

**AGENDA**

**FINANCE/AUDIT COMMITTEE**

**UNIVERSITY OF SOUTHERN INDIANA  
BOARD OF TRUSTEES**

**March 1, 2012**

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

A summary of audits and other activities conducted by the Internal Audit Department during 2011 (Attachment A) will be reviewed and the proposed 2012 Annual Audit Plan (Attachment B) will be presented.

Approval of the proposed 2012 Annual Audit Plan in Attachment B is recommended.



## **UNIVERSITY OF SOUTHERN INDIANA**

### Internal Audit Annual Report

Prepared by

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*Director of Internal Audit*

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

Report No. USIA 11-1  
 March 7, 2011

## Audit Report Purchasing Card Issuance

### Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Cards issued are properly authorized and issued according to University policies				
Inactive cards reviewed for closure and cards closed upon employee termination				
Cards and cardholder data securely stored				

#### Introduction

Our report of the internal audit of USI purchasing card issuance is presented below. We would like to thank Julie Weinzapfel, Deborah Weigand, Jina Campbell, and Michelle Herrmann who contributed positively to our results.

#### Background Information

Effective January 4, 2010, responsibility for the issuance, including new cardholder setup, activation, and closure, of USI purchasing cards transitioned from Accounts Payable to Procurement. As a result, Internal Audit performed a review of these activities to obtain assurance that internal control processes and procedures were adequately transitioned along with the function. The **objectives** of the audit were to:

- Ensure purchasing cards issued to employees are properly authorized and issued in accordance with University policies
- Ensure purchasing cards that have been inactive are reviewed for possible closure and that cards are closed upon employee termination
- Ensure purchasing cards and cardholder data are stored in a secure location with limited access and cards are only activated after pickup by the cardholder

This report is based on employee interviews, review of published documentation and cardholder file documentation, and card data obtained from the JP Morgan Chase Smart Data Online (SDOL) website. The audit approach consisted of reviewing policies and procedures, examining documentation for a sample of cards issued from January through December 2010, and evaluating card storage and activation procedures.

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### Conclusion

We noted **adequate controls and practices** in the area of new **card issuance** and **policy adherence**. Opportunities for **minor improvement** exist in the areas of **inactive card review** and **storage of cards and cardholder data**.

Management will take or has taken the following actions:

- Reviewing merchant category codes (MCC) and group assignments annually
- Removing the complete card number, card verification value (CVV) code, and card expiration date from the purchase card file
- Storing spare file drawer key in an alternate secure location
- Closing accounts of separated employees upon the earlier of the date the card is surrendered or the separation date
- Reviewing open cardholder accounts for inactivity and contacting departments about possible account closure
- Closing excess fleet card and/or vehicle rental accounts

No additional action or response is required.

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Distributed to: Julie Weinzapfel  
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Jina Campbell  
Steve Bridges  
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March 7, 2011

## **Purchasing Card Issuance Audit Report**

### **Control Issues and Responses**

#### **Reviewing MCC and group assignments annually**

**Issue:** The University purchasing card program utilizes merchant category codes to restrict the merchants and types of transactions for which purchasing cards may be used. Based on discussions with Procurement and Accounts Payable personnel, there is not a periodic review of new MCC codes, nor a formal scheduled review of MCC codes and group assignments.

**Risk:** The lack of a periodic review process increases the risk that merchants and transactions are inadvertently allowed or disallowed as a result of new MCC codes.

**Response:** An annual review of MCC groups and codes will be performed by Procurement Services. We will perform a review for 2011 in July/August (after Fiscal Year-End), and then in January for subsequent years.

#### **Removing the complete card number, CVV code, and card expiration date from the purchase card file**

**Issue:** Based on discussions with Procurement personnel, Internal Audit noted that the complete sixteen digit account number, CVV code, and card expiration date are recorded on the cardholder agreement retained as part of the new card issuance process.

**Risk:** Retaining these pieces of information in one location increases the risk of account compromise and subsequent fraudulent activity should the card information be obtained by unauthorized personnel.

**Response:** As of February 18, 2011, the sixteen digit account numbers, CVV codes, and expiration dates have been purged from current cardholder files.

#### **Storing spare file drawer key in an alternate secure location**

**Issue:** New purchasing cards and cardholder files are retained in a locked file drawer in the buyer's office. The buyer maintains one key to the drawer in her possession, while the spare key is kept concealed in one of her desk drawers.

**Risk:** The proximity of the key to the file drawer increases the risk that cardholder information or purchasing cards could be compromised.

**Response:** The spare key has been relocated in a separate, locked area. Assistant Director and Senior Administrative Assist have been advised of location.

#### **Closing accounts of separated employees upon the earlier of the date the card is surrendered or the separation date**

**Issue:** Based on discussions with Procurement personnel, Internal Audit noted that accounts of employees terminating employment with the University may not be closed until the final reconciliation of activity has been completed.

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**Risk:** Failure to close the account upon the earlier of the date the card is surrendered or the separation date increases the risk of unauthorized activity.

**Response:** Accounts will be closed upon separation date or at earliest possible date. We will not wait for the account's final reconciliation.

**Reviewing open cardholder accounts for inactivity and contacting departments about possible account closure**

**Issue:** In our review of cardholder issuance procedures, Internal Audit noted a small number of open account numbers (~ 5%) that have not had any purchasing activity for the past two calendar years.

**Risk:** Having unneeded open accounts increases the risk of unauthorized activity.

**Response:** A follow-up on purchasing activity will be performed immediately as requested and in January of subsequent years.

**Closing excess fleet card and/or vehicle rental accounts**

**Issue:** Based on a review of accounts for inactivity and discussions with Physical Plant personnel, Internal Audit noted approximately 20 fleet cards with no purchasing activity for six or more months. In addition, Internal Audit noted that the MCC groups to which vehicle rental cards and fleet cards are assigned are very similar, making these cards somewhat duplicative.

**Risks:** Having unnecessary open accounts increases the risk of unauthorized activity.

**Response:** Physical Plant will surrender its unused cards to Procurement and Procurement will change the status on the account to a T3-Temp closure until the card is "issued out" to another user or until it has been determined to close the card permanently. The surrender and temporary closure will be completed by May 31, 2011.

A new MCC code will be created to include vehicle rental and fuel as a way to consolidate fleet cards. The new MCC code and consolidation of vehicle rental and fleet cards will be completed by May 31, 2010. The current MCC codes, for rental and fuel respectively, will remain intact to accommodate those departments that may need additional cards for fuel.

Report No. USIA11-2  
 March 11, 2011

## Audit Report Security Department Clery Act Reporting

### Results at a Glance

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

#### Introduction

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

#### Background Information

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

In February 2011, the USI student newspaper published an article which indicated the crime statistics reported in the 2010 Annual Security and Safety Report and submitted to the Department of Education did not accurately reflect the number of incidents contained in the campus crime log. The Security Department reviewed its crime log and statistics and subsequently changed the crime statistics in both the Annual Security and Safety Report and on the Department of Education web site.

Given the regulatory requirements, as well as the inaccuracies in reporting crime statistics, Internal Audit performed a review of the Security Department's processes and procedures for recording, tracking, and reporting safety and security incidents and policies in accordance with the Clery Act.

Report No. USIA11-2  
March 11, 2011

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

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

This report is based on a review of campus security incidents logged for calendar years 2007 through 2009. The audit approach consisted of reviewing processes and procedures for recording, tracking, and reporting safety and security incidents, reviewing the incident type assigned to a sample of incidents, reviewing supporting documentation for the crime statistics reported, and reviewing the 2010 Annual Security and Fire Safety Report.

#### Conclusion

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

Management will take or has taken the following actions:

- Reconciling crime statistics to the crime log prior to reporting to the Department of Education and the campus community
- Recording the disposition of a crime as "unfounded" only when the determination has been made by sworn or commissioned law enforcement personnel
- Standardizing and documenting the incident types that should be included in each criminal offense category and documenting dispositions that should be counted and/or excluded for reporting purposes
- Including in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act

No additional action or response is required.

Bradley V. Will  
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Report No. USIA11-2  
March 11, 2011

## Security Department Audit Report

### Control Issues and Responses

#### **Reconciling crime statistics to the crime log prior to reporting to the Department of Education and the campus community**

**Issue:** The USI Security Department utilizes Report Executive (RE) software to record all safety and security incidents reported to the department and/or to which Campus Officers respond. The Director of Security or Assistant Director of Security completes a "Clery Crime Review" in RE if the incident qualifies for statistical reporting under the Clery Act. The Security Department utilizes a Clery Validation Report (CVR) within RE to compile the statistical data for the campus and Department of Education reports. The statistical data generated by the CVR is dependent upon whether or not the "Clery Crime Review" was completed properly.

**Risk:** There is a risk of inaccurate reporting if the Clery Crime Review is completed or not completed in error.

**Response:** Beginning with the crime statistics for the October 2011 Annual Security and Fire Safety Report, the Security Department will perform a reconciliation of the statistical data generated by the CVR to the number of crimes by type listed in the crime log. The Security Department will retain a record of its count of crimes by type, including which cases are included in each subtotal, and the associated reconciliation as evidence of its completion.

#### **Recording the disposition of a crime as "unfounded" only when the determination has been made by sworn or commissioned law enforcement personnel**

**Issue:** Based on discussion with USI Security personnel, Internal Audit noted that at times USI Security personnel may determine the disposition of a crime to be unfounded.

**Risk:** The Handbook for Campus Safety and Security Reporting states, "Only sworn or commissioned law enforcement authorities that investigate the crime can make this determination. A campus security authority who is not a sworn or commissioned law enforcement authority cannot unfound a crime."

**Response:** Effective March 14, 2011, the Security Department will only record the disposition of a crime as unfounded when the determination has been made by sworn or commissioned law enforcement authorities.

#### **Standardizing and documenting the incident types that should be included in each criminal offense category and documenting dispositions that should be counted and/or excluded for reporting purposes**

**Issue:** In seeking to validate the crime statistics reported by USI Security in the annual Campus Crime and Security Report, Internal Audit noted incident types included in reporting categories may vary from reporting year to reporting year and there was little or no documentation explaining which incident types were included and excluded. For example, the Theft category includes "Theft from Vehicles" in years 2007 and 2008, but does not in year 2009.

**Risk:** Lack of standardization and documentation regarding the security incidents that should be counted when compiling annual crime statistics increases the risk of inconsistent and/or inaccurate reporting.

**Response:** Beginning with the crime statistics for the October 2011 Annual Security and Fire Safety Report, the Security Department will standardize and document the incident types that should be included in each criminal offense category and document the dispositions that should be counted and/or excluded for reporting purposes.

