March 1, 2007, through the last day of February in 2047. Such initial term shall automatically renew for successive terms of ten (10) years each so long as on the last of the initial term or any successive term the Easement is being used as a Bicycle and Pedestrian Trail. Notwithstanding the foregoing, if the Easement ever ceases to be used as a Bicycle and Pedestrian Trail, then, in such event, the Easement shall terminate effective as of the date of the cessation of such use.

This conveyance is subject to zoning and use restrictions, existing roadways and all and all easements, rights of way, conditions and restrictions of record that affect the use of the real estate.

Grantee, its employees, agents, contractors, subcontractors and assigns shall have the right to enter in, under, over, along and upon the area of the said easement conveyed herein at will to construct, reconstruct, maintain, and continue to operate the bicycle and pedestrian trail and appurtenances thereon and to remove from the said area any encroaching trees or other vegetation, buildings or other obstructions to the free and unobstructed use of the said easement and right of way and to make such alterations and improvements to the bicycle and pedestrian trail and appurtenances as the Grantee may deem necessary or useful.

Grantor and its successors in title covenant and agree not to erect, maintain or allow to continue within the area of the said easement any building, structure, fence, plantings or other obstruction to Grantee's free and unobstructed use of the said bicycle and pedestrian trail, or appurtenances thereto without the prior express written permission of Grantee. Such permission shall not be effective unless and until recorded.

Notwithstanding the foregoing provisions of this instrument, the provisions of this paragraph shall prevail. For purposes of this paragraph, the entire Bicycle and Pedestrian Trail is considered to be developed in three (3) phases with phase one (1) running from Burdette Park to Nurrenbern Road, phase two (2) running from Nurrenbern Road to Broadway Avenue, and phase three (3) running from Broadway Avenue to the University of Southern Indiana. In the event that the construction and development of any of those three phases is not commenced by a date eight (8) years after the date of this instrument, then, in that event, the Grantor shall have the option to terminate the Easement granted by this instrument by giving the Grantee written notice of such intended termination at least sixty (60) days prior to the intended date of termination. If such option is exercised by the Grantor, then the Easement granted by this instrument shall terminate after the end of such sixty (60) day notice period. Further, and insofar as the Easement granted by this instrument is concerned, the Grantor reserves the right to vary the path of the Bicycle and Pedestrian Trail by granting a revised Easement to the Grantee and causing the construction and development of the Bicycle and Pedestrian Trail over the revised path (and maintaining connections with other portions of the Bicycle and Pedestrian Trail) without any expense to the Grantee.

Grantor warrants that it is the owner in fee simple of said real estate, lawfully seized thereof and has a good right to grant and convey the foregoing easement and right of way; warrant the quiet use and enjoyment thereof; warrant that the said real estate is free from all encumbrances inconsistent with the grant contained herein; and warrants that it will defend the Grantee's title in said easement and right of way against all claims. The easement and right of way granted herein, and its associated benefits and obligations, shall run with said real estate. This indenture shall bind and inure to the benefit of the successors and assigns of the Grantee.

Grantee agrees to release, indemnify and hold harmless the Grantor, including, without limitation, its officers, employees, agents, representatives, affiliates, directors, servants, volunteers, members, invitees, guests, sponsors, officials and staff from any and all liability, claims, demands, actions and causes of action whatsoever for any loss, claim, damage, injury, illness or harm of any kind or nature to a third party or parties that arises out of the construction, maintenance and use of the Bicycle and Pedestrian Trail and is caused by the Grantee.

The undersigned person executing this Easement on behalf of the Grantor represents and certifies that he is fully empowered by resolution of the Grantor to execute and deliver this Easement; that the Grantor has all authority and power to convey the property hereby conveyed; and that all necessary action for the making of such conveyance has been taken and done.

IN WITNESS WHEREOF, the said Grantor has caused this instrument to be executed by its duly authorized Vice President of Business Affairs this ____ day of _____, 2007.

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

By: _____
Mark Rozewski, Vice President of Business Affairs

STATE OF INDIANA)
) SS:
COUNTY OF VANDERBURGH)

Before me, a Notary Public in and for said State and County, personally appeared Mark Rozewski, the Vice President of Business Affairs of the Grantor in the above conveyance, and acknowledged the execution of the same on the date aforesaid to be his voluntary act and deed for and on behalf of the Grantor, and who, being duly sworn, stated that any representations contained therein are true.

Witness my hand and notarial seal this ____ day of _____, 2007.

Signature of Notary Public

Printed Name Notary Public

My Commission expires _____

I am a resident of _____ County

I affirm under the penalties for perjury that I have taken reasonable care to redact each social security number in this document, unless required by law.

Ted C. Ziemer, Jr.

THIS INSTRUMENT WAS PREPARED BY TED C. ZIEMER, JR. OF ZIEMER, STAYMAN, WEITZEL & SHOULDERS, LLP, 20 N.W. FIRST STREET, P.O. BOX 916, EVANSVILLE, INDIANA 47706, AT THE SPECIFIC REQUEST OF GRANTOR BASED SOLELY ON INFORMATION SUPPLIED BY ONE OR MORE OF THE PARTIES TO THIS CONVEYANCE, AND WITHOUT EXAMINATION OF TITLE OR ABSTRACT. THE DRAFTER ASSUMES NO LIABILITY FOR ANY ERRORS, INACCURACY, OR OMISSIONS IN THIS INSTRUMENT RESULTING FROM THE INFORMATION PROVIDED, THE PARTIES HERETO SIGNIFYING THEIR ASSENT TO THIS DISCLAIMER BY THE EXECUTION OF THIS INSTRUMENT BY THE GRANTOR(S) AND THE ACCEPTANCE OF THIS INSTRUMENT BY THE GRANTEE.

EXHIBIT A

**UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES
MAIN LINE AND SPUR TRAIL
PERPETUAL EASEMENT DESCRIPTION**

PARCEL ONE

A strip of land 20 feet in width and being part of the East Half of the Southeast Quarter of Section 31, Township 6 South, Range 11 West of the Second Principal Meridian, Vanderburgh County, Indiana and whose center line is more particularly described as follows:

Commencing at the southeast corner of the East Half of the Southeast Quarter of said Section 31; thence along the east line of said half-quarter section North 01 degree 50 minutes 00 seconds East 1785.60 feet to a point of intersection with a non-tangent curve concave Northeasterly; thence Westerly, Northwesterly, and Northerly 228.75 feet along an arc to the right and having a radius of 180.89 feet and subtended by a long chord having a bearing of North 36 degrees 42 minutes 46 seconds West and a length of 213.81 feet to a point of reverse curvature with a curve; thence Northerly, and Northwesterly 74.48 feet along an arc to the left and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 22 degrees 56 minutes 40 seconds West and a length of 72.58 feet; thence North 45 degrees 24 minutes 12 seconds West 17.64 feet to the POINT OF BEGINNING of this description; thence North 45 degrees 24 minutes 12 seconds West 70.31 feet; thence Northwesterly, and Westerly 76.31 feet along an arc to the left and having a radius of 80.57 feet and subtended by a long chord having a bearing of North 72 degrees 32 minutes 13 seconds West and a length of 73.49 feet to a point of compound curvature with a curve; thence Westerly, and Southwesterly 24.30 feet along an arc to the left and having a radius of 80.57 feet and subtended by a long chord having a bearing of South 71 degrees 41 minutes 19 seconds West and a length of 24.21 feet to a point of reverse curvature with a curve; thence Southwesterly, and Westerly 44.69 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of South 76 degrees 31 minutes 26 seconds West and a length of 44.28 feet; thence North 90 degrees 00 minutes 00 seconds West 217.97 feet; thence Westerly, and Northwesterly 631.44 feet along an arc to the right and having a radius of 939.04 feet and subtended by a long chord having a bearing of North 70 degrees 44 minutes 11 seconds West and a length of 619.61 feet to a point of compound curvature with a curve; thence Northwesterly, and Northerly 243.61 feet along an arc to the right and having a radius of 250.00 feet and subtended by a long chord having a bearing of North 23 degrees 33 minutes 27 seconds West and a length of 234.08 feet to a point of compound curvature with a curve; thence Northerly 144.59 feet along an arc to the right and having a radius of 705.37 feet and subtended by a long chord having a bearing of North 10 degrees 13 minutes 48 seconds East and a length of 144.34 feet to a point of reverse curvature with a curve; thence Northerly 84.31 feet along an arc to the left and having a radius of 300.00 feet and subtended by a long chord having a bearing of North 08 degrees 03 minutes 04 seconds East and a length of 84.03 feet; thence North 00 degrees 00 minutes 00 seconds East 21.71 feet to the point of terminus of said center line.

PARCEL TWO

ALSO a strip of land 20 feet in width and being part of the East Half of the Southeast Quarter of Section 31 and the West Half of Section 32, both in Township 6 South, Range 11 West of the Second Principal Meridian, Vanderburgh County, Indiana and whose center line is more particularly described as follows:

Beginning at the southern end of the 76.31 foot coarse in the above description; thence North 04 degrees 11 minutes 19 seconds West 138.75 feet; thence Northerly 34.08 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 06 degrees 05 minutes 19 seconds East and a length of 33.90 feet; thence North 16 degrees 21 minutes 57 seconds East 65.58 feet; thence Northerly 23.04 feet along an arc to the left and having a radius of 95.00 feet and subtended by a long chord having a bearing of North

09 degrees 25 minutes 02 seconds East and a length of 22.99 feet; thence North 02 degrees 28 minutes 07 seconds East 158.20 feet; thence Northerly 22.04 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 09 degrees 06 minutes 59 seconds East and a length of 22.00 feet; thence North 15 degrees 45 minutes 51 seconds East 137.76 feet; thence Northerly 115.14 feet along an arc to the left and having a radius of 500.00 feet and subtended by a long chord having a bearing of North 09 degrees 10 minutes 02 seconds East and a length of 114.88 feet; thence North 02 degrees 34 minutes 14 seconds East 186.74 feet; thence Northerly, and Northeasterly 136.30 feet along an arc to the right and having a radius of 175.00 feet and subtended by a long chord having a bearing of North 24 degrees 53 minutes 00 seconds East and a length of 132.88 feet; thence North 47 degrees 11 minutes 45 seconds East 52.90 feet; thence Northeasterly 43.39 feet along an arc to the left and having a radius of 1000.00 feet and subtended by a long chord having a bearing of North 45 degrees 57 minutes 11 seconds East and a length of 43.38 feet; thence North 44 degrees 42 minutes 36 seconds East 47.45 feet; thence Northeasterly 59.56 feet along an arc to the right and having a radius of 1000.00 feet and subtended by a long chord having a bearing of North 46 degrees 24 minutes 58 seconds East and a length of 59.55 feet; thence North 48 degrees 07 minutes 21 seconds East 42.15 feet; thence Northeasterly 18.91 feet along an arc to the left and having a radius of 100.00 feet and subtended by a long chord having a bearing of North 42 degrees 42 minutes 23 seconds East and a length of 18.88 feet to a point of compound curvature with a curve, said point intersecting the east line of Section 31, being South 01 degree 50 minutes 00 seconds West 47.98 feet from the northeast corner of the Southeast Quarter of Section 31; thence Northeasterly, and Northerly 29.00 feet along an arc to the left and having a radius of 100.00 feet and subtended by a long chord having a bearing of North 28 degrees 58 minutes 57 seconds East and a length of 28.90 feet; thence North 20 degrees 40 minutes 30 seconds East 23.69 feet to a point on the north line of the Southwest Quarter of Section 32, being South 88 degrees 35 minutes 27 seconds East 20.84 feet from the northwest corner thereof; thence North 20 degrees 40 minutes 30 seconds East 61.59 feet to the point of terminus of said center line.

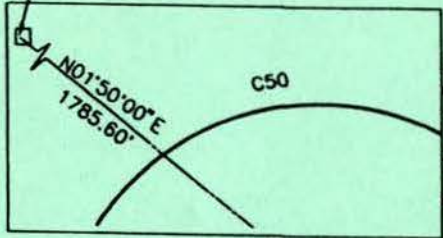
Together with a temporary easement for general grading purposes over and across four strips of land fifteen feet in width, one on either side and coincident with the above described strips of land, which said temporary easement shall be extinguished, become void and revert to the Grantor(s) and/or the Grantor(s) successor(s) in title upon completion of the said Project. Said extinguishment shall be evidenced by a release document, which shall be executed and recorded by the Grantee, at no cost to the Grantor(s).

FYHIRT R n. 1 (Parcel One)

SE Cor.
E 1/2, SE1/4
Sec. 31
T6S-R11W

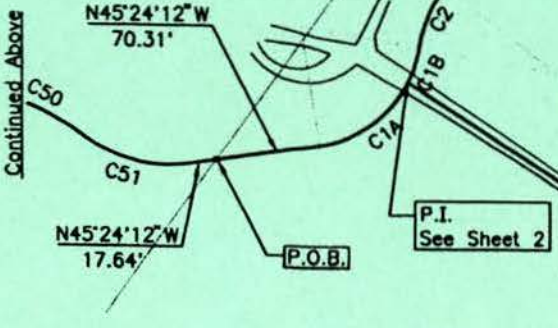
SE 1/4
Section 31

SE 1/4
Section 31



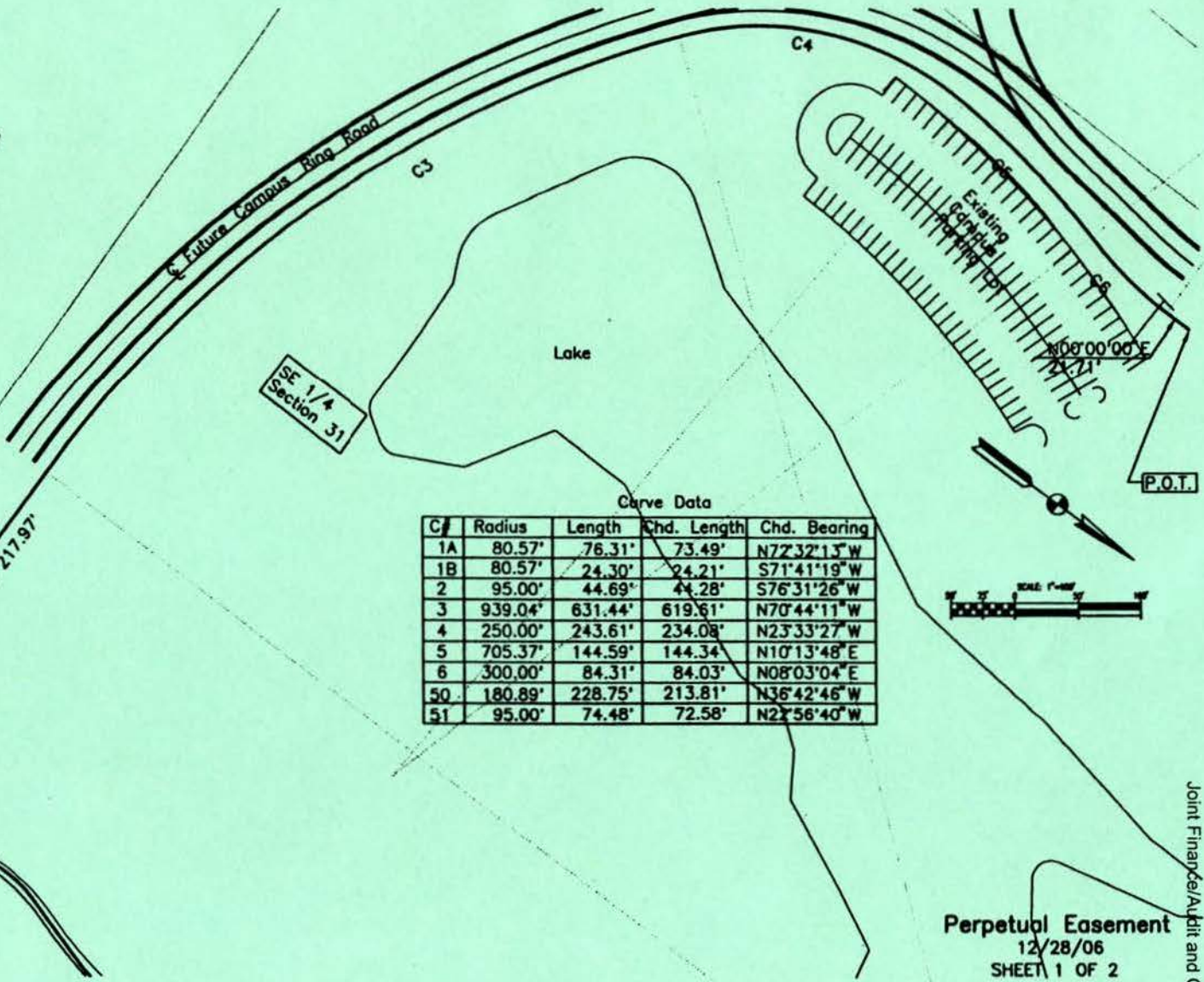
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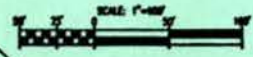
P.I.
See Sheet 2

P.O.B.



Curve Data

C#	Radius	Length	Chd. Length	Chd. Bearing
1A	80.57'	76.31'	73.49'	N72°32'13\"W
1B	80.57'	24.30'	24.21'	S71°41'19\"W
2	95.00'	44.69'	44.28'	S76°31'26\"W
3	939.04'	631.44'	619.61'	N70°44'11\"W
4	250.00'	243.61'	234.08'	N23°33'27\"W
5	705.37'	144.59'	144.34'	N10°13'48\"E
6	300.00'	84.31'	84.03'	N08°03'04\"E
50	180.89'	228.75'	213.81'	N36°42'46\"W
51	95.00'	74.48'	72.58'	N27°56'40\"W