Report No. USIA11-2  
March 11, 2011

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

**Issue:** Based on a review of the Clery Act, the U.S. Department of Education "Handbook for Campus Safety and Security Reporting", and the 2010 USI Annual Security and Fire Safety Report (Security Report), Internal Audit noted that the Security Report did not contain the following policy or process information required by the Clery Act:

1. A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities
2. A description of the process the institution will use to:
  - a. Confirm there is a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus
  - b. Determine the appropriate segment or segments of the campus community to receive a notification
  - c. Determine the content of the notification
  - d. Initiate the notification system
3. A list of the titles of the person(s) or organization(s) responsible for carrying out the actions described in 2. (a) through (d)
4. The institution's procedures for disseminating emergency information to the larger community
5. The institution's procedures to test the emergency response and evacuation procedures on at least an annual basis, including:
  - a. Tests that may be announced or unannounced
  - b. Publicizing its emergency response and evacuation procedures in conjunction with at least one test per calendar year
  - c. Documenting, for each test, a description of the exercise, the date, time, and whether it was announced or unannounced
6. A statement indicating if a member of the university community has reason to believe a student who resides in on-campus housing is missing, he or she should immediately notify the Public Safety Department
7. Sanctions the institution may impose following a final determination of an institutional disciplinary proceeding regarding rape, acquaintance rape, or other forcible or non-forcible sex offenses

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

**Response:** Beginning with the October 2011 Annual Security and Fire Safety Report, the Security Department will update the report to include the policy and process information identified above.

Report No. USIA11-3  
 March 31, 2011

## Audit Report Nursing and Health Professions Certificate Programs

### Results at a Glance

Audit Objectives:	<i>RISK MITIGATION</i>			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Registrant information and fees are collected, recorded, and allocated correctly				
Certificates are issued only when course requirements are fulfilled and class fees paid				

### Introduction

Our report of the internal audit of Nursing and Health Professions certificate programs is presented below. We would like to thank Sharri Jordan and Karen Jones who contributed positively to our results.

### Background Information

The College of Nursing and Health Professions offers a series of online certificate programs to provide continuing education courses for nurses, physicians, and other health care professionals. The certificate programs attract worldwide registrants and collected over \$500,000 in student fees for fiscal year 2009-2010. Unlike other campus undergraduate, graduate, and continuing education offerings, all registration, fee assessment, student outcome verification, and certificate issuance activities are handled within the college.

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

- Ensure that registrant information and fee payments are correctly collected, recorded, and allocated to the appropriate certificate program
- Ensure that certificates are issued only to those who have fulfilled all course requirements and have paid class fees in full

This report is based on employee interviews, a review of financial records, and an evaluation of registration, fee assessment and certificate issuance procedures. The audit approach consisted of reviewing policies and procedures and verifying fee assessment, payment, and certificate issuance data from departmental records to supporting documentation for the October 2010 Anti-Coagulation Therapy Management class.

Report No. USIA11-3  
March 31, 2011

Conclusion

We noted opportunities for **minor improvement** in the areas of **correctly collecting, recording, and allocating class fees** and **certificate issuance**.

Management will take or has taken the following actions:

- Incorporating additional data fields into the certificate program registration database

No additional action or response is required.

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Report No. USIA11-3  
March 31, 2011

## Nursing and Health Professions Certificate Programs Audit Report

### Control Issues and Responses

#### Incorporating additional data fields into the certificate program registration database

**Issue:** The Program Assistant (PA) for the College of Nursing and Health Professions certificate programs utilizes a combination of a registration database and a “master list” created in Microsoft Word to track various information regarding the completion of course requirements, payment of fees, and issuance of certificates of completion and continuing education credits. Some of the data in the registration database gets duplicated in the master list. In addition, because there is more than one repository for the data, inconsistencies can arise if both are not updated timely and accurately. During our review of the October 2010 Anticoagulation Therapy Certificate program, Internal Audit noted several inconsistencies in data between the database and the master list.

**Risk:** The duplication of data and inconsistencies in data may create inefficiencies in the administration of the programs and/or result in inaccurate conclusions regarding participants or unnecessary research to resolve discrepancies in the data.

**Response:** The PA for the certificate programs will work with the computer programmer to add additional fields to the registration database to accommodate data currently being captured in the master list. Due to existing projects in the programmer’s work queue, it may be several months before the fields are added to the database. In the interim, the PA will capture additional information in existing fields within the database and utilize database queries to incorporate registration data into the “master list” to avoid errors and inconsistencies. The following information will be captured in the database effective immediately and for any certificate programs completed in the 2011 calendar year or thereafter:

- The date the student paid and how the payment was made (credit card, check, invoice)
  - If payment by credit card and it is known whether the card was personal or business, it will be noted as such
  - The type of check will be noted, personal check or employer check
  - The USI invoice number and the date it was paid will be noted
- The date the certificate was mailed to the student and if it was not mailed, a note explaining why
- Updates regarding student status (course completion, receipt of evaluation, receipt of payment, etc.)
- Duplicate registrations will be deleted, student status will be updated, course dates will be changed to reflect actual course taken (if moved to a later offering, etc.)

Report No. USIA11-4  
 August 31, 2011

## Audit Report Hazardous Materials Management and Disposal

### Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Hazardous material and toxic waste management policies are adequate				
Disposal processes are coordinated and consistent campus-wide				
Hazardous and toxic wastes are stored and disposed of in accordance with federal, state, and local environmental regulations				

#### Introduction

Our report of the internal audit of USI hazardous materials management and disposal is presented below. We would like to thank personnel in the College of Liberal Arts, College of Nursing and Health Professions, College of Science and Engineering, Environmental Health and Safety department, Physical Plant department, Publishing Services, and Student Health Center who contributed positively to our results.

#### Background Information

The audit of USI hazardous materials management and disposal was performed at the request of the Finance/Audit Committee of the University of Southern Indiana Board of Trustees, which request was made at the March 3, 2011, committee meeting and incorporated into the 2011 Internal Audit Plan.

As evidenced by the variety of departments recognized in the Introduction, there are a number of areas throughout the University that generate, store, and dispose of hazardous, universal, and toxic wastes. Although the volume of wastes generated by any single area varies and may not be individually significant, the University must take into consideration and comply with federal, state, and local environmental requirements for the storage and disposal of these wastes.

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

- Verify hazardous material and toxic waste management policies are adequate
- Verify hazardous and toxic waste disposal processes are coordinated and consistent campus-wide
- Verify hazardous and toxic wastes are stored and disposed of in accordance with federal, state, and local environmental regulations

Report No. USIA11-4  
August 31, 2011

This report is based on interviews with personnel from the following departments: Art, Biology, Chemistry, Dental Hygiene, Nursing, Radiology, Physics, Theatre, Environmental Health and Safety (EHS), Physical Plant, Publishing, Photography, Copy Center, and Student Health Center. The focus of the interviews was the identification of the types of wastes generated and stored across campus and the methods used for waste disposal. The audit approach consisted of reviewing policies, processes, and procedures for storage and disposal of hazardous, universal, and toxic wastes, including used oil and biohazard wastes and sharps generated on campus. Internal Audit observed storage locations for hazardous wastes, universal wastes, used oil, and biohazard wastes and verified the existence of purchase orders and/or payments to hazardous material disposal vendors identified by University personnel.

#### Conclusion

We noted **opportunities for minor improvement** in the areas of **hazardous waste management policies and waste storage and disposal**. Opportunity for **moderate improvement** exists in the area of **consistency and coordination of disposal processes**.

Management will take or has taken the following actions:

- Centralizing oversight and coordination of disposal of hazardous, universal, and toxic waste generated campus-wide
- Reviewing disposal practices for silver generated in photography and x-ray development by Art Department, Dental Hygiene, and Radiology
- Disposing of used compressor oil through a licensed oil reclamation vendor
- Adding a secondary containment system for Physical Plant waste paints
- Adding a secondary containment system for hazardous chemical liquids and liquid wastes in the Chemical Distribution Center

No additional action or response is required.

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Report No. USIA11-4  
August 31, 2011

## Hazardous Materials Management and Disposal Audit Report

### Control Issues and Responses

#### **Centralizing oversight and coordination of disposal of hazardous, universal, and toxic waste generated campus-wide**

**Issue:** Based on our discussions and observations, Internal Audit noted that University personnel are generally managing and disposing of such hazardous, universal, and toxic waste appropriately through disposal or recycling vendors. However, the current operating environment lacks centralized oversight and coordination of disposal activities such that each department is handling its waste independently.

**Risk:** The lack of centralized oversight and coordination of disposal activities increases the risk that wastes are mismanaged or disposed of improperly. Furthermore, the University may have opportunities to reduce disposal costs by consolidating disposal for multiple departments under one contract or coordinating pickup on the same day.

**Response:** EHS agrees to provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:

EHS requested a listing of all hazardous materials, their location, and maximum expected quantities from the deans on August 18, 2011, with the hope they would provide assistance in gathering the information by demonstrating support. An Excel spreadsheet was provided as a template to aid in preparation and to provide some standardization. EHS will combine the submitted spreadsheets into a master list that will be accessible to University personnel by November 30, 2011.

Procurement will continue to coordinate waste disposal and recycling contracts.

Upon completion of the master hazardous chemicals list EHS will determine and document generator status University-wide for universal and hazardous waste. We anticipate completion of this by November 30, 2011.

EHS will continue to work toward semi-annual or annual disposal days but would prefer to concentrate on regular, routine disposal at the present time for hazardous materials. We feel that this method will produce better disposal practices by having a way to dispose of materials when needed rather than have a collection of materials that must be held for the majority of the year. We feel that the likelihood of improper disposal is greater by not providing more of a routine disposal process.

EHS will engage a third party to perform a review of its departmental policies for required content and completion of required reviews or updates to such policies and to assist with incorporating into safety audits, conducted at an appropriate frequency, reviews of chemical storage practices, and inspections of storage facilities/containers in various areas. EHS staff is working to gain knowledge in this area but feel a representative from outside with more hazardous material knowledge might prove beneficial initially. EHS will work to find someone who could provide that service and help to develop a strong foundation for this effort by January 1, 2012, with a planned review in the spring of 2012. This outside perspective will not only assist from a knowledge perspective but might also assist in emphasizing the importance of the activity much in the way the audit function does.

EHS will continue training academic and operational personnel that work with hazardous materials and will attempt to enhance those efforts through the use of our training fund. This effort will be ongoing for the 2011-2012 fiscal year. We will look for targeted training when we have a list of materials and also by requesting recommendations of the third party referenced in the previous paragraph.



Report No. USIA11-4  
August 31, 2011

### **Reviewing disposal practices for silver generated in photography and x-ray development by Art Department, Dental Hygiene, and Radiology**

**Issue:** Internal Audit noted that silver waste generated in the photography and x-ray development processes by Art, Dental Hygiene, and Radiology is being disposed of by each department independently of the others. Furthermore, the volume of silver waste produced is not being aggregated to determine production for the University as a whole. The method of disposal is by dilution with water into the sanitary sewerage system.

**Risk:** There is a risk that the volume of silver being disposed of by dilution with water into the sanitary sewerage system exceeds the amount allowed by the city of Evansville Waterworks Department under the Evansville Municipal Code.

**Response:** David Huebner in the Art Department has taken a leadership role in working with the areas of Dental Hygiene and Radiology to coordinate a centralized collection and disposal effort. EHS will ask for an update from David Huebner on the silver disposal process on October 31, 2011 to allow time for the organization requirements associated with a new semester and for the procedures among these departments to form. EHS will ask for an update annually on this process as part of our efforts to gather inventory information as suggested in the audit recommendation on page 15 of this report.

### **Disposing of used compressor oil through a licensed oil reclamation vendor**

**Issue:** Interviews with Physical Plant personnel regarding hazardous, universal, and toxic wastes generated by facility operations identified the collection and disposal of used compressor oil from the University's HVAC equipment. During a subsequent discussion with Physical Plant personnel, Internal Audit noted that occasionally the used compressor oil is removed by an individual for use in a residential heating oil heater.

**Risk:** Failure to utilize a licensed oil reclamation vendor increases the risk of spillage during transport of the material and increases the risk that the process to dispose of the oil does not meet federal, state, and local environmental regulations.

**Response:** Safety-Kleen Systems Inc. removed the collection barrels on May 6, 2011 and provided empty replacement barrels with a tag to identify the contents that should be contained in the barrels going forward. The Director of Facilities Operations and Planning will conduct a meeting to inform supervisors, leads, and staff of the procedure to collect and properly dispose of used oil.

### **Adding a secondary containment system for waste paints**

**Issue:** Internal Audit observed two barrels with a capacity of approximately 30 gallons each for collecting oil based and latex waste paint located in a storage barn near the Support Services Building. The barrels are stored on a wooden furniture cart with no other secondary containment mechanism.

**Risk:** The lack of a secondary containment system increases the risk that a breach in one or both collection barrels will result in leakage of the contents and contamination of the building, its contents, and potentially the soil around the storage barn.

**Response:** Physical Plant personnel have ordered the containment vessel and it is scheduled to arrive on May 6, 2011. It will be set up promptly after arriving. The Director of Facilities Operations and Planning will have a meeting to instruct all leads and supervisors on the disposal of paints and solvents.

Report No. USIA11-4  
August 31, 2011

**Adding a secondary containment system for hazardous chemical liquids and liquid wastes in the Chemical Distribution Center**

**Issue:** Internal Audit performed a tour of the Chemical Distribution Center located in room SC 2226 and observed the chemical storage facilities. Internal Audit noted that the liquid chemicals and liquid wastes are stored in an area that does not include secondary containment devices.

**Risk:** The lack of a secondary containment system increases the risk that a breach in one or more containers will result in leakage of the contents and contamination of the storage room and/or contamination of other chemicals stored around or below the leaking container.

**Response:** The staff of the Chemical Distribution Center (located in room SC 2226) will obtain chemical resistant polymer containers that will be placed on the shelves with the liquid chemical bottles placed within. If a bottle should spill, the contents would be collected within the confines of the container until appropriate clean up response can be performed. The costs of adding these containers will be relatively low and will be in place by May 18, 2011.

Report No. USIA11-5  
 July 5, 2011

## Audit Report Facility Operations Work Order and Storeroom Inventory Controls

### Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Effectiveness of controls over repair and maintenance work order origination and processing				
Controls over inventory receiving, disbursing, and adjustments are effective and functioning as designed				
Physical access to the storeroom is restricted and secured				

#### Introduction

Our report of the internal audit of Facility Operations work order and storeroom inventory controls is presented below. We would like to thank Donna Laymon, Michelle Herrmann, Royce Newton, Keith Royster, Marsha Salee, and other Facility Operations personnel who contributed positively to our results.

#### Background Information

USI Facility Operations & Planning is responsible for the day-to-day operation of campus facilities and grounds, including repair and maintenance of facilities and equipment, custodial services, and upkeep of grounds. Facility Operations utilizes a work order system to manage repair and maintenance activities, record and track work requests from other University departments, and record labor and materials costs associated with work performed for potential chargeback to the appropriate departments. Facility Operations also maintains a storeroom stocked with inventory of equipment, tools, materials, parts, and supplies which are frequently used or which are required to be on hand for emergency repairs. The quantity and cost of the inventory on hand is recorded and tracked in a perpetual inventory system.

Internal Audit reviewed the controls associated with work order processing and storeroom inventory management.

Report No. USIA11-5  
July 5, 2011

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

- Verify repair and maintenance work orders are authorized and completed timely and departmental charges are processed correctly
- Verify controls over inventory receiving, disbursing, and adjustments are effective and functioning as designed
- Verify physical access to the storeroom is restricted and secured

This report is based on interviews with Facility Operations personnel, a review of work orders and inventory transactions completed from July 1, 2010 through April 30, 2011, verification of inventory reported on the perpetual inventory system, and review of physical access controls to the parts and supplies inventory. The audit approach consisted of reviewing policies and procedures for work order processing and inventory management, examining documentation for a sample of completed work orders and a sample of parts/supplies purchased during the audit period, verification of quantity on hand and unit price for a sample of items reflected in the perpetual inventory system as of June 1, 2011, observation of parts/supplies storage locations, and a review of personnel with traditional key or card key access to the inventory storage facilities.

#### Conclusion

We noted **adequate controls and practices** with respect to **work order origination and processing**. Opportunities for **moderate improvement** exist in the area of **storeroom inventory issuance and tracking**. Opportunities for **minor improvement** exist in the area of **storeroom physical security**.

Management will take or has taken the following actions:

- Recording parts issued in the TeamWorks system at the time of issuance
- Restricting card key access to the storeroom
- Formalizing recordkeeping of physical inventory cycle counts and performing an annual physical inventory of heating, ventilation, and air conditioning (HVAC) filters
- Centralizing parts and equipment inventory used for maintenance in Housing and Residence Life into the Facility Operations storeroom
- Logging items removed from the storeroom by after-hours maintenance staff
- Restricting administrative access rights and removing generic and terminated users from the TeamWorks work order and inventory system

No additional action or response is required.

Bradley V. Will  
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J. Robert Howell  
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Distribution: Marsha Salee  
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Report No. USIA11-5  
July 5, 2011

## **Facility Operations Work Order and Storeroom Inventory Controls Audit Report**

### **Control Issues and Responses**

#### **Recording parts issued in the TeamWorks system at the time of issuance**

**Issue:** Based on discussions with storeroom personnel, parts issued in conjunction with Facility Operations work orders are recorded on the hard copy work order at the time of parts issuance but generally are not recorded in the TeamWorks perpetual inventory system until the work is completed and the work order returned for closure.

**Risk:** The time lag between the issuance of the parts or equipment and the adjustment to the inventory quantities reflected in the TeamWorks system increases the risk that quantities on hand are overstated. Furthermore, if the hard copy work order is lost or destroyed after the parts are issued, the reduction in inventory may not be captured in the perpetual inventory.

**Response:** Effective June 1, 2011, the storeroom supervisor has implemented procedures to record parts in the TeamWorks system at the time of issuance. This will become a routine daily task for the storeroom clerk or other designated personnel.

#### **Restricting card key access to the storeroom**

**Issue:** Internal Audit reviewed the list of personnel with access to the storeroom via a card key badge. Based on this review, Internal Audit noted a significant number of Facility Operations personnel with access to the storeroom.

**Risk:** Physical access restriction to the storeroom is a key control over the parts and equipment inventory. Allowing maintenance or other personnel access to the storeroom may significantly impact the effectiveness of this control and increases the risk that parts or equipment are removed without appropriate approval and/or without being properly recorded in the perpetual inventory system.

**Response:** Facility Operations management has reviewed personnel with access to the storeroom and has made changes based upon access need, job function, on-call assignment, and work schedule. Furthermore, management is procuring a cost estimate for placement of additional card access readers for secondary points of entry into the storeroom to increase control and identification of personnel entering the storeroom. Finally, effective in the fall of 2011, student workers will be scheduled to staff the storeroom for a portion of the second shift based on cost/benefit and hours when materials or supplies are most likely needed (e.g. early hours of the shift).

#### **Formalizing recordkeeping of physical inventory cycle counts and performing an annual physical inventory of heating, ventilation, and air conditioning (HVAC) filters**

**Issue:** Based on discussions with storeroom personnel, parts and equipment housed in the storeroom are periodically counted to determine accuracy of the quantities reflected in the perpetual inventory system (TeamWorks) and on inventory re-order reports generated from TeamWorks. However, the performance of these counts is not formally documented and may not include all of the items that make up a material dollar amount of inventory. Furthermore, HVAC filters are stored in a separate location from the storeroom and are accessed by maintenance personnel on a routine basis when performing filter replacement, making it difficult for storeroom personnel to monitor quantities used and update quantities on hand.

Report No. USIA11-5  
July 5, 2011

**Risk:** The lack of a formalized schedule and documentation of performance of physical inventory counts increases the risk that quantities of material dollar inventory items are not accurately reflected in the TeamWorks system.

**Response:** The storeroom supervisor will formalize the recordkeeping of physical inventory cycle counts during routine inventory checks and maintain the documented counts and adjustments beginning with the next proposed cycle count in August 2011. Furthermore, storeroom management will commence the performance of an annual physical inventory of HVAC filters beginning in the fall of 2011.

#### **Centralizing parts and equipment inventory used for maintenance in Housing and Residence Life into the Facility Operations storeroom**

**Issue:** During our review of Facility Operations storeroom inventory controls, Internal Audit inquired about and observed other storage facilities and locations for parts and supplies. Currently, parts and supplies used by Facility Operations personnel for maintenance in Housing and Residence Life are stored in a garage type facility adjacent to the apartments near Clarke Lane and Schutte Road. This storage facility does not have the level of physical access controls nor the perpetual inventory system present in the storeroom located in the Support Services building.

**Risk:** The lack of physical access controls, an inventory system, and parts distribution staff increases the risk that parts, materials, and supplies are lost or stolen.

**Response:** Effective June 27, 2011, management has directed the return to the central storeroom of all copper pipe, ball valves, and copper fittings, except for a minimum supply for installation of water heaters in progress. The centralization and return of all other parts will occur over time as repair parts are used. Housing maintenance personnel will retrieve any additional repair parts/materials from the central storeroom as necessary. Weekend and on-call personnel will obtain parts from the central storeroom utilizing card key access.

#### **Logging items removed from the storeroom by after-hours maintenance staff**

**Issue:** During our review of Facility Operations storeroom inventory controls, storeroom personnel indicated that there is no formal requirement to note or log items retrieved from the storeroom by maintenance staff after normal (first shift) operating hours. While the maintenance staff have been instructed to leave a note regarding the items removed, the notation and communication is not consistently performed.

**Risk:** The lack of a formal process for checking out or logging the removal of inventory may lead to inaccurate inventory levels and potentially a shortage of parts or supplies.

**Response:** Effective May 13, 2011, the storeroom supervisor initiated the logging of items removed from the storeroom by after-hours staff (second shift, on-call, and weekend staff). Management agrees that parts and equipment removed from the storeroom after-hours should be recorded and logged to make the storeroom supervisor and clerk aware of the reduction of inventory and for verification against the work order in future audits.

#### **Restricting administrative access rights and removing generic and terminated users from the TeamWorks work order and inventory system**

**Issue:** According to the system security report from the TeamWorks work order and inventory system, there are currently 14 user IDs assigned to the SystemAdmin security group. In addition, there were three generic user IDs and three terminated employees that were listed as users on the report.