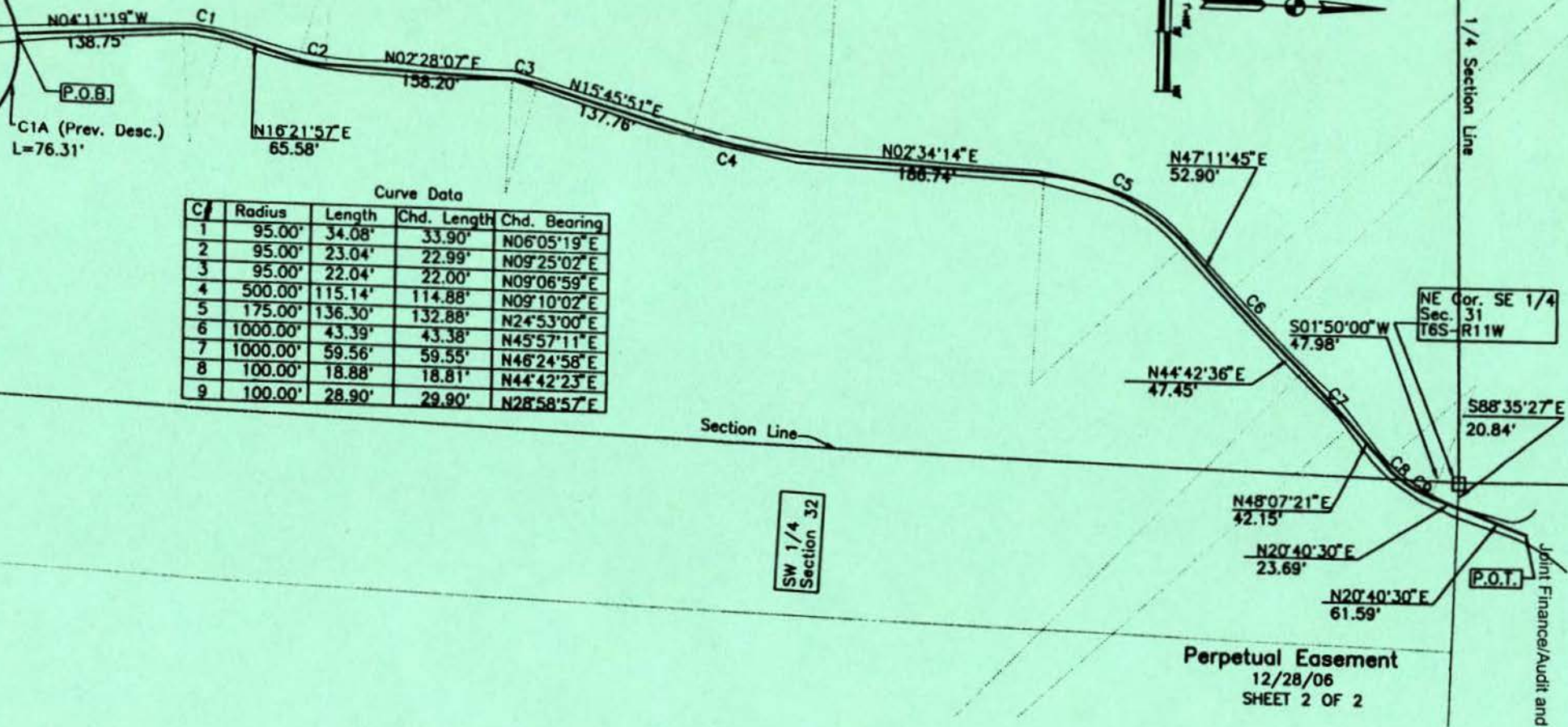
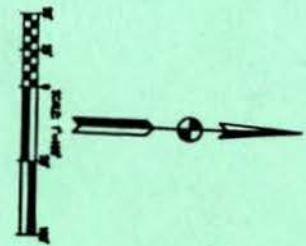


Perpetual Easement
12/28/06
SHEET 1 OF 2

EXHIBIT B.P. 2 (Parcel Two)

SE 1/4
Section 31

SW 1/4
Section 32



Curve Data

C#	Radius	Length	Chd. Length	Chd. Bearing
1	95.00'	34.08'	33.90'	N06°05'19"E
2	95.00'	23.04'	22.99'	N09°25'02"E
3	95.00'	22.04'	22.00'	N09°06'59"E
4	500.00'	115.14'	114.88'	N09°10'02"E
5	175.00'	136.30'	132.88'	N24°53'00"E
6	1000.00'	43.39'	43.38'	N45°57'11"E
7	1000.00'	59.56'	59.55'	N46°24'58"E
8	100.00'	18.88'	18.81'	N44°42'23"E
9	100.00'	28.90'	29.90'	N28°58'57"E

C1A (Prev. Desc.)
L=76.31'

NE Cor. SE 1/4
Sec. 31
T6S-R11W

P.O.T.

Perpetual Easement
12/28/06
SHEET 2 OF 2

AGENDA
JOINT MEETING
FINANCE/AUDIT COMMITTEE AND CONSTRUCTION COMMITTEES
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

March 1, 2007

(FINANCE/AUDIT)

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

An overview of the Internal Audit Department and a review of the audit-related responsibilities of the Finance/Audit Committee will be presented. A summary of completed audits and outstanding action items will be presented (Attachment A).

The 2007 Internal Audit Plan will be available for review by the Committee.

Approval of the proposed 2007 Internal Audit Plan is recommended.

2. APPROVAL OF RECOMMENDATION TO APPROVE REQUEST FOR EASEMENT

Vanderburgh County requests a perpetual easement and right-of-way to construct a bicycle path linking the University of Southern Indiana with Burdette Park. The bicycle path will be a 12-foot wide hard surface path approximately 2.5 miles long, and will be funded entirely by the County. The path will primarily traverse lands owned by Southern Indiana Higher Education, Inc. (SIHE), and SIHE is being asked to execute a similar easement document. The easement agreement will lapse eight years from the date of its execution if construction is not begun on the University portion of the path on or before that date. Planning for the path has been underway for many years, and it is widely expected to be a useful University and regional recreational amenity. The route of the path was considered in the master planning process for the University. The University will have the right to relocate the path, at its expense, if required in the future.

Approval of a recommendation to the Board of Trustees to approve the Perpetual Bicycle and Pedestrian Trail Easement document in Attachment B is recommended.

(CONSTRUCTION)

3. APPROVAL OF RECOMMENDATION FOR AUTHORIZING RESOLUTION FOR THE UNIVERSITY CENTER EXPANSION/RENOVATION PROJECT

The Indiana General Assembly approved \$9.75 million in bonding authorization in 2003 and \$4 million in bonding authorization in 2005 for the conversion of the former David L. Rice Library to additional University Center space and the renovation of parts of the existing University Center. A Request for Proposal for architectural services for the \$13.75 million project has been issued to solicit architect interest in designing the planned renovations. The resolution below authorizes the Construction Committee to review the proposals and select an architectural firm for recommendation to the Board of Trustees.

Approval of the resolution for recommendation to the Board of Trustees is recommended.

WHEREAS, the Board of Trustees wishes to proceed with plans for the University Center Expansion/Renovation project;

NOW, THEREFORE BE IT RESOLVED that the Construction Committee be authorized to evaluate responses to the Request for Proposal and select firms for further consideration;

FURTHER RESOLVED that the Construction Committee be authorized to interview representatives of the firms selected for further consideration and present a recommendation to the Board of Trustees to accept a proposal or to reject all proposals.

**University of Southern Indiana
Annual Audit Plan - Actual
Calendar Year 2006**

QUARTER BEGINNING	AUDIT AREA	STATUS	DESCRIPTION	HOURS
January 2006	Bookstore	Completed 1/30/06	Revolving fund (cash) count	8
	Bursar	Completed 2/15/06	Revolving fund (cash) count	8
	NH Museum Shop	Completed 1/27/05	Physical inventory test count	10
	Bookstore	Completed 3/7/06	Physical inventory test count	12
	Executive Travel	Completed 2/24/06	Test compliance with university travel policy	175
	Credit Card Security	Completed 4/28/06	Test compliance with credit card security standards	115
April 2006	Control and Risk Assessment	Continuing	Business Affairs - General Accounting and Accounts Payable	150
	SCT Banner - 2	Completed 8/9/06	Security access review - HR	250
	Control and Risk Assessment	Postponed	Residence Halls	
July 2006	Financial Records	Completed 11/15/06	Assist State Board with year end audit and financial report preparation	525
	Accounts Payable Vendors	In progress	Data analysis using computer assisted audit techniques (CAAT)	150
	Procurement Bids and Awards	Completed 11/14/06	Management request	300
	Purchase Card - 2	Moved to 2007	Review purchases of randomly selected users	
	Human Resources/Payroll	Moved to 2007	Data analysis using CAAT - adjunct payroll	
October 2006	Human Resources/Payroll	Moved to 2007	Employee Data Analysis - monitoring fraud indicators using CAAT	
	Athletics	Completed	NCAA financial audit - assist in agreed-upon procedures	75
	University Travel	Moved to 2007	Review expenses of randomly selected travelers	

Total Hours **1778**
Hours needed **1800**

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME OBJECTIVE	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
Executive Travel (1.) To determine whether travel has been properly authorized	The established practice has been to retain on file a blanket travel authorization for each executive and trustee of the board. At one time, these were renewed annually, but the practice has been inconsistent in recent years. At time of audit, formal travel authorization was lacking for one new executive and one new board member.	Reinstate practice of renewing blanket travel authorizations for executives and trustees. Develop procedure to ensure that new executives' and board members' travel authorizations are processed.	We previously prepared such an authorization as we were mistakenly under the impression that it was necessary for employee Workmen's Compensation coverage. Travel Services will work with University staff and define those positions where job responsibilities entail frequent travel and maintain an inventory for authorization documentation.	In development. Target date for completion set for March 2007.
(2.) To determine whether travel expenses have been incurred for official university business.	The business purpose of most reimbursed expenses was clearly documented. Some small reimbursed amounts were ambiguous as to their relation to the stated business purpose of the trip; one overnight stay was not documented; some <i>side trips</i> not documented.	The traveler and Travel Services should ensure that the business purpose of all travel, including any side trips or extra night's stays, is clearly documented on the reimbursement form.	Travel Services agrees that employee travel reimbursements need to follow University policy and their validity must be documented.	Document validation process implemented and ongoing.
(3.) To determine whether reimbursement requests are properly authorized, supported by required documentation, and adequately reviewed.	All reimbursements were properly authorized. There is not always an obvious connection between supporting documentation for a reimbursement request and the business purpose of the trip, and an adequate explanation is not always recorded by either the traveler or the reviewer. Some mileage reimbursements were non-standard due to an established "personal standard" between traveler's home and repetitive destination.	Travel Services should ensure that all supporting documentation is clearly explained and referenced to the business purpose of the trip. Travel Services should document the reason for any non-standard reimbursements so that they cannot be mistaken for exceptions to policy or preferential treatment.	Standard mileage reimbursement has been assigned for travelers who make the same trip on a frequent basis. Travel Services will document these standards and maintain a supplementary record of any that have been determined. Further, if a variance is identified, Travel Services will request documentation of the variance and an explanation of the reason for the variance.	Process implemented and ongoing.
(4.) To determine whether travel policies and procedures provide adequate controls and to evaluate compliance with policies and procedures.	Policies and procedures appear to be adequate, understood, and applied by the Travel Services staff, but a comprehensive set of written policies and procedures does not exist. Without written policies it may be difficult to consistently apply them to individual travel situations and may result in confusion on the part of the traveler.	Travel Services should develop a comprehensive set of written policies and procedures.	We agree that an effective deterrent to erroneous claims is clear and available policies. The current policies are detailed on the Travel Services web site, a portion of which was down during the audit. The site has been reopened and identified errors have/will be corrected. The site will be reviewed annually for accuracy and completeness.	Completed and ongoing.
Credit Card Security Assessment (1.) To test the University's compliance with the Payment Card Industry's Data Security Standard (PCIDSS).	At review time, USI didn't comply with the PCIDSS, primarily because the standards require 100% compliance to pass.	Develop a record retention policy that calls for the destruction of sensitive information when no longer needed.	NA - the assessment and resulting report was for informational purposes only.	The primary University operations have moved their credit card operations to a third party provider which eliminates much of the storage and paper handling issues going forward. Also, the move to Banner changed information collection requirements. Another self assessment will be scheduled in the near future.
(2.) To identify data security weaknesses and address them in communications to management.	We found that the handling of paper documentation containing cardholder information caused the greatest opportunity for identity theft in our environment.	Educate employees about the importance of safeguarding sensitive information at all times.		