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July 5, 2011

**Risk:** The existence of numerous system users with administrative access whose job function may not require such access rights increases the risk of unauthorized or unintended system or user access changes.

**Response:** The senior administrative assistant in Facility Operations with primary responsibility for managing user access performed a review and modified the security group access to TeamWorks on June 10, 2011. The number of IDs assigned to the SystemAdmin security group was reduced to six and terminated employee IDs were removed from the system.

Report No. USIA11-6  
 August 31, 2011

## Audit Report Federal Grant Administration and Compliance

### Results at a Glance

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

#### Introduction

Our report of the internal audit of federal grant administration and compliance is presented below. We would like to thank Jina Campbell, Teri Coutts, Peggy Harrel, Ingrid Lindy, Emily Lynn, Jeff Sponn, and other personnel who contributed positively to our results.

#### Background Information

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

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

The previous audit of federal grant compliance was performed and reported on in December 2008, at which time Internal Audit noted significant opportunity for improvement in the area of compliance with time and effort reporting and opportunities for moderate improvement in the areas of establishing the allowability of some meal/food costs, indirect cost recovery application, and consistency between practice and internal policies and procedures.



Report No. USIA11-6  
August 31, 2011

This report is based on interviews with Sponsored Research Office and Business Office personnel, a review of a sample of federal awards that were active in fiscal year 2011, and a review of a sample of closed federal awards. The audit approach consisted of reviewing policies and procedures for grant management including a draft copy of the USI Grant Management Guide, examining proposals, agreements, accounting transactions, and grant reports.

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

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

#### Conclusion

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

Management will take or has taken the following actions:

- Defining the method used for payroll distribution and effort certification
- Tracking program reporting requirements and submission to grantor
- Defining full faculty workload and retaining agreed upon effort distribution
- Including the effort certification time period on effort reports and adjusting the certification statement
- Defining tolerance for acceptable variances between salary charges and certified effort
- Documenting justification for exceptions to internal or grant policy, allowability of certain expenses, and correspondence with the grantor
- Documenting source data for effort certification and reasons for potential variances at fiscal year-end

No additional action or response is required.

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Report No. USIA11-6  
August 31, 2011

## Federal Grant Administration and Compliance Audit Report

### Control Issues and Responses

#### Defining the method used for payroll distribution and effort certification

**Issue:** Based on discussions with the assistant controller, the Business Office has developed a "Grant Management Guide," (GMG) in conjunction with the Office of Sponsored Research, to facilitate understanding of grant compliance requirements among faculty and accounting personnel. Although currently in draft form, Internal Audit reviewed the guide for content and determined additional definition of key concepts involving payroll distribution and effort certification may be warranted.

The Office of Management and Budget (OMB) Circular A-21 establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. In some cases, A-21 provides specific guidance to institutions with respect to cost allocation and effort reporting, while in other cases A-21 is silent or unclear.

A-21 provides specific guidance regarding acceptable methodologies for a payroll distribution system. The University is utilizing the after-the-fact activity records method. However, the election of that method has not been documented in the GMG. A-21 is less specific when it comes to who can certify effort, stating an institution must ensure that charges to federal programs have been reviewed and confirmed by "responsible persons with/using suitable means of verification" that the work was performed. Although the GMG defines who should review effort certification reports and references the aforementioned text from A-21, it does not define "suitable means of verification."

**Risk:** The lack of references in the GMG to the payroll distribution system and definition of "suitable means of verification" increases the risk that personnel do not consistently apply the University's grant management policies and/or results in confusion regarding standard practices.

**Response:** The assistant controller will compose a narrative of the Business Office effort certification procedures by January 31, 2012. This narrative will document the University's use of the after-the-fact method for effort reporting.

Language will be added to the Grant Management Guide currently under development to help grant personnel understand who may certify effort. The guide will require each employee paid from a grant to certify his or her effort, but it will include an exception to allow the principal investigator to certify the effort in the absence of the employee if the PI has firsthand knowledge that the work was performed. The guide is scheduled for completion by March 31, 2012. Similar verbiage will be used on the certification memo to promote full understanding and compliance.

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

**Issue:** Based on discussions with the director of Graduate Studies and Sponsored Research, the fulfillment of grant program reporting requirements is the responsibility of each principal investigator/project director (PI/PD). Unlike financial reports that are produced in the Business Office and monitored for completion and submission deadlines by accounting management, there is currently no area with responsibility for monitoring the submission of program reports in accordance with award requirements.

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

**Response:** Sponsored Research Office (SRO) proposes to comply with the Internal Audit recommendation in three phases: (1) tracking the non-financial program report due dates, (2) sending a reminder notice to the PI/PD for each grant awarded, and (3) documenting submission of the reports. For all grant proposals submitted in a timely manner through the SRO approval process, SRO should be able to develop and implement a process to complete phases 1 and 2 by October 1, 2011 with existing staff. Phase 3, developing a process to obtain copies of the reports and file them electronically will take more time; implementing the process will require additional staff. Since this will have budget implications, we do not anticipate full implementation of phase 3 until the new fiscal year, after June 30, 2012.

### **Defining full faculty workload and retaining agreed upon effort distribution**

**Issue:** Based on discussions with the assistant controller and the director of Graduate Studies and Sponsored Research, the University is in the process of defining what constitutes a “full faculty workload.” Dr. Scott Gordon, Dean of the Pott College of Science and Engineering, is chairing an initiative to develop a process for defining faculty workload. The process under development would involve department chairs preparing an effort distribution for each faculty member prior to the start of each semester that outlines the percentage of their time to be devoted to instruction, research, scholarship, service, etc. The allocation of time would be reviewed with the faculty member and approved by the appropriate college dean and the provost.

**Risk:** The lack of a well-defined description of “full workload” increases the risk of inequities in the allocation of salary dollars to grants and institutional activities.

**Response:** During spring 2011, Dr. Scott Gordon, Ms. Jina Campbell (Business Office), and Ms. Emily Lynn (Sponsored Research) began working on defining faculty workload and developing a mechanism to identify and capture data for the various faculty endeavors that constitute workload for purposes of effort certification and grant reporting. A preliminary set of guidelines was reviewed in a meeting with academic deans and provost where suggestions and comments were provided. During fall 2011, the core working group will refine the workload and faculty effort certification definitions, meet once again with the deans and provost to discuss recent iterations, and share findings with the Business Office and Office of Sponsored Research. The completion of a formal recommendation on defining faculty workload and effort certification reporting is anticipated no later than December 16, 2011.

### **Including the effort certification time period on effort reports and adjusting the certification statement**

**Issue:** Internal Audit reviewed the effort certification reports covering the period from July 1, 2010 through December 31, 2010, for a sample of federal grants. Although the time period covered was defined in a memo accompanying the reports, Internal Audit noted it was not explicitly documented on the effort certification reports. Furthermore, the effort certification statement is worded in such a way as to presume that the employee is certifying his or her own effort.

**Risk:** The absence of a time period on the effort certification report increases the risk of confusion over the period and/or effort being certified, particularly if the memo and effort reports are not retained together. In addition, the effort certification statement as worded implies that the employee should certify their own effort, although this is not a requirement of the University or OMB Circular A-21.

**Response:** Effective with the next quarterly certification period in October 2011, the Business Office will include the effort certification time period on effort certification reports. In addition, the certification statement will be modified in such a way as to indicate that effort may be certified by someone other than the employee (e.g. “I certify that the percentages for earnings and benefits as stated above are an accurate distribution of effort expended by the above named employee, except as noted.”).

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August 31, 2011

### **Defining tolerance for acceptable variances between salary charges and certified effort**

**Issue:** During our audit of non-financial aid grants, Internal Audit reviewed the March 1, 2007, Council on Governmental Relations Policies and Practices white paper which addresses issues related to salary compensation, effort commitments, and certification policies and practices. Included among the various policy and practice suggestions offered in the paper is the suggestion that institutions provide guidance regarding the level of precision permitted between salary charges to sponsored agreements and the certified effort.

Although OMB Circular A-21 does not quantitatively define “precision” or “tolerance”, it does indicate the acceptability of estimates which include a degree of tolerance. Additionally, a 1979 interpretation by the Department of Health, Education, and Welfare established an acceptable variance of less than five percent: “As a general rule of thumb, a change applicable to a given project or activity of 5% or more of an employee’s total effort would warrant adjustment by the employee or official.”

**Risk:** The absence of a defined tolerance level for acceptable variances between salary charges and certified effort may lead to inconsistencies in the performance of certification and may create inefficiencies as immaterial adjustments are processed, which otherwise could be forgone if within the defined tolerance.

**Response:** Effective with the next quarterly certification period in October 2011, the Business Office will define the University’s precision or tolerance level as it pertains to variances between salary charges to sponsored agreements and the certified effort. Furthermore, the tolerance level will be specified as five percent of distribution to a particular activity and will be displayed directly on the effort report for the benefit of the certifier.

### **Documenting justification for exceptions to internal or grant policy, allowability of certain expenses, and correspondence with the grantor**

**Issue:** During our review of a sample of federal grants, Internal Audit noted several instances where additional documentation was warranted to provide evidence of compliance with or the acceptability of exceptions to internal or granting agency policy. For example, sponsored project approval forms for two of the three grants selected for review did not contain all the signatures required under University procedures and there was no documentation regarding the acceptability of these exceptions. Furthermore, Internal Audit noted expenses, incurred in the performance of grant activities for items that are considered generally “unallowable” (e.g. hospitality expense) or potentially unallocable (e.g. small equipment purchased with only four months remaining on grant), which did not have documentation explaining the reasons the expenses should be allowed or allocated to the grant. In addition, one grant that was reviewed contained a material overstatement in the budgeted F&A costs submitted with the application compared to the University’s negotiated federal rate. Although there has been communication with the grantor, there was no documentation regarding those communications contained in the grant file.

**Risk:** Failure to adequately document reasons for and acceptability of exceptions to policy, allowability of certain expenses, and correspondence with the grantor increases the risk that such items are perceived by outside agencies as evidence of ineffective internal controls or a disregard for internal or granting agency policy.

**Response:** Effective August 5, 2011, the SRO implemented a process to document the reasons for exceptions to (i.e. missing) signatures on sponsored project approval forms.

The assistant controller will issue a memo on or before August 31, 2011, to remind all accountants of the need to document reasons for exceptions and correspondence with grantors in the grant files. A copy of the memo will be archived to the online folder where other Business Office grant accounting procedures are stored.

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August 31, 2011

**Documenting source data for effort certification and reasons for potential variances at fiscal year-end**

**Issue:** During our review of a sample of federal grants, Internal Audit noted differences between salary allocations per the effort reports and allocations per general ledger reports. Upon review and discussion with Human Resources and Business Office personnel, the differences are due to the fact that effort certification is pulling data based on payroll periods, while the general ledger reflects salaries and benefits allocated (i.e. split) across fiscal years based upon the period for which the work is attributable.

**Risk:** Lack of documentation regarding reasons for variances between salary and benefit expense reported on effort certification reports and general ledger reports, may create undue concern if detected by outside agencies.

**Response:** The assistant controller will compose a narrative of the Business Office effort certification procedures by January 31, 2012. This narrative will complement the existing process flowchart, and it will include an explanation of the relationship between the data accumulated from the Banner Human Resources module for effort certification purposes and the data recorded in the financial ledgers.

Report No. USIA11-7  
 October 19, 2011

## Audit Report Student Financial Assistance Federal Compliance

### Results at a Glance

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

#### Introduction

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

#### Background Information

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

SFA is responsible for monitoring the eligibility of prospective financial aid recipients, verifying certain applicant data as required by the Department of Education, determining the best combination of aid to meet each

Report No. USIA11-7  
October 19, 2011

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

This was the third annual audit of USI Student Financial Assistance performed by Internal Audit. The previous audit of SFA was performed and reported on in October 2010, at which time Internal Audit noted **adequate controls and practices** for each of the audit objectives evaluated.

This report is based on the review of USI SFA activity for the fall 2010, spring 2011, and summer 2011 academic terms. The audit approach consisted of reviewing USI SFA procedures and controls, reviewing federal student aid regulations, interviews with USI SFA management, and analysis of student records for the fall 2010, spring 2011, and summer 2011 academic periods. State grants and other non-federal aid were reviewed when those funds were awarded to students in the audit sample.

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

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

#### Conclusion

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

Management will take or has taken the following actions:

- Developing a retention and disposal policy for unmatched electronic institutional student information records (ISIR)
- Continuing efforts to cross-train personnel on financial aid programs
- Automating the validation of changes submitted to and processed by the Central Processing System
- Obtaining written authorization from students to hold a credit balance
- Automating the initial review of Title IV refund eligible students

No additional action or response is required.

Bradley V. Will  
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Report No. USIA11-7  
October 19, 2011

## **Student Financial Assistance Federal Compliance Audit Report**

### **Control Issues and Responses**

#### **Developing a retention and disposal policy for unmatched electronic ISIR**

**Issue:** Students select which colleges and universities receive their ISIR by entering the federal school codes on the free application for federal student aid. Students may list several colleges or universities on their applications. As a result, USI may receive ISIR records for students who eventually choose to attend other universities. Based on discussions with SFA personnel, the ISIRs of such students are unable to be matched against enrolled student records and are stored indefinitely in a data table of unmatched records.

**Risk:** The lack of a formal retention and disposal policy for the ISIR data of non-USI students increases the risk of data compromise or misuse and creates the potential for undue reputation risk in the event of a data breach.

**Response:** The Office of SFA has determined that unmatched electronic ISIR records should be retained for a period of two academic years following receipt based on potential need for the data. Beginning June 30, 2012, SFA personnel will run a Banner process to purge unmatched electronic ISIR records that exceed the retention period.

#### **Continuing efforts to cross-train personnel on financial aid programs**

**Issue:** Based on discussions with SFA management, the administration of state aid programs is performed primarily by the assistant director of SFA. Although there has been some cross-training of other SFA staff on state aid, the department does not have a fully cross-trained backup administrator for this program.

**Risk:** The lack of a fully cross-trained backup increases the risk of processing delays and/or errors in the event that the primary administrator is unavailable.

**Response:** USI currently participates in ten State Student Assistance Commission of Indiana (SSACI) programs which generate financial assistance of approximately \$7.6 million dollars to about 3,000 students. The administration of Indiana state aid is extremely complicated and requires a high level knowledge in all areas of financial assistance including external aid. Proficiency with accounting and computer skills coupled with knowledge of programming are required to successfully award, disburse, and reconcile state funds. The application of state aid is not supported by Banner. Modifications to the computer programs must be articulated to the Computer Center in a precise manner to ensure accurate application of student awards.

Currently the SFA office does not have personnel with workload capacity and/or the skill set to begin a cross-training process. A request for an additional SFA Counselor level position will be submitted during the annual budget hearing process.

#### **Automating the validation of changes submitted to and processed by the Central Processing System**

**Issue:** Based on discussions with SFA personnel, changes to Free Application for Federal Student Aid (FAFSA) records made by SFA staff are captured in a data file, which is uploaded to the Department of Education's Central Processing System (CPS). The CPS returns a file to the University containing the changes that were processed. The information systems associate validates the changes by manually comparing the number of student records and each student name in the upload file to the CPS return file.



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**Risk:** The validation of changes to student records may lend itself to automation, which could free up time for the information systems associate to perform other tasks.

**Response:** The Associate Director of Student Financial Assistance, Joanna Riney, with the assistance of Advisor, Cory Like, will explore the development and implementation of a program by June 30, 2012, that will automate the validation of changes to student records.

#### **Obtaining written authorization from students to hold a credit balance**

**Issue:** Based on discussions with the bursar, the Bursar's Office generally does not hold credit balances on student accounts. However, in the relatively few situations where a credit balance is held at the request of the student or parent, verbal authorization is required but formal written authorization from the student is not obtained.

**Risk:** The lack of written authorization to hold a credit balance may create the perception that the University failed to return some credit balances to students within the required timeframe of 14 days after the balance occurred, which could lead to potential sanctions from the Department of Education.

**Response:** The Bursar's Office has created a form which will be used effective December 1, 2011, to obtain and retain written authorization from students and/or parents who elect to have the University hold a credit balance rather than receive a refund.

#### **Automating the initial review of Title IV refund eligible students**

**Issue:** Based on discussions with the bursar, the initial review of student accounts which Banner indicates are due a Title IV refund is performed manually on a list of accounts meeting the criteria of current term and Title IV aid only. The bursar reviews the list for accounts where the "account balance", "refundable Title IV", and "all refunds" categories contain the same dollar amount and flags those accounts for the system to process refunds.

**Risk:** The review of accounts with credit balances that meet the aforementioned criteria may lend itself to automation, which could expedite the refund process and free up additional time for the Bursar to review accounts requiring more detailed analysis.

**Response:** The Bursar's Office will implement a process effective January 1, 2012, to extract "account balance", "refundable Title IV", and "all refund" data fields from Banner and place them into Excel. Within Excel the data will be filtered for accounts where the three data fields are not equal. As a result, the process for identifying accounts that may be refunded and those that require additional review will be expedited by eliminating the current manual, visual review of the list of accounts.

Report No. USIA11-8  
 November 14, 2011

## Audit Report NCAA Grant-in-Aid

### Results at a Glance

Audit Objectives:	<i>RISK MITIGATION</i>			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Adequacy of written policies and procedures				
Grant-in-aid procedures, recipient eligibility requirements, and terms and conditions are consistent with NCAA Bylaws				
Athletic aid is properly identified, included in aid calculations, and compliant with NCAA limits				

#### Introduction

Our report of the internal audit of NCAA Grant-in-Aid is presented below. We would like to thank Jay Newton, Kim Reddington, Mary Harper, and Sean Riley who contributed positively to our results.

#### Background Information

The University of Southern Indiana is an active member of NCAA Division II and is subject to NCAA legislation (Bylaws) governing the conduct of its intercollegiate athletics programs. The Bylaws apply to basic athletics issues such as admissions, financial aid, eligibility, and recruiting. The audit report presented here is limited to a review of the administration of financial aid awarded to student-athletes in compliance with NCAA Bylaws.

Although the associate athletic director/compliance coordinator has primary responsibility for ensuring the administration of athletic aid in compliance with NCAA Bylaws, the process for recommending and approving athletic grant-in-aid awards, renewals, reductions, cancelations, and appeals is shared by coaches, athletics administrators and representatives from the financial aid office. Coaches and athletic personnel recommend and request awards, while financial aid personnel package the aid on the student-athletes' accounts.

The previous audit of NCAA Grant-in-Aid was performed and reported on in May 2005, at which time Internal Audit noted that NCAA regulations were being followed in most instances, with the exception of notification practices relative to renewals and non-renewals of athletic aid.

Report No. USIA11-8  
November 14, 2011

This report is based on a review of USI Grant-in-Aid awards for the 2011-2012 academic year, as well as adjustments to aid for the 2010-2011 academic year and a review of awards for the 2011 summer term. The audit approach consisted of reviewing USI Grant-in-Aid procedures and controls, interviews with USI Athletic Department and Student Financial Assistance personnel, analysis of student-athlete awards for the 2011 summer term and 2011-2012 academic year, and analysis of award adjustments during the 2010-2011 academic year.

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

- Assess the adequacy of written grant-in-aid policies and procedures
- Determine whether grant-in-aid procedures, recipient eligibility requirements, and terms and conditions of awards are consistent with NCAA Bylaws
- Determine whether athletic aid is properly identified, included in aid calculations, and compliant with NCAA limits

#### Conclusion

We noted **opportunity for significant improvement** with respect to **written policies and procedures**. Opportunities for **minor improvement** exist in the areas of **grant-in-aid procedures and terms and conditions; and aid identification for inclusion in aid calculations**.

Management will take or has taken the following actions:

- Comparing year-to-year grant-in-aid awards and tracking the return of student-athlete grant-in-aid forms
- Confirming the application of grant-in-aid adjustments to student-athlete accounts
- Reviewing the classification of aid as countable or non-countable for institutional and other awards commonly received by student-athletes
- Including NCAA grant-in-aid responsibilities in the job description of the student financial assistance staff person with oversight of awarding athletic grant-in-aid
- Routing grant-in-aid forms and notification of cancelation/non-renewal/opportunity for hearing letters to student financial aid personnel for review and signature prior to delivery to student-athletes
- Implementing the NCAA Blueprint Compliance Review recommendations and enhancements

No additional action or response is required.

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Report No. USIA11-8  
November 14, 2011

## NCAA Grant-in-Aid Audit Report

### Control Issues and Responses

#### Comparing year-to-year grant-in-aid awards and tracking the return of student-athlete grant-in-aid forms

**Issue:** Based on discussions with athletic department personnel, there currently is no formal process for comparing year-to-year student-athlete grant-in-aid awards or tracking the return of signed student-athlete grant-in-aid forms.

**Risk:** The lack of a process by compliance personnel to compare grant-in-aid awards from year to year increases the risk that aid cancellations or reductions go undetected, written notice to the student-athlete of the right to a hearing is not provided, and grant-in-aid forms are inadvertently not produced. Furthermore, the lack of a spreadsheet or database to track the return of grant-in-aid forms issued to student athletes increases the risk that the forms are not signed and returned timely by the student-athlete leading to delays in the disbursement of aid.

**Response:** Athletics compliance personnel have developed a spreadsheet for comparing current year and prior year grant-in-aid awarded to student-athletes and for tracking the return of grant-in-aid forms. The spreadsheet includes a column to indicate whether an award reduction letter was mailed if aid was reduced, canceled, or not renewed. The spreadsheet is already being utilized for early signees and will be fully implemented by May 2012 for the 2012-2013 aid renewals.