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME	OBJECTIVE	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
Banner HR Security	(1.) To evaluate security access granted to HR staff to <ul style="list-style-type: none"> a. determine if access is appropriate for related job duties b. confirm that excessive or conflicting update authority does not exist, and c. ensure that proper separation of duties exist. 	Generally, access granted to HR staff is appropriate to job duties, is not excessive, and separation of duties is not compromised. One terminated employee continued to have access. The manager of HR information systems (MHRIS) is also a super-user with sole maintenance access to a large number of forms with some compensating controls but without adequate backup.	<ul style="list-style-type: none"> - Confirm access changes by requesting a listing from the data base administrator. Consider additional restrictions or compensating controls on super-user role, or develop a more distributed redundancy. - Analyze the critical functionality that could be compromised without adequate backup for the MHRIS super-user. 	<ul style="list-style-type: none"> - Security access listings are now requested on a monthly basis. - HR has reviewed the need for backup to the MHRIS super-user. A new position has been approved for hire during FY 2006-07 to serve that need. 	<p>Completed and ongoing.</p> <p>The job description is under development and the target hire date is set for April 2007.</p>
	(2.) To evaluate security access granted to non-HR staff to determine appropriateness of access and update capabilities.	Access granted to non-HR staff is appropriate to job responsibilities.	None	NA	NA
	(3.) To review access approval procedures and controls.	The MHRIS has a good understanding of the process and the controls over the process. However, written procedures do not yet exist.	<ul style="list-style-type: none"> - Document process by recording a set of procedures. 	MHRIS will document the thought process in assigning roles and their access.	Completed.
Procurement Bids & Awards	(1.) To determine if purchasing policies and guidelines are being followed.	In general policies and guidelines are being followed. We noted opportunity for minor improvement in accuracy of website information and public works projects requirements.	<ul style="list-style-type: none"> - Changes to the website should be posted by one staff member and reviewed/proofread by a second; guidelines should be updated when changes occur. 	Agreed. All changes to website content will be reviewed by assistant treasurer or designee prior to placement.	Website corrected and updates. Action item ongoing.
			<ul style="list-style-type: none"> - Standardize date- and time-stamping and filing of quotes. 	A date- and time-stamping device has been purchased and will be used at the next opportunity.	Recommendation implemented.
			<ul style="list-style-type: none"> - Review bidders' financial statements to evaluate financial health and ability to fulfill contractual commitment. 	Agreed to investigate value of financial statement review. Believe the contractor's acquisition of performance bond from reputable firm negates need for financial evaluation as bonding company would do that review.	Investigating bonding company ratings impact on need for financial statement review. Target date for completion is September 2007.
	We noted opportunity for moderate improvement in areas of procurement of supplies, equipment, and services in both the \$5K to \$20K range and in purchases greater than \$20K.	<ul style="list-style-type: none"> - Attach competitive quotes to purchase order. If no quotes, document basis of selection and justification for no quotes. 	Agreed. Whenever variation from guidelines occur, a notation will be made identifying rationale.	Recommendation implemented and ongoing.	
		<ul style="list-style-type: none"> - Retain evidence of quote arrival dates and times; document by witnesses' initials and date any changes to bids. 	Agreed. Bid envelopes and other date & time records will be retained. Changes will be documented.	Recommendation implemented and ongoing.	
		<ul style="list-style-type: none"> - Invoices should not be approved/processed for amounts that differ from the purchase agreement without discussion with vendor and change order. 	Agreed. A vendor credit or correcting invoice should be requested for the erroneous amount and a change order should be processed if outside system tolerances.	Recommendation implemented and ongoing.	
		<ul style="list-style-type: none"> - Director should not be sole signator on large-dollar contracts. 	Propose to set a standard fiscal year cash outflow of \$250K per contract to trigger the need for internal decision reviews and co-signatures when appropriate.	Recommendation implemented and ongoing.	
<ul style="list-style-type: none"> -Complex purchase orders should have attached listing of items ordered. 	Agreed. Also will encourage purchasing staff to use the notes feature in Banner and implement the XtenderSolution product as soon as possible.	Recommendation implemented and ongoing.			

**University of Southern Indiana
 Internal Audit Report Summaries
 Calendar Year 2006**

AUDIT NAME				
OBJECTIVE	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
		- Furniture purchases should have unique written guidelines or follow same guidelines as exist for other equipment.	In addition to pricing agreement structures with area vendors, a new policy employing third-party design counsel on large projects will encourage broader participation and bidding of comparables.	Third-party design counsel policy currently in memo form. It will continue to be developed as it is applied to varying situations.
(2.) To screen vendor data for fraud indicators and investigate as warranted.	No instances of fraud indicators were detected.	None	NA	NA

Audit Report Executive Travel

Results at a Glance

AREAS	<i>RISK MITIGATION</i>		
	Adequate Controls and Practice	Opportunity for Minor to Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:			
Travel properly authorized		X	
Travel expenses incurred for official university business		X	
Reimbursement request properly authorized	X		
Reimbursement request supported by adequate documentation		X	
Reimbursement request properly reviewed by travel office		X	
Adequacy of travel policies and procedures		X	
Compliance with travel policies and procedures	X		

EXECUTIVE SUMMARY

INTRODUCTION

The Department of Internal Audit has completed an audit of executive travel. Executive travel should set the standard for the overall organization. The policies and procedures governing executive travel are the same as those governing travel by other employees. Executive travelers should be held to the same standards of documentation and substantiation as other travelers for the University.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To determine whether travel has been properly authorized.
2. To determine whether travel expenses have been incurred for official University business.
3. To determine whether reimbursement requests are properly authorized, supported by required documentation, and adequately reviewed.
4. To determine whether travel policies and procedures provide adequate controls and to evaluate compliance with policies and procedures.

AUDIT SCOPE

In the course of the audit we examined the following:

- Travel policies, procedures and controls.
- Interview of the Travel Coordinator for background and understanding.
- The entire population of travel reimbursements for USI executives¹ for the period of January 1 through December 31, 2005.

AUDIT SUMMARY

Through our review, we found that there are adequate procedural controls and practice in place to ensure that:

- Travel reimbursement requests have been properly authorized.
- Travelers have complied with travel policies and procedures.

We also noted opportunity for minor to moderate improvement in each of the following audit objectives:

- Formal authorization of travel.
 - Action Plan Task: Travel Services will work with University staff and define those positions where job responsibilities entail frequent travel and maintain an inventory for authorization documentation. Other positions where business travel is infrequent within the state shall continue to be expected to follow the *Blanket Travel Authorization* process.
- A stated business purpose for some reimbursed expenses.
 - Action Plan Task: Travel Services will ensure that the traveler clearly documents the business purpose of all travel, including any side trips or extra night's stays, on the reimbursement form.
- Supporting documentation for some reimbursed expenses, and
- Reimbursement request review by Travel Services personnel.
 - Action Plan Task: In some instances, standard mileage reimbursement has been assigned for travelers who make the same trip on a frequent basis. Travel Services will document these standards and maintain a supplementary record of any that have been determined. Further, if a variance is identified, Travel Services will request documentation of the variance and an explanation of the reason for the variance.
- Travel policies and procedures.
 - Action Plan Task: Travel Services agrees that an effective deterrent to erroneous claims is clear and available policies. As such, we maintain a web site that details the current policies of the campus. At the time that the audit was performed, a portion of the web site was down for maintenance. The site has been reopened and is available for use. Identified errors in the web site have been corrected and review of the site for accuracy and completeness will be performed on an annual basis.

CONCLUSION

Travel Services personnel do an excellent job of administering USI executive travel. Implementing the recommendations will strengthen internal controls and improve the transparency of travel reimbursements.

¹ The executive classification, for purposes of this audit, includes the positions of Assistant Vice President and above and the Board of Trustees.