#### Confirming the application of grant-in-aid adjustments to student-athlete accounts

**Issue:** During our review of athletic grant-in-aid, Internal Audit noted that adjustments to student-athlete grant-in-aid are initiated by the coach completing a "Grant-in-Aid Adjustment" form (adjustment form). The completed adjustment form is forwarded to student financial assistance (SFA). SFA reviews the adjustment form and adjusts the student-athlete's grant-in-aid award in Banner. Although SFA provides the athletics compliance coordinator with a list of student-athletes and their awards once per semester, there is currently no immediate process for notifying the athletic department that the adjustment was completed.

**Risk:** The lack of a process to notify athletics of the completion of grant-in-aid adjustments increases the risk that adjustments do not get processed on the student account resulting in the inadvertent disbursement of canceled or reduced aid or delays in disbursement of aid.

**Response:** The SFA office will provide active confirmation to the athletic office via email once adjustments to a grant-in-aid have been completed. The estimated date of implementation is December 1, 2011.

#### Reviewing the classification of aid as countable or non-countable for institutional and other awards commonly received by student-athletes

**Issue:** During our review of athletic grant-in-aid, Internal Audit discussed with the athletic compliance coordinator the classification of various forms of non-athletic, institutional aid and whether that aid should be countable or non-countable towards individual and team award limitations. The compliance coordinator uses a conservative approach by counting aid in the award limitations unless there is obvious reason to exclude the award. However, there may be instances where aid is being counted toward individual and team limits that could potentially be excluded.

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**Risk:** Counting aid toward individual and team limits that may be excludable according to NCAA Bylaws could result in unnecessary aid reductions to student-athletes and overstate the value of athletic grant-in-aid counted against athletic team equivalency limits.

**Response:** Athletic department personnel will meet with SFA personnel to review awards commonly received by student-athletes to determine if the aid should be classified as countable or non-countable. The review will be completed by May 31, 2012.

**Including NCAA grant-in-aid responsibilities in the job description of the student financial assistance staff person with oversight of awarding athletic grant-in-aid**

**Issue:** During our audit of athletic grant-in-aid, Internal Audit reviewed the job descriptions of personnel in the athletic department and student financial assistance with responsibility for administering athletic grant-in-aid. Internal Audit noted that the job description for the student financial assistance advisor does not include responsibilities related to the processing of student-athlete grant-in-aid in accordance with NCAA Bylaws.

**Risk:** The lack of a description of responsibilities associated with the administration of athletic grant-in-aid increases the risk of a failure to perform certain functions or may lead to the unintended expansion of tasks performed by personnel in the job.

**Response:** The SFA office will modify the job description of the employee responsible for oversight of awarding athletic grant-in-aid to ensure federal, state and NCAA compliance. The estimated date of completion is January 1, 2012.

**Routing grant-in-aid forms and notification of cancelation/non-renewal/opportunity for hearing letters to student financial aid personnel for review and signature prior to delivery to student-athletes**

**Issue:** Based on discussions with athletic compliance personnel and student financial assistance personnel, grant-in-aid forms are the documents by which renewals of athletic grant-in-aid are communicated to student-athletes. These forms are prepared by athletic office personnel and reviewed by financial aid personnel after the student-athlete has signed and returned the form. In addition, notification letters to student-athletes of cancelation/non-renewal/opportunity for a hearing are produced by athletic department personnel under authorized signature of the director of student financial aid (which signature is affixed via stamp by athletic department personnel).

**Risk:** Although the Office of Student Financial Assistance is signing (i.e. approving) the grant-in-aid forms and receiving a copy of the notification of cancelation/non-renewal/opportunity for hearing letter, NCAA Bylaws require these notices to come from the institution's regular financial aid authority:

15.3.2.4 Hearing Opportunity. **The institution's regular financial aid authority shall notify the student-athlete in writing**, within 14 consecutive calendar days from the date the student-athlete has been notified of the decision to reduce or cancel aid during the period of the award or the reduction or nonrenewal of aid for the following academic year, of the opportunity for a hearing when institutional financial aid based in any degree on athletics ability is reduced or canceled during the period of the award, or not renewed...

15.3.5.1 Institutional Obligation. The renewal of institutional financial aid based in any degree on athletics ability shall be made on or before July 1 before the academic year in which it is to be effective. The institution shall promptly notify in writing each student-athlete who received an award the previous academic year and who has eligibility remaining in the sport in which financial aid was awarded the previous academic year (under Bylaw 14.2) whether the grant has been renewed or not renewed for the ensuing academic year. **Notification of financial aid renewals and non-renewals must come from the institution's regular financial aid authority and not from the institution's athletics department.** (Revised: 1/10/95)

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**Response:** The Office of Student Financial Assistance and Department of Athletics will develop a process to route grant-in aid forms and notification letters through the financial aid office prior to delivery to student-athletes. Furthermore, the authorized signature of the director of student financial assistance shall be affixed to notification letters by a designee within SFA. The estimated implementation date is February 1, 2012.

### **Implementing the NCAA Blueprint Compliance Review recommendations and enhancements**

**Issue:** Based on discussions with athletic compliance personnel, the University requested the NCAA conduct a Compliance Blueprint Review of the athletic program. NCAA Academic and Membership Affairs engaged O&L Athletic Consulting, Inc. to conduct the review, which took place in April 2011. In conjunction with the audit of athletic grant-in-aid, Internal Audit reviewed the recommendations and enhancements in the Blueprint review specific to financial aid:

1. Develop formal written step-by-step procedures for requesting initial financial aid awards and for financial aid renewals
2. Ensure that the Financial Aid Director has an opportunity to review the squad list for each team to verify the scholarship value and equivalency percentage for student-athletes and signs the squad list to document review and confirmation
3. Develop a formal written appeals procedure for reduction, cancellation or non-renewal of aid to comply with NCAA requirements
4. Have the Director of Financial Aid (or designee) either enter all financial aid award amounts in Compliance Assistant or verify the accuracy of the amounts entered by athletics (this could be accomplished by performing the review in recommendation #2 above)
5. Make the process of monitoring maximum equivalency limits for each sport a shared responsibility. Include the Financial Aid Director and the Faculty Athletic Representative in reviewing the calculation
6. Certify in writing which student-athletes have received aid without regard to athletics ability (non-counters). Certification must be done in the Financial Aid Office and kept on file in the Department of Athletics
7. Develop procedures to evaluate the effectiveness of awarding financial aid to student-athletes. Review squad lists annually

**Risk:** Failure to implement the Blueprint recommendations and enhancements in a timely manner increases the risk that compliance issues will arise in the future resulting in NCAA sanctions on the athletic programs and negative publicity to the University.

**Response:** Athletic department personnel will develop a timeline (project plan) for implementation of each applicable Blueprint recommendation. The target date for development of the timeline is January 2, 2012. The timeline will target implementation of all applicable Blueprint recommendations by August 31, 2012. Athletic department personnel will provide updates to the University Athletic Council during its regularly scheduled meetings regarding progress versus the plan.

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## Audit Report Capital Asset Management and Reporting

### Results at a Glance

AREAS	RISK MITIGATION			
	Adequate Controls and Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
<b>Audit Objectives:</b>				
Policies and Procedures				
Capital Assets are correctly identified and capitalized				
Recorded capital assets exist				
Depreciation is correctly calculated and charged				
Disposals are properly authorized and recorded				

#### Introduction

Our report of the internal audit of USI capital asset management and reporting is presented below. We would like to thank Teri Coutts, Jeff Sickman, and other Business Office and Procurement personnel who contributed positively to our results.

#### Background Information

Capital assets are defined as items of real property (land, buildings, and infrastructure), personal property (equipment), and intangible property (software) which will be recorded as assets within the plant fund section of accounts. Capital asset management and reporting is governed by internal policies and procedures, as well as accounting standards issued by the Governmental Accounting Standards Board (GASB). The USI capital asset policy indicates the University will maintain capital assets in accordance with GASB Statements 34 and 35, which require that public colleges and universities generally depreciate capital assets.

Financial managers within each department, Procurement Department personnel, and Business Office personnel have different roles in capital asset management. Equipment acquisitions are generally made through the Procurement Department via requisitions to purchase submitted by authorized department personnel. Business Office personnel are responsible for evaluating whether equipment purchases meet the parameters for capitalization and subsequently tracking, recording, and depreciating the assets.

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Costs associated with capital projects including infrastructure, buildings, or renovations and additions are tracked in specially created plant funds and accumulated for capitalization.

Equipment disposals are initiated by personnel in the department to which the equipment is assigned. Based on the disposal request, Procurement Department personnel determine the appropriate method of disposal (sale, donation, or discard) and Business Office personnel remove the item from the fixed asset system and the general ledger.

This report is based on a review of USI capital asset records for fiscal year 2011, including balances as of June 30, 2011. The audit approach consisted of reviewing USI policies and procedures, interviewing Business Office and Procurement Department personnel, examining fixed asset and general ledger records and transactions, and reviewing financial statement balances and footnotes for the period.

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

- Evaluate adequacy of policies and procedures and conformity with accounting and financial reporting standards
- Verify that capital assets are correctly identified and capitalized
- Verify the physical existence of capital assets
- Verify that depreciation is correctly calculated and charged
- Verify that disposals of capital assets are properly authorized and recorded

#### Conclusion

In general, the results of our audit procedures indicate that the USI capital assets process is being managed well. **Adequate controls and practices** exist in the areas of asset capitalization, physical existence of assets, and depreciation. We noted the opportunity for **minor improvement** in the area of policies and procedures and for **moderate improvement** in the area of asset disposals.

Management will take or has taken the following actions:

- Documenting the depreciation method and trigger for capitalization and depreciation of capital assets
- Documenting the disposal method and recipient of assets donated or transferred to a third party
- Educating and reminding financial managers of the asset disposal process
- Evaluating the feasibility of recording capitalized library materials in the fixed asset system

No additional action or response is required.

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December 22, 2011

## Capital Asset Management and Reporting Audit Report

### Control Issues and Responses

#### Documenting the depreciation method and trigger for capitalization and depreciation of capital assets

**Issue:** The capital asset policy does not describe the depreciation method used by the University, nor does it describe the trigger for capitalization of an asset (e.g. occupancy of a building, placement of an asset in service, etc.).

**Risk:** The lack of policy documentation regarding the depreciation method and the trigger for capitalization may lead to inconsistencies in the computation of depreciation expense and the portion of an asset's useful life exhausted in the year of capitalization.

**Response:** The Business Office will include a statement in the capital asset policy regarding the University's use of the straight line method of depreciation and define the trigger for capitalization and depreciation. The capital asset policy will be updated by 3/31/2012.

#### Documenting the disposal method and recipient of assets donated or transferred to a third party

**Issue:** University procedures for the disposal of fixed assets require the completion of an "Equipment Transfer/Disposal Request" which is a form in Outlook that is routed to the director of procurement, manager of accounting operations (MAO), and a computer center representative. The request form does not have a field to record the disposal method for the asset (e.g. scrap/dump, departmental transfer, sale/auction, or donation) nor the recipient of the assets if sold or donated. Furthermore, the request form is not retained as support for the authorization of the disposal.

**Risk:** The lack of documentation regarding the authorization of disposal, method of disposal, and the recipient of items sold or donated may create the perception that University assets were not disposed of properly.