Audit Report Payment Card Industry Cardholder Information Security

EXECUTIVE SUMMARY

BACKGROUND

In 2004, the payment card industry developed security standards to safeguard sensitive cardholder data from internal and external thefts. These standards address the electronic and physical collection, transmission, storage, and destruction of cardholder information by merchants, credit card processors, software providers, and other service providers.

Every merchant and service provider that stores, processes, or transmits cardholder data by all acceptance channels (e.g. face-to-face, by telephone, electronically) are required to comply with the data security standards. Compliance is tested by different measures for different levels of merchants and service providers. (See description of merchant levels on page 9.) Noncompliance may result in a fine or restrictions imposed on the merchant or its agent.

USI is currently classified as a Level 4 merchant. A Level 4 merchant processes not more than 20,000 e-commerce transactions annually and is required to comply with the Payment Card Industry Data Security Standards (PCIDSS). Compliance is validated by completing a self-assessment questionnaire and a network scan. Both of these validation methods are recommended annually - not required - for a Level 4 merchant.

This audit report covers the results of the self-assessment questionnaire only. The University will need to contract with an external provider to perform a network scan.

AUDIT OBJECTIVES

1. To test the University's compliance with the PCIDSS.
2. To identify data security weaknesses and address them in communications to management.

AUDIT SCOPE

We reviewed the complete Cardholder Information Security Program information, including the PCIDSS, on Visa's website at www.visa.com/cisp.

We interviewed operations staff in all areas on campus and in New Harmony who processed credit card transactions to gain knowledge of their procedures for collecting, storing, distributing, and disposing of cardholder information. The areas included were the Cashier Office, Bookstore, Eagle Card Office, Children's Center, Extended Services, Nursing, Dental Clinic, Athletics, Recreation and Fitness Center, Theatre Office, and New Harmony operations (tour, museum shop, and gallery).

We distributed the PCI Self-Assessment Questionnaire to key Computer Center staff and then met with them as a group to discuss their responses.

AUDIT SUMMARY

At the present time, USI does not comply with the PCIDSS. Most of the standards address computerized collection, transmission, and storage of cardholder information, but security of paper documentation is included as well. We found that the handling of paper documentation containing cardholder information causes the greatest opportunity for identity theft in our University environment. Electronic access and storage is much more secure, but there is room for improvement in that area as well.

AUDIT RESULTS AT A GLANCE

The audit results are based on the responses we received from the Computer Center staff and the operations staff to the self-assessment questionnaire. The questionnaire addressed the 12 requirements of compliance proscribed by the PCIDSS. Each of the 12 requirements included a list of questions to which an affirmative answer supported the standard. To be in compliance, the PCI requires a "yes" or a "NA" response to every question. USI's results are depicted in the table below.

Scoring was based on the number of "yes" and "NA" responses out of total responses to specific questions within each of the twelve requirements. Pass =100%; Very Good = 90% - 99%; Good = 80% - 89%; Not Good < 80%. **Anything less than "Pass" is not considered to be in compliance with the self-assessment portion of the PCIDSS.** The other scores are presented so that management can see where the riskier areas are and determine how best to direct limited resources to achieve compliance.

PCI Data Security Standards	USI Compliance Score			
	PASS	VERY GOOD	GOOD	NOT GOOD
1. Install and maintain a firewall configuration to protect data			84%	
2. Do not use vendor-supplied defaults for system passwords and other security parameters	100%			
3. Protect stored data			84%	
4. Encrypt transmission of cardholder data and sensitive information across public networks			80%	
5. Use and regularly update anti-virus software	100%			
6. Develop and maintain secure systems and applications	100%			
7. Restrict access to data by business need-to-know	100%			
8. Assign a unique ID to each person with computer access		91%		
9. Restrict physical access to cardholder data		91%		
10. Track and monitor all access to network resources and cardholder data	100%			
11. Regularly test security systems and processes			83%	
12. Maintain a policy that addresses information security				55%

AUDIT CONCLUSIONS

None of the university's areas of non-compliance would be difficult to correct, and the payment card industry provides an excellent blueprint to follow. Internal Audit will schedule a follow-up review for the March-April timeframe next year to determine what progress has been made.

MERCHANT LEVELS (referenced on page 7)

Merchant levels defined

Acquirers are responsible for determining the compliance validation levels of their merchants. All merchants will fall into one of the four merchant levels based on annual Visa transaction volume. The transaction volume is based on the aggregate number of Visa transactions from a Doing Business As (DBA) or a chain of stores (not of a corporation that has several chains). Merchant levels are defined as:

Merchant Level	Description
1	Any merchant-regardless of acceptance channel-processing over 6,000,000 Visa transactions per year. Any merchant that has suffered a hack or an attack that resulted in an account data compromise. Any merchant that Visa, at its sole discretion, determines should meet the Level 1 merchant requirements to minimize risk to the Visa system. Any merchant identified by any other payment card brand as Level 1.
2	Any merchant processing 150,000 to 6,000,000 Visa e-commerce transactions per year.
3	Any merchant processing 20,000 to 150,000 Visa e-commerce transactions per year.
4	Any merchant processing fewer than 20,000 Visa e-commerce transactions per year, and all other merchants processing up to 6,000,000 Visa transactions per year.

Compliance validation basics

In addition to adhering to the PCI Data Security Standard, compliance validation is required for Level 1, Level 2, and Level 3 merchants, and may be required for Level 4 merchants.

Level	Validation Action	Validated By	Due Date
1	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Qualified Data Security Company or Internal Audit if signed by Officer of the company Qualified Independent Scan Vendor 	9/30/04
2 and 3	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Merchant Qualified Independent Scan Vendor 	6/30/05
4*	<ul style="list-style-type: none"> Annual On-site PCI Data Security Assessment and Quarterly Network Scan 	<ul style="list-style-type: none"> Merchant Qualified Independent Scan Vendor 	Determined by the merchant's acquirer

*Level 4 merchants must comply with the PCI Data Security Standard; however, compliance validation for merchants in this category is determined by the merchant's acquirer.

Audit Report Banner HR Security Access

Results at a Glance

AREAS	<i>RISK MITIGATION</i>		
	Adequate Controls and Practice	Opportunity for Minor to Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:			
Appropriate access for related job duties		X	
Excessive or conflicting update authority		X	
Proper separation of duties	X		
Access granted to non-Human Resources Department users	X		
Approval process procedures and controls		X	

EXECUTIVE SUMMARY

BACKGROUND

The Department of Internal Audit has completed an audit of the SunGard Banner Human Resources system access security. The SunGard Banner enterprise-wide software system provides security on three levels. First, Oracle security provides database level security. Second, Banner security provides form, report, and process level security across the Banner applications of Finance, HR, Student, Financial Aid, and Advancement. Finally, the Banner HR application provides security at the user ID level based on employee class, organization, salary level, salary planner, and employer code. USI utilizes Oracle and Banner security configurations for the HR module but does not currently use the security options that are unique to Banner HR.

The Manager of Human Resource Information Systems (MHRIS) acts as the security administrator for Banner HR. The security administrator controls access to Banner by assigning authorized users to a user role or roles. Each user role has access to a set of forms, reports, and processes within the Banner application. The access granted for each form, report, or process can either be maintenance, which is updating capability, or query, which is view only access.

Users should be granted sufficient access to perform all job duties, but access should be as limited as possible to minimize the possibility of fraud or the exposure of sensitive or confidential information. For example, a single user should not be able to complete a full business cycle such as creating a new employee in the system, entering and approving time worked, and producing payroll checks. If such a scenario does exist, strong compensating controls must be in place to prevent or detect unauthorized activity.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To evaluate the security access granted to Human Resource employee users for SunGard Banner HR to:
 - a. determine if access is appropriate for related job responsibilities,
 - b. confirm that employees do not have excessive or conflicting update authority, and
 - c. ensure that proper separation of duties exists.
2. To evaluate the security access granted to non-Human Resource department users of Banner HR to determine the appropriateness of access and any update capabilities.
3. To review the access approval procedures and controls to determine how access is granted, how specific form access needs are determined and approved, and how update form conflicts are resolved.

AUDIT SCOPE

We examined the following regarding Banner HR access security:

- Security documentation for the Banner HR system.
- Reports from the database administrator for form, report, process and user role security as of May 10, 2006.
- User roles for appropriateness of form, report, and process access.
- Appropriateness of user role assignments to position and job duties for all users.
- The process by which access is granted to users.
- How the extent of access is determined.

AUDIT SUMMARY

Through our review, we found that there are adequate procedural controls and practice in place to ensure that:

- A proper separation of duties exists.
- Access granted to non-HR department users is appropriate.

We noted opportunity for minor to moderate improvement in the areas of:

- Appropriate access for related job duties.
 - Recommended: Confirm Banner HR access changes by requesting listings from the DBA.
 - Action Plan: Request that access listings be run on a monthly basis for review by MHRIS
 - Status: Completed.
- Excessive or conflicting update authority.
 - Recommended: HR can further reduce the risk by either placing minimal restrictions on super-user access, developing a more distributed redundancy and backup strategy, or by developing additional compensatory controls. HR should analyze the MHRIS position for critical functionality that could be compromised due to inadequate backup for the position.
 - Action Plan: A new position has been approved for hire in 06-07 that, in part, will serve as backup to MHRIS.
 - Status: The job description is under development and hire is targeted for April 2007.
- Approval process procedures and controls.
 - Recommended: Document the process by recording a set of procedures.
 - Action Plan: Record the process for developing and assigning roles for HR Banner Security.
 - Status: Completed.

CONCLUSION

The Banner HR security administrator has a good understanding of security setup and administration. User roles are well defined and update access is limited to job related duties. The implementation of the action plan items will improve the security administration function.

GLOSSARY

EMPLOYEE CLASS SECURITY: When employee class security is activated in the Banner HR module, an individual user's access to data can be limited to a specific employee class or classes, e.g. 'Faculty 9 month'.

ORACLE: Oracle is a relational database system which provides the underlying table data storage structure for SunGard SCT Banner. The database administrator creates usernames in Oracle and assigns privileges and roles within the database. Password security is an Oracle function.

ORGANIZATION SECURITY: When organization security is activated in the Banner HR module, an individual user's access to data can be limited to a specific organization or organizations, e.g. 'College of Business' or 'Biology'.

SALARY LEVEL SECURITY: When salary level security is activated in the Banner HR module, an individual user's access to data can be restricted to data for employees who earn up to a specified maximum salary level.

MANAGER OF HUMAN RESOURCE INFORMATION SYSTEMS: The Manager of Human Resource Information Systems is responsible for ensuring that users are given the appropriate access to forms, processes, and reports through assignment to the correct Banner user role or roles.

USER ROLE: Roles are named groups of related privileges (access to forms, processes, and reports) that are granted to users or other roles. Roles allow for easier security administration. They also allow for the change in the role privileges and the security of all users to whom the role is granted are automatically changed by reference. A user role is used to group users who have common privilege requirements, e.g. payroll functionality.

SALARY PLANNER SECURITY: The Salary Planner Security Form enforces security for the Salary Planner module in *Employee Self-Service*. This form allows the security administrator to include or exclude organization access for each user in self-service. Access may be granted or denied for a range of organizations or for specific organizations within or outside the range.

EMPLOYER CODE SECURITY: Employer code security may be utilized at institutions that have multiple employers defined. Access may be allowed or denied to specific employers within the system. USI has only one employer defined in the system.

Audit Report Procurement Project Bids & Awards

Results at a Glance

AREAS	<i>RISK MITIGATION</i>			
	Adequate Controls and Practice	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Audit Objectives:				
1. To determine if purchasing policies and guidelines are being followed.				
a. Website		X		
b. Public Works		X		
c. Supplies, Equipment, or Services			X	
d. General			X	
2. To screen vendor data for fraud indicators and investigate as warranted.		X		

EXECUTIVE SUMMARY

BACKGROUND

The Department of Internal Audit has completed an audit of the procurement bid and award process and large purchase orders related to projects. These items were chosen for review due to the numerous continuing construction and renovation projects on campus. We used the Procurement Guidelines and Procedures as published on the USI Procurement website and interviews with procurement personnel as the basis for our evaluation. Guidelines and procedures governing different dollar thresholds and types (e.g., public works) of procurement activity are documented on the USI Procurement website.

AUDIT OBJECTIVES

The objectives of the audit are as follows:

1. To determine if purchasing policies and guidelines are being followed.
2. To screen vendor data for fraud indicators and investigate as warranted.

AUDIT SCOPE

In the course of the audit we examined the following:

- Procurement data files from the USI Banner Finance system
- The Requests for Proposals area on the USI Procurement website.
- The Procurement Guidelines and Procedures as posted on the website.

- Interviews of procurement office staff regarding procedures, internal controls, and Banner utilization.
- Bid files and purchase orders for selected construction or renovation projects and related furnishing and equipment purchases for the period of April 2004 to August 2006.

AUDIT SUMMARY

Through our review, we noted opportunity for minor improvement in the areas of:

- Accuracy of information posted to the Procurement website.
 - Recommended: Changes to the website should be posted by one staff member and reviewed/proofread by a second; Guideline and Procedures information should be updated in a timely fashion when changes occur.
 - Management Response: We will make sure that this is our policy. All changes to web site content are to be reviewed by assistant treasurer or designee prior to placement.
- Public Works projects:
 - Recommended: Standardize date-and-time stamping and filing of quotes. Look into purchasing an automatic date-and-time stamping machine to remove some of the human element of receipting quotes.
 - Management Response: We have purchased a date and time stamping device and will begin using it.
 - Recommended: Develop some method of reviewing financial statements for the purpose of evaluating the bidder's financial health and ability to fulfill the contractual commitment. Consult with the other state universities on the review standards they use and work with the business office to develop a standard for USI.
 - Management Response: Management agrees to further investigate the utilization of bidder financial reports and their role in the awarding of contracts. Management's belief is that the acquisition of performance bonds from reputable firms negates, to some degree, the relevance of financial report evaluation as the bond issuer will have performed such analysis. Obtaining a bond provides the institution with a higher level of security than the assets of the successful bidder.
- Indicators of fraud: [NOTE: We discovered no evidence or indicators of fraud, but improved procedures in regard to non-public works furnishing purchases would protect the procurement staff from unfounded questions or allegations.]
 - Recommended: See recommendation under General observations below.
 - Management Response: See response under General observations below.

We also noted opportunity for moderate improvement in the areas of:

- Procurement of Supplies, Equipment, or Services [\$5,000 to \$20,000]:
 - Recommended: Competitive quotes should be attached or quoted on the purchase order and readily available for review - or the basis for selection and reason for not getting competitive quotes should be stated on the requisition or purchase order.
 - Management Response: When competitive quotes are warranted and obtained they should be part of the purchasing package. Since these are guidelines and not requirements, Procurement Services has the ability to consider alternative procurement process to include sole source vendors. Whenever the director or staff varies from the guidelines, then a notation will be made in the notes identifying the rationale for the variance.
 - Recommended: If altered bids or quotes are received by mail, two procurement employees should sign to verify receipt as is. If the vendor representative changes the bid document in person when delivering the bid, the vendor representative should sign along with two procurement employees.
 - Management Response: We can certainly do so if two employees are present at the time. Whenever a document is changed in our presence, Procurement Services will require the change initiator as well as a staff member to initial and date next to the change. If upon opening a bid we see an altered document, we will make note of the fact.

- Recommended: Retain evidence of quote arrival dates and times.
 - Management Response: We will initiate a procedure to keep all records including envelopes with the RFP's.
- Recommended: Invoices should not be approved or processed for a basis differing from the purchase agreement without a discussion with the vendor and the processing of a change order.
 - Management Response: Management concurs that invoices should not be paid for an amount different than presented by the vendor without consultation with the vendor. Where possible, with vendor participation, a credit or correcting invoice should be requested for the erroneous amount previously presented. Further, unless system tolerances allow payment, a change order should be processed to reflect the change.
- Procurement of Supplies, Equipment, or Services [$>$ \$20,000]:
 - Recommended: Competitive quotes should be attached or quoted on the purchase order and readily available for review - or the circumstance and justification for not getting competitive quotes should be attached to or stated on the requisition or purchase order.
 - Management Response: Management agrees that documentation should be considered as part of the total purchasing history and will endeavor to insure that files are maintained to reflect the process. When purchases are made where no current competitive bid is obtained, procurement services will note the rationale for the purchasing decision.
 - Recommended: The Director of Procurement should not sign large-dollar contracts on behalf of the University, especially in situations where he has significant influence or decision power in the choice of vendor.
 - Management Response: Management believes that a standard needs to be established to provide for internal decision reviews and co-signatures where appropriate. We propose that any institutional purchase of goods or services that generate a fiscal year cash outflow of more than \$250,000 per contract require the signature of the director of procurement services and either the treasurer or assistant treasurer. For those transactions entered into beyond the purview of Procurement Services, the signature requirement would be the functional vice president or department head and the treasurer or designee.
 - Recommended: Purchase orders that are too complex to include individual line items in the body of the purchase order and are instead entered as a "lot" should include an attached listing of items purchased along with unit prices for comparison with vendor invoices.
 - Management Response: We can certainly do this. We also believe that a more concerted effort by Procurement to utilize purchase order notes, as well as implementation of the XtenderSolutions product, will enhance this process and allow for a more accurate and auditable evaluation of purchases. The XtenderSolutions implementation will enable Procurement Services to index bid and planning documents to an invoice and enhance product tracing.
 - Audit Response: The implementation of XtenderSolutions would significantly enhance the availability of supporting documentation for transactions.
- General observations:
 - Recommendation: Furniture should be governed by the same guidelines that cover other types of purchases or written policy and procedures unique to furniture purchases should be developed in coordination with and approval by the Vice President for Business Affairs.
 - Management Response: Our historical development of pricing agreement structures and institutional dependency on a consistent source and look negated going through a formal bidding process on most internally developed projects. Nevertheless, the new policy of employing third-party design counsel on larger projects will encourage a broader participation and bidding of comparables. Looking beyond just this analysis, consistency in product line will continue and, as such, we will continue to see large dollar purchases made by the University from vendors where question could arise about the relationship of campus personnel and the vendor. We need to continue our vigilance with these and maintain the separation of requisitioning, order placement, and payment processes.

Our procedures were designed to detect indicators of fraud. The Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* states, "The internal auditor should have sufficient knowledge to identify indicators of fraud but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud." The standards also state, "Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected." We did not discover any instances of fraud in the transactions chosen for our sample. This does not, however, guarantee the absence of fraud.

CONCLUSION

In general, purchasing policies are being followed on a routine and regular basis. However, we did encounter a number of departures from published policies, procedures, and guidelines. Implementation of the recommendations will help ensure that practices adhere to policies, procedures, and guidelines.