**Response:** Business Office and Procurement management are reviewing alternatives for procedures and documentation that will provide evidence of the authorization of disposal, method of disposal, and the recipient of disposed assets, when applicable. The target date for determining the procedures and documentation is March 1, 2012, with a subsequent implementation date that will be based upon programming and training requirements.

#### Educating and reminding financial managers of the asset disposal process

**Issue:** A review of capital asset disposals revealed that the formal disposal process had not been completed for 35 items disposed of during 2011 (approximately 33% of disposals). Department personnel had not completed the "Equipment Transfer/Disposal Request" and provided it to the Business Office or Procurement. The disposals were identified by Business Office personnel during a physical inventory of capital assets.

**Risk:** Failure to follow the capital asset disposal procedures increases the risk that capital assets will be overstated in the financial statements.

**Response:** Business Office personnel issued an email to all financial managers on July 5, 2011, describing the issue identified during the inventory and outlining the formal process that should be followed when disposing of capital assets.

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**Evaluating the feasibility of recording capitalized library materials in the fixed asset system**

**Issue:** Library materials such as books, dvds, and audiobooks purchased throughout the year are accumulated and capitalized (pursuant to the group method of accounting) at each fiscal year-end as a single addition to the library collection. The library materials asset, accumulated depreciation, and depreciation expense are being calculated and tracked in an Excel spreadsheet rather than the fixed asset system.

**Risk:** The use of a spreadsheet for tracking the library materials asset and for calculating depreciation expense increases the risk that depreciation expense and net book value may not be computed and applied accurately.

**Response:** Management agrees that the use of a spreadsheet to calculate depreciation for library materials includes a risk of calculation errors and would prefer to use the Banner fixed asset module for this purpose. However, as a compensating control for the risk of calculation error, the journal entries are reviewed and approved by an individual other than the preparer of the spreadsheet. Furthermore, a change from the current process to the use of the Banner fixed asset module may require changes in other aspects of the accounting processes for library materials. The manager of accounting operations will research the practices of other Banner institutions by June 30, 2012, and reevaluate use of Banner Finance for library materials for the 2012-2013 fiscal year in light of that research.

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

<b>AUDIT NAME</b>				
<b>OBSERVATION</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>NCAA Student Athlete Eligibility Compliance</b>				
1. USI does not have an internal written manual or set of procedures for determining or monitoring student-athlete eligibility.	The development of a procedures manual specific to USI processes (e.g. internal and external forms, software uses and steps, etc.) would provide continuity in the case of staff illness or turnover.	The compliance officer will develop a written manual of compliance procedures.	August 31, 2010, Revised: May 30, 2011, Revised: August 31, 2011, Revised: December 5, 2011 Revised: August 31, 2012	
<b>Residence Life</b>				
1. The Department of Residence Life (HRL) has not documented departmental processes and procedures in an operations manual.	Document residence life office processes and procedures including rent transaction and adjustment authorization criteria.	HRL will outline process responsibilities.  HRL will document employee processes.  HRL will compile the operations manual.  HRL will establish authorization criteria based on type of transaction (e.g. 100% waivers and daily charges require director/associate director approval).  HRL will develop reports after residential management software system (RMS) training to review transactions by type.	March 31, 2011  May 1, 2011  July 1, 2011  March 31, 2011  June 30, 2011	Draft of operations manual completed: June 2, 2011  Manual completed, updates and revisions ongoing  Transaction type review and approval tasks completed: August 1, 2011  Reports developed; completed and ongoing: August 1, 2011
2. The employee who controls access privileges, including extent of access, user ID, and password assignment, to RMS is also responsible for the majority of transactional activity.	Separate administration of RMS, including granting access to and setting the limit of access for users, from transactional responsibilities.	Software administration will be handled by a staff member to be named, and transactions processed by the assistant director of business operations. Training for the RMS system administrator is presently being scheduled. The new RMS system administrator will be in place by the end of June.	June 30, 2011	Completed and ongoing
3. Minimum password configuration is not required and user passwords are not required to be changed within RMS.	Establish password configuration standards (i.e. length and complexity) and password change standards of 60 days or less, for RMS users.	HRL will work to establish a password expiration protocol.	June 30, 2011	Completed and ongoing
4. A significant number of transactions (31% of our summer 2010 sample; 8.3% of fall 2010) were processed by email/memo to the Bursar's Office rather than being uploaded from RMS. Subsequently, these transactions do not appear in RMS.	Process all possible transactions by upload from RMS to the student records system.	All charges and adjustments will be processed through RMS and sent to Banner. All charges and documentation of the reason for exceptions (e.g. rejections from upload) will be processed and noted in RMS. This process has been implemented as of February 1, 2011.	Immediate	Completed and ongoing
5. Data is uploaded from RMS to the business office financial records system software. A reconciliation between the systems (i.e. occupancy and revenue) is not performed.	Develop in conjunction with the Business Office, a reconciliation process between RMS and the business office financial records system data.	A reconciliation process will be implemented with the Business Office to match occupancy to revenue.	Development of reconciliation process: May 31, 2011  First reconciliation completed: September 2011	Reconciliation developed: June 2, 2011  Reconciliation completed: October 4, 2011
6. Rent for some residents who normally receive waivers (i.e. resident assistants) was not charged and no waiver was processed. Others who did receive waivers had their rent charged and waived at the least expensive space's rate regardless of the space occupied.	Record all rent charges and approved waivers at board approved rates.	HRL staff and Business Office personnel will meet to establish the space usage for specific Residence Life staff members and assign a rate type to the positions.	February 17, 2011	Completed

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<b>AUDIT NAME</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>OBSERVATION</b>				
7. The user who checks a key out of the limited access key box does not always return the key personally, but has another user return it. In this case the returned key is not securely fastened.	Implement an escalating scale of disciplinary measures for those who fail to fully adhere to key box procedures.	HRL, in consultation with Human Resources, will establish an escalating disciplinary guide addressing key misuse.	May 31, 2011	Completed and ongoing
8. PIN numbers allowing key box access are not changed periodically.	Establish key box access PIN number change standards of once a semester or more frequently, if practical.	HRL will establish a password change calendar with the key box administrator. The process must be completed once a semester or twice a year.	Fall semester 2011 and ongoing	Completed and ongoing
<b>Purchasing Card Issuance</b>				
1. The University purchasing card program utilizes merchant category codes (MCC) to restrict the merchants and types of transactions for which purchasing cards may be used. There is not a periodic review of new MCC codes, nor a formal scheduled review of MCC codes and group assignments.	Review MCC and group assignments annually.	An annual review of MCC groups and codes will be performed by Procurement Services.	July/August 2011  January in subsequent years	Completed
2. The complete sixteen digit account number, card verification value (CVV) code, and card expiration date are recorded on the cardholder agreement retained as part of the new card issuance process.	Remove the complete card number, CVV code, and card expiration date from the purchase card file.	The complete card number, CVV codes, and expiration dates have been purged from current cardholder files.	Immediate	Completed and ongoing
3. New purchasing cards and cardholder files are retained in a locked file drawer in the buyer's office. The buyer maintains one key to the drawer in her possession, while the spare key is kept concealed in one of her desk drawers.	Store spare file drawer key in an alternate secure location.	The spare key has been relocated in a separate, locked area. The assistant director and senior administrative assistant have been advised of location.	Immediate	Completed
4. Accounts of employees terminating employment with the University may not be closed until the final reconciliation of activity has been completed.	Close accounts of separated employees upon the earlier of the date the card is surrendered or the separation date.	Accounts will be closed upon separation date or at earliest possible date. We will not wait for the account's final reconciliation.	Immediate	Completed and ongoing
5. A small number of open account numbers (~5%) have not had any purchasing activity for the past two calendar years.	Review open cardholder accounts for inactivity and contact departments about possible account closure.	A follow-up on purchasing activity will be performed immediately as requested and in January in subsequent years.	Immediate	Completed and ongoing
6. Approximately 20 fleet cards had no purchasing activity for six or more months. In addition, the MCC groups to which vehicle rental cards and fleet cards are assigned are very similar, making these cards somewhat duplicative.	Close excess fleet card and/or vehicle rental accounts.	Physical Plant will surrender their unused cards to Procurement and Procurement will change the status on the account to a T3-Temp closure until the card is "issued out" to another user or until it has been determined to close the card permanently.	May 31, 2011	Completed
	Consolidate fleet cards with vehicle rental cards held by a single individual.	A new MCC code will be created to include vehicle rental and fuel as a way to consolidate fleet cards. The current MCC codes for rental and fuel respectively, will remain intact to accommodate those departments that may need additional cards for fuel.	May 31, 2011	Completed

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

<b>AUDIT NAME</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>Security Department Clery Act Reporting</b>				
1. The USI Security Department utilizes a Clery Validation Report (CVR) within the incident reporting software to compile the statistical data for campus and Department of Education reports. The accuracy of statistical data generated by the CVR is dependent upon whether or not the "Clery Crime Review" was completed properly.	Reconcile crime statistics to the crime log prior to reporting to the Department of Education and the campus community.	The Security Department will perform a reconciliation of the statistical data generated by the CVR to the number of crimes by type listed in the crime log. The Security Department will retain a record of its count of crimes by type, including which cases are included in each subtotal, and the associated reconciliation as evidence of its completion.	October 2011 Crime Statistics Report	Completed and ongoing
2. At times USI Security personnel may determine the disposition of a crime to be "unfounded." The Handbook for Campus Safety and Security Reporting states, "Only sworn or commissioned law enforcement authorities that investigate the crime can make this determination. A campus security authority who is not a sworn or commissioned law enforcement authority cannot unfound a crime."	Record the disposition of a crime as "unfounded" only when the determination has been made by sworn or commissioned law enforcement personnel.	The Security Department will only record the disposition of a crime as unfounded when the determination has been made by sworn or commissioned law enforcement authorities.	March 14, 2011	Completed and ongoing
3. In attempting to validate the crime statistics reported by USI Security in the annual Campus Crime and Security Report, Internal Audit noted incident types included in reporting categories varied from reporting year to reporting year and there was little or no documentation explaining which incident types were included and excluded.	Standardize and document the incident types that should be included in each criminal offense category and documenting dispositions that should be counted and/or excluded for reporting purposes.	The Security Department will standardize and document the incident types that should be included in each criminal offense category and document the dispositions that should be counted and/or excluded for reporting purposes.	October 2011 Crime Statistics Report	Completed and ongoing
4. The 2010 USI Security Report did not contain certain policy or process information required by the Clery Act (see full report for details).	Include in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act.	The Security Department will update the report to include the policy and process information required.	October 2011 Crime Statistics Report	Completed
<b>Nursing and Health Professions Certificate Programs</b>				
1. There is more than one repository for tracking certificate program registration, course completion, fee payment, and certificate issuance. As a result, data is duplicated and inconsistencies can arise if both are not updated timely and accurately. During our review of the October 2010 Anticoagulation Therapy certificate program, Internal Audit noted several inconsistencies in data between the database and the master list.	Incorporate additional data fields into the certificate program registration database.	The following information will be captured in the database effective immediately and for any certificate programs completed in the 2011 calendar year or thereafter:  <ol style="list-style-type: none"> <li>1. The date the student paid and how the payment was made (credit card, check, invoice)</li> <li>2. If payment by credit card and it is known whether the card was personal or business, it will be noted as such</li> <li>3. The type of check will be noted, personal check or employer check</li> <li>4. The USI invoice number and the date it was paid will be noted</li> <li>5. The date the certificate was mailed to the student and if it was not mailed, a note explaining why</li> <li>6. Updates regarding student status (course completion, receipt of evaluation, receipt of payment, etc.)</li> <li>7. Duplicate registrations will be deleted, student status will be updated, course dates will be changed to reflect actual course taken (if moved to a later offering, etc.)</li> </ol>	Immediate	Completed