**University of Southern Indiana
2005 Outstanding Action Items**

AUDIT NAME	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT RESPONSE	STATUS
OBJECTIVE				
<p>Stipend Payment Analysis</p> <p>(1.) To determine if current practice of paying stipends for duties that fall within the employee's job description violates University policy.</p> <p>(2.) To provide an analysis of stipends currently being paid.</p>	<p>(1.) In general, the University has no guidelines in its policy that limit or define how much or for what purpose a stipend can be paid.</p> <p>(2.) For the past three years, both the dollar amount and the number of people receiving stipends have increased. Large dollar stipends supplemented regular contract salaries of those receiving them by as much as 25% to 47%.</p>	<p>Form a committee to develop a policy to define stipends and provide guidelines for their issuance. The policy should address restraints placed on stipends by federal grants, approvals required for payment, and conflicts of time and interest with regular job responsibilities.</p>	<p>Vice Presidents for Business Affairs, Governmental Relations, and Academic Affairs committed to put a committee together to review the stipend issue and develop a policy.</p>	<p>Because of a change in HR Directors, this project has been delayed many months. Stipends were tracked and analyzed for several months. With input from senior administrators, types of stipends were defined and a draft policy created. Final reviews will be done in the next two or three months. Subject to vice presidential approval, a final policy will be ready by June 30, 2007.</p>
<p>Banner Finance Security</p> <p>(1.) To evaluate security access granted to Business Office users to determine if access is appropriate for job responsibilities, (a.)</p> <p>(b.) confirm excessive or conflicting update authority does not exist, and</p> <p>(c.) ensure proper separation of duties does exist.</p> <p>(3.) To review access approval process and controls.</p>	<p>(1a.) Access generally appropriate; however, update access granted to Computer Center personnel for <i>go-live</i> still exists in production.</p> <p>(1b.) A few users have excessive update capabilities with limited compensating controls in place.</p> <p>(1c.) See Findings for (1a.) and (1b.) above.</p> <p>(3.) Procedures and controls are adequate but not documented in written form.</p>	<p>(1a.) Re-evaluate and restrict update access for most computer center personnel now that system implementation issues have been resolved.</p> <p>(1b.) Reduce user capabilities and strengthen compensating controls where appropriate and reasonable.</p> <p>(1c.) See (1a.) and (1b.)</p> <p>(3.) Prepare a set of written procedures.</p>	<p>(1a.) Security administrator will review access as a whole and reexamine role permissions since a year's experience has provided new insights.</p> <p>(1b.) Security administrator will reevaluate super user and other conflicting access.</p> <p>(1c.) See (1a.) and (1b.)</p> <p>(3.) Security administrator will prepare written procedures and develop ad hoc security reports to aid in appropriate security assignments.</p>	<p>- In progress as of October 2006. - Target date changed from September 2006 to February 2007.</p> <p>See above</p> <p>See above</p> <p>- Not yet started. Target date changed from January 2007 to April 2007. - Target date for developing ad hoc security reports remains set for June 2007.</p>

BICYCLE AND PEDESTRIAN TRAIL EASEMENT

THIS INDENTURE WITNESSETH, that the University of Southern Indiana Board of Trustees, whose principal address is 8600 University Boulevard, Evansville, Indiana ("Grantor") of Vanderburgh County, State of Indiana Conveys and Warrants to the Board of Commissioners of Vanderburgh County, Indiana ("Grantee"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, an easement and right of way in, under and upon certain real estate described in Volume 517 Page 490 and in Instrument No. 2003R00014460 as recorded in the Office of the Recorder of Vanderburgh County, and situated in the County of Vanderburgh, State of Indiana, and which is more particularly described on Exhibit A attached hereto and depicted on Exhibit B attached hereto ("Easement").

This Easement is for the purpose of Grantee's construction, reconstruction, maintenance, operation and repair thereupon of a bicycle and pedestrian trail and appurtenances thereto, which said appurtenances may include, but are not limited to, ditches and drainage facilities, retaining walls, slopes, rip rap, culverts and like features necessary for the said bicycle and pedestrian trail ("Bicycle and Pedestrian Trail"). All of such construction, reconstruction, maintenance, operation and repair shall be at the sole expense of the Grantee.

The initial term of this Easement shall be for a period of forty (40) years running from March 1, 2007, through the last day of February in 2047. Such initial term shall automatically renew for successive terms of ten (10) years each so long as on the last of the initial term or any successive term the Easement is being used as a Bicycle and Pedestrian Trail. Notwithstanding the foregoing, if the Easement ever ceases to be used as a Bicycle and Pedestrian Trail, then, in such event, the Easement shall terminate effective as of the date of the cessation of such use.

This conveyance is subject to zoning and use restrictions, existing roadways and all and all easements, rights of way, conditions and restrictions of record that affect the use of the real estate.

Grantee, its employees, agents, contractors, subcontractors and assigns shall have the right to enter in, under, over, along and upon the area of the said easement conveyed herein at will to construct, reconstruct, maintain, and continue to operate the bicycle and pedestrian trail and appurtenances thereon and to remove from the said area any encroaching trees or other vegetation, buildings or other obstructions to the free and unobstructed use of the said easement and right of way and to make such alterations and improvements to the bicycle and pedestrian trail and appurtenances as the Grantee may deem necessary or useful.

Grantor and its successors in title covenant and agree not to erect, maintain or allow to continue within the area of the said easement any building, structure, fence, plantings or other obstruction to Grantee's free and unobstructed use of the said bicycle and pedestrian trail, or appurtenances thereto without the prior express written permission of Grantee. Such permission shall not be effective unless and until recorded.

Notwithstanding the foregoing provisions of this instrument, the provisions of this paragraph shall prevail. For purposes of this paragraph, the entire Bicycle and Pedestrian Trail is considered to be developed in three (3) phases with phase one (1) running from Burdette Park to Nurrenbern Road, phase two (2) running from Nurrenbern Road to Broadway Avenue, and phase three (3) running from Broadway Avenue to the University of Southern Indiana. In the event that the construction and development of any of those three phases is not commenced by a date eight (8) years after the date of this instrument, then, in that event, the Grantor shall have the option to terminate the Easement granted by this instrument by giving the Grantee written notice of such intended termination at least sixty (60) days prior to the intended date of termination. If such option is exercised by the Grantor, then the Easement granted by this instrument shall terminate after the end of such sixty (60) day notice period. Further, and insofar as the Easement granted by this instrument is concerned, the Grantor reserves the right to vary the path of the Bicycle and Pedestrian Trail by granting a revised Easement to the Grantee and causing the construction and development of the Bicycle and Pedestrian Trail over the revised path (and maintaining connections with other portions of the Bicycle and Pedestrian Trail) without any expense to the Grantee.

Grantor warrants that it is the owner in fee simple of said real estate, lawfully seized thereof and has a good right to grant and convey the foregoing easement and right of way; warrant the quiet use and enjoyment thereof; warrant that the said real estate is free from all encumbrances inconsistent with the grant contained herein; and warrants that it will defend the Grantee's title in said easement and right of way against all claims. The easement and right of way granted herein, and its associated benefits and obligations, shall run with said real estate. This indenture shall bind and inure to the benefit of the successors and assigns of the Grantee.

Grantee agrees to release, indemnify and hold harmless the Grantor, including, without limitation, its officers, employees, agents, representatives, affiliates, directors, servants, volunteers, members, invitees, guests, sponsors, officials and staff from any and all liability, claims, demands, actions and causes of action whatsoever for any loss, claim, damage, injury, illness or harm of any kind or nature to a third party or parties that arises out of the construction, maintenance and use of the Bicycle and Pedestrian Trail and is caused by the Grantee.

The undersigned person executing this Easement on behalf of the Grantor represents and certifies that he is fully empowered by resolution of the Grantor to execute and deliver this Easement; that the Grantor has all authority and power to convey the property hereby conveyed; and that all necessary action for the making of such conveyance has been taken and done.

IN WITNESS WHEREOF, the said Grantor has caused this instrument to be executed by its duly authorized Vice President of Business Affairs this ____ day of _____, 2007.

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

By: _____
Mark Rozewski, Vice President of Business Affairs

STATE OF INDIANA)
) SS:
COUNTY OF VANDERBURGH)

Before me, a Notary Public in and for said State and County, personally appeared Mark Rozewski, the Vice President of Business Affairs of the Grantor in the above conveyance, and acknowledged the execution of the same on the date aforesaid to be his voluntary act and deed for and on behalf of the Grantor, and who, being duly sworn, stated that any representations contained therein are true.

Witness my hand and notarial seal this ____ day of _____, 2007.

Signature of Notary Public

Printed Name Notary Public

My Commission expires _____

I am a resident of _____ County

I affirm under the penalties for perjury that I have taken reasonable care to redact each social security number in this document, unless required by law.

Ted C. Ziemer, Jr.

THIS INSTRUMENT WAS PREPARED BY TED C. ZIEMER, JR. OF ZIEMER, STAYMAN, WEITZEL & SHOULDERS, LLP, 20 N.W. FIRST STREET, P.O. BOX 916, EVANSVILLE, INDIANA 47706, AT THE SPECIFIC REQUEST OF GRANTOR BASED SOLELY ON INFORMATION SUPPLIED BY ONE OR MORE OF THE PARTIES TO THIS CONVEYANCE, AND WITHOUT EXAMINATION OF TITLE OR ABSTRACT. THE DRAFTER ASSUMES NO LIABILITY FOR ANY ERRORS, INACCURACY, OR OMISSIONS IN THIS INSTRUMENT RESULTING FROM THE INFORMATION PROVIDED, THE PARTIES HERETO SIGNIFYING THEIR ASSENT TO THIS DISCLAIMER BY THE EXECUTION OF THIS INSTRUMENT BY THE GRANTOR(S) AND THE ACCEPTANCE OF THIS INSTRUMENT BY THE GRANTEE.

EXHIBIT A

UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES
MAIN LINE AND SPUR TRAIL
PERPETUAL EASEMENT DESCRIPTION

PARCEL ONE

A strip of land 20 feet in width and being part of the East Half of the Southeast Quarter of Section 31, Township 6 South, Range 11 West of the Second Principal Meridian, Vanderburgh County, Indiana and whose center line is more particularly described as follows:

Commencing at the southeast corner of the East Half of the Southeast Quarter of said Section 31; thence along the east line of said half-quarter section North 01 degree 50 minutes 00 seconds East 1785.60 feet to a point of intersection with a non-tangent curve concave Northeasterly; thence Westerly, Northwesterly, and Northerly 228.75 feet along an arc to the right and having a radius of 180.89 feet and subtended by a long chord having a bearing of North 36 degrees 42 minutes 46 seconds West and a length of 213.81 feet to a point of reverse curvature with a curve; thence Northerly, and Northwesterly 74.48 feet along an arc to the left and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 22 degrees 56 minutes 40 seconds West and a length of 72.58 feet; thence North 45 degrees 24 minutes 12 seconds West 17.64 feet to the POINT OF BEGINNING of this description; thence North 45 degrees 24 minutes 12 seconds West 70.31 feet; thence Northwesterly, and Westerly 76.31 feet along an arc to the left and having a radius of 80.57 feet and subtended by a long chord having a bearing of North 72 degrees 32 minutes 13 seconds West and a length of 73.49 feet to a point of compound curvature with a curve; thence Westerly, and Southwesterly 24.30 feet along an arc to the left and having a radius of 80.57 feet and subtended by a long chord having a bearing of South 71 degrees 41 minutes 19 seconds West and a length of 24.21 feet to a point of reverse curvature with a curve; thence Southwesterly, and Westerly 44.69 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of South 76 degrees 31 minutes 26 seconds West and a length of 44.28 feet; thence North 90 degrees 00 minutes 00 seconds West 217.97 feet; thence Westerly, and Northwesterly 631.44 feet along an arc to the right and having a radius of 939.04 feet and subtended by a long chord having a bearing of North 70 degrees 44 minutes 11 seconds West and a length of 619.61 feet to a point of compound curvature with a curve; thence Northwesterly, and Northerly 243.61 feet along an arc to the right and having a radius of 250.00 feet and subtended by a long chord having a bearing of North 23 degrees 33 minutes 27 seconds West and a length of 234.08 feet to a point of compound curvature with a curve; thence Northerly 144.59 feet along an arc to the right and having a radius of 705.37 feet and subtended by a long chord having a bearing of North 10 degrees 13 minutes 48 seconds East and a length of 144.34 feet to a point of reverse curvature with a curve; thence Northerly 84.31 feet along an arc to the left and having a radius of 300.00 feet and subtended by a long chord having a bearing of North 08 degrees 03 minutes 04 seconds East and a length of 84.03 feet; thence North 00 degrees 00 minutes 00 seconds East 21.71 feet to the point of terminus of said center line.

PARCEL TWO

ALSO a strip of land 20 feet in width and being part of the East Half of the Southeast Quarter of Section 31 and the West Half of Section 32, both in Township 6 South, Range 11 West of the Second Principal Meridian, Vanderburgh County, Indiana and whose center line is more particularly described as follows:

Beginning at the southern end of the 76.31 foot course in the above description; thence North 04 degrees 11 minutes 19 seconds West 138.75 feet; thence Northerly 34.08 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 06 degrees 05 minutes 19 seconds East and a length of 33.90 feet; thence North 16 degrees 21 minutes 57 seconds East 65.58 feet; thence Northerly 23.04 feet along an arc to the left and having a radius of 95.00 feet and subtended by a long chord having a bearing of North

09 degrees 25 minutes 02 seconds East and a length of 22.99 feet; thence North 02 degrees 28 minutes 07 seconds East 158.20 feet; thence Northerly 22.04 feet along an arc to the right and having a radius of 95.00 feet and subtended by a long chord having a bearing of North 09 degrees 06 minutes 59 seconds East and a length of 22.00 feet; thence North 15 degrees 45 minutes 51 seconds East 137.76 feet; thence Northerly 115.14 feet along an arc to the left and having a radius of 500.00 feet and subtended by a long chord having a bearing of North 09 degrees 10 minutes 02 seconds East and a length of 114.88 feet; thence North 02 degrees 34 minutes 14 seconds East 186.74 feet; thence Northerly, and Northeasterly 136.30 feet along an arc to the right and having a radius of 175.00 feet and subtended by a long chord having a bearing of North 24 degrees 53 minutes 00 seconds East and a length of 132.88 feet; thence North 47 degrees 11 minutes 45 seconds East 52.90 feet; thence Northeasterly 43.39 feet along an arc to the left and having a radius of 1000.00 feet and subtended by a long chord having a bearing of North 45 degrees 57 minutes 11 seconds East and a length of 43.38 feet; thence North 44 degrees 42 minutes 36 seconds East 47.45 feet; thence Northeasterly 59.56 feet along an arc to the right and having a radius of 1000.00 feet and subtended by a long chord having a bearing of North 46 degrees 24 minutes 58 seconds East and a length of 59.55 feet; thence North 48 degrees 07 minutes 21 seconds East 42.15 feet; thence Northeasterly 18.91 feet along an arc to the left and having a radius of 100.00 feet and subtended by a long chord having a bearing of North 42 degrees 42 minutes 23 seconds East and a length of 18.88 feet to a point of compound curvature with a curve, said point intersecting the east line of Section 31, being South 01 degree 50 minutes 00 seconds West 47.98 feet from the northeast corner of the Southeast Quarter of Section 31; thence Northeasterly, and Northerly 29.00 feet along an arc to the left and having a radius of 100.00 feet and subtended by a long chord having a bearing of North 28 degrees 58 minutes 57 seconds East and a length of 28.90 feet; thence North 20 degrees 40 minutes 30 seconds East 23.69 feet to a point on the north line of the Southwest Quarter of Section 32, being South 88 degrees 35 minutes 27 seconds East 20.84 feet from the northwest corner thereof; thence North 20 degrees 40 minutes 30 seconds East 61.59 feet to the point of terminus of said center line.

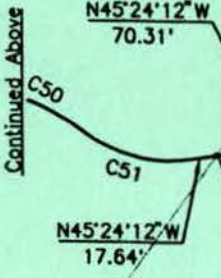
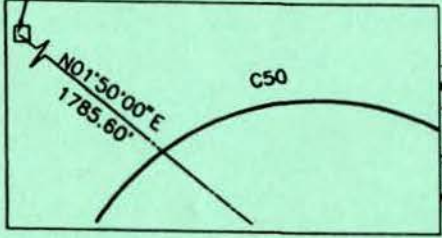
Together with a temporary easement for general grading purposes over and across four strips of land fifteen feet in width, one on either side and coincident with the above described strips of land, which said temporary easement shall be extinguished, become void and revert to the Grantor(s) and/or the Grantor(s) successor(s) in title upon completion of the said Project. Said extinguishment shall be evidenced by a release document, which shall be executed and recorded by the Grantee, at no cost to the Grantor(s).

FYHIRT R n. 1 (Parcel One)

SE Cor.
E 1/2, SE1/4
Sec. 31
T6S-R11W

SE 1/4
Section 31

SE 1/4
Section 31



P.I.
See Sheet 2

P.O.B.

Curve Data

C#	Radius	Length	Chd. Length	Chd. Bearing
1A	80.57'	76.31'	73.49'	N72°32'13"W
1B	80.57'	24.30'	24.21'	S71°41'19"W
2	95.00'	44.69'	44.28'	S76°31'26"W
3	939.04'	631.44'	619.61'	N70°44'11"W
4	250.00'	243.61'	234.08'	N23°33'27"W
5	705.37'	144.59'	144.34'	N10°13'48"E
6	300.00'	84.31'	84.03'	N08°03'04"E
50	180.89'	228.75'	213.81'	N36°42'46"W
51	95.00'	74.48'	72.58'	N23°56'40"W

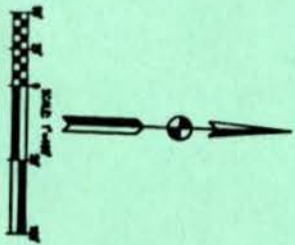


Perpetual Easement
12/28/06
SHEET 1 OF 2

REVISED Attachment B
 Joint Final Audit and Construction Committees
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EXHIBIT B, p. 2 (Parcel Two)

SE 1/4
Section 31



N04°11'19"W
138.75'
P.O.B.
C1A (Prev. Desc.)
L=76.31'

N16°21'57"E
65.58'

Curve Data

C#	Radius	Length	Chd. Length	Chd. Bearing
1	95.00'	34.08'	33.90'	N06°05'19"E
2	95.00'	23.04'	22.99'	N09°25'02"E
3	95.00'	22.04'	22.00'	N09°06'59"E
4	500.00'	115.14'	114.88'	N09°10'02"E
5	175.00'	136.30'	132.88'	N24°53'00"E
6	1000.00'	43.39'	43.38'	N45°57'11"E
7	1000.00'	59.56'	59.55'	N46°24'58"E
8	100.00'	18.88'	18.81'	N44°42'23"E
9	100.00'	28.90'	29.90'	N28°58'57"E

N02°28'07"E
138.20'

N15°45'51"E
137.76'

N02°34'14"E
188.74'

N47°11'45"E
52.90'

NE Cor. SE 1/4
Sec. 31
T6S-R11W

S01°50'00"W
47.98'

N44°42'36"E
47.45'

S88°35'27"E
20.84'

Section Line

SW 1/4
Section 32

N48°07'21"E
42.15'

N20°40'30"E
23.69'

N20°40'30"E
61.59'

P.O.T.

Perpetual Easement
12/28/06
SHEET 2 OF 2

1/4 Section Line

Joint Finance/Audit and Construction Committees
REVISED Attachment B
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