**University of Southern Indiana  
 Audit Recommendations Matrix  
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AUDIT NAME	RECOMMENDATION	RESPONSE	TARGET	STATUS
<b>Hazardous Materials Management and Disposal</b>				
<p>1. The current operating environment lacks centralized oversight and coordination of disposal activities such that each department is handling its waste independently.</p>	<p>Environmental Health and Safety Department (EHS) should provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:</p>	<p>EHS agrees to provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:</p>		
	<p>Obtain inventory listings on an annual basis from all areas generating and storing waste, including location where it is stored. Have departments provide maximum quantity of hazardous chemicals and wastes on hand at any given time (for emergency response purposes).</p>	<p>EHS requested a listing of all hazardous materials, their location, and maximum expected quantities from the deans on August 18, 2011 with the hope they would provide assistance in gathering the information by demonstrating support. An Excel spreadsheet was provided as a template to aid in preparation and to provide some standardization.</p>	<p>August 18, 2011</p>	<p>Completed</p>
	<p>Maintain a database or file on the computer network of the inventory, which is accessible by appropriate University personnel.</p>	<p>EHS will combine the submitted spreadsheets into a master list that will be accessible to University personnel by November 30, 2011.</p>	<p>November 30, 2011            Revised:            March 16, 2012</p>	
	<p>Coordinate waste disposal through negotiation of disposal/recycling contracts.</p>	<p>Procurement will continue to coordinate waste disposal and recycling contracts.</p>	<p>NA</p>	
	<p>Determine and document generator status University-wide for universal and hazardous waste based on actual quantities generated.</p>	<p>Upon completion of the master hazardous chemicals list EHS will determine and document generator status University-wide for universal and hazardous waste. We anticipate completion of this by November 30, 2011.</p>	<p>November 30, 2011            Revised:            March 16, 2012</p>	
	<p>Coordinate waste disposal activities through semi-annual or annual disposal days and publicize event to all departments.</p>	<p>EHS will continue to work toward semi-annual or annual disposal days but would prefer to concentrate on regular, routine disposal at the present time for hazardous materials. We feel that this method will produce better disposal practices by having a way to dispose of materials when needed rather than have a collection of materials that must be held for the majority of the year. We feel that the likelihood of improper disposal is greater by not providing more of a routine disposal process.</p>	<p>NA</p>	
	<p>Review departmental policies for required content and completion of required reviews or updates.</p>	<p>EHS will engage a third party to perform a review of its departmental policies for required content and completion of required reviews or updates to such policies. EHS will work to identify someone who could provide that service by January 1, 2012.</p>	<p>Identify consultant:            January 1, 2012            Revised:            April 16, 2012            Consultant review:            Spring 2012            Revised:            Summer 2012</p>	

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

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
	<p>Coordinate and/or monitor the completion of training for academic and operational personnel that work with hazardous materials, including tracking of training for academic, custodial, fire/safety, and shipping/handling personnel regarding chemical and radioactive materials handling (working with chemical hygiene officers and radiation safety officer to ensure completion on an appropriate basis).</p>	<p>EHS will continue training academic and operational personnel that work with hazardous materials and will attempt to enhance those efforts through the use of our training fund. This effort will be ongoing for the 2011-2012 fiscal year. We will look for targeted training when we have a list of materials and also by requesting recommendations of the third party referenced in the previous recommendation.</p>	<p>NA</p>	
	<p>As part of safety audits, perform a review of chemical storage practices and inspect storage facilities/containers in various areas on an appropriate frequency.</p>	<p>EHS will engage a third party to assist with incorporating into safety audits, conducted at an appropriate frequency, reviews of chemical storage practices and inspections of storage facilities/containers in various areas. EHS will work to find someone who could provide that review in the spring of 2012.</p>	<p>Spring 2012 Revised: Summer 2012</p>	
<p>2. Silver waste generated in the photography and x-ray development processes by Art, Dental Hygiene, and Radiology is being disposed of by each department directly into the sanitary sewerage system.</p> <p>Although disposal of very small amounts of silver into the sanitary sewerage system may be acceptable, there is a risk that the volume of silver being disposed in such a manner exceeds the amount allowed by the city of Evansville Waterworks Department under the Evansville Municipal Code.</p>	<p>EHS should work with the Art, Dental Hygiene, and Radiology departments to determine and document the aggregate volume of silver waste being generated and the appropriate disposal process to ensure compliance with local water utility regulations.</p>	<p>David Huebner in the Art department has taken a leadership role in working with the areas of Dental Hygiene and Radiology to coordinate a centralized collection and disposal effort. EHS will ask for an update from David Huebner on the silver disposal process on October 31, 2011 to allow time for the organization requirements associated with a new semester and for the procedures among these departments to form. EHS will ask for an update annually on this process.</p>	<p>October 31, 2011</p>	<p>Completed</p>
<p>3. Interviews with Physical Plant personnel identified the collection and disposal of used compressor oil from the University's HVAC equipment. Occasionally the used compressor oil is removed by an individual for use in a residential heating oil heater.</p>	<p>Physical Plant personnel should establish an agreement with a licensed recycler of used compressor oil and arrange for disposal on a routine basis. In addition, management should communicate to its staff the process for recycling the material going forward and the risks associated with the failure to use an authorized oil reclamation vendor.</p>	<p>Safety-Kleen Systems Inc. removed the collection barrels on May 6th and provided empty replacement barrels with a tag to identify the contents that should be contained in the barrels going forward. The director of Facilities Operations and Planning will conduct a meeting to inform supervisors, leads, and staff of the procedure to collect and properly dispose of used oil.</p>	<p>Immediate</p>	<p>Completed and ongoing</p>
<p>4. Internal Audit observed two approximate 30-gallon barrels for collecting oil based and latex paint waste located in a storage barn near the Support Services building. The barrels are stored on a wooden furniture cart with no other secondary containment mechanism.</p>	<p>Physical Plant personnel shall evaluate options for and add secondary containment devices to the waste paint collection barrels.</p>	<p>Physical Plant personnel has ordered the containment vessel and it is scheduled to arrive on May 6, 2011. It will be set up promptly after arriving. The director of Facilities Operations and Planning will have a meeting to instruct all leads and supervisors on the disposal of paints and solvents.</p>	<p>May 6, 2011</p>	<p>Completed and ongoing</p>
<p>5. Internal Audit noted that liquid chemicals and liquid wastes in the Chemical Distribution Center are stored in an area that does not include secondary containment devices.</p>	<p>Chemistry Department personnel should evaluate options for and add secondary containment devices to the room containing hazardous chemical liquids and hazardous liquid wastes.</p>	<p>The staff of the Chemical Distribution Center (located in room SC 2226) will obtain chemical resistant polymer containers that will be placed on the shelves with the liquid chemical bottles placed within. These containers will be in place by May 18, 2011.</p>	<p>May 18, 2011</p>	<p>Completed</p>

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

<b>AUDIT NAME</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>Facility Operations Work Order and Storeroom Inventory Controls</b> 1. Parts issued in conjunction with Facility Operations work orders are recorded on the hard copy work order at the time of parts issuance but generally are not recorded in the TeamWorks perpetual inventory system until the work is completed and the work order returned for closure.	Record parts issued in the TeamWorks system at the time of issuance.	The storeroom supervisor has implemented procedures to record parts in the TeamWorks system at the time of issuance. This will become a routine daily task for the storeroom clerk or other designated personnel.	June 1, 2011	Completed and ongoing
2. The performance of periodic storeroom part and equipment inventory counts is not formally documented and may not include all of the items that make up a material dollar amount of inventory. Furthermore, heating, ventilation, and air conditioning (HVAC) filters are stored in a separate location from the storeroom and are accessed by maintenance personnel on a routine basis when performing filter replacement, making it difficult for storeroom personnel to monitor quantities used and update quantities on hand.	Formalize recordkeeping of physical inventory cycle counts and perform an annual physical inventory of HVAC filters.	The storeroom supervisor will formalize the recordkeeping of physical inventory cycle counts during routine inventory checks and maintain the documented counts and adjustments beginning with the next proposed cycle count in August 2011. Furthermore, storeroom management will commence the performance of an annual physical inventory of HVAC filters beginning in the fall of 2011.	August 2011  Fall 2011	Completed and ongoing  Completed and ongoing
3. Parts and supplies used by Facility Operations personnel for maintenance in Housing and Residence Life are stored in a garage type facility adjacent to the apartments near Clarke Lane and Schutte Road. This storage facility does not have the level of physical access controls nor the perpetual inventory system present in the storeroom located in the Support Services building.	Centralize parts and equipment inventory used for maintenance in Housing and Residence Life into the Facility Operations storeroom.	Effective June 27, 2011, management has directed the return to the central storeroom of all copper pipe, ball valves, and copper fittings, except for a minimum supply for installation of water heaters in progress. The centralization and return of all other parts will occur over time as repair parts are used. Housing maintenance personnel will retrieve any additional repair parts/materials from the central storeroom as necessary. Weekend and on-call personnel will obtain parts from the central storeroom utilizing card key access.	June 27, 2011	Completed
4. There is no formal requirement to note or log items retrieved from the storeroom by maintenance staff after normal (first shift) operating hours. While the maintenance staff have been instructed to leave a note regarding the items removed, the notation and communication is not consistently performed.	Log items removed from the storeroom by after-hours maintenance staff.	Effective May 13, 2011, the storeroom supervisor initiated the logging of items removed from the storeroom by after-hours staff (second shift, on-call, and weekend staff). Management agrees that parts and equipment removed from the storeroom after-hours should be recorded and logged to make the storeroom supervisor and clerk aware of the reduction of inventory and for verification against the work order in future audits.	May 13, 2011	Completed and ongoing
5. According to the system security report from the TeamWorks work order and inventory system, there are currently 14 user IDs assigned to the SystemAdmin security group. In addition, three generic user IDs and three terminated employees were listed as users on the report.	Restrict administrative access rights and remove generic and terminated users from the TeamWorks work order and inventory system.	The senior administrative assistant in Facility Operations with primary responsibility for managing user access performed a review and modified the security group access to TeamWorks on June 10, 2011. The number of IDs assigned to the SystemAdmin security group was reduced to six and terminated employee IDs were removed from the system.	June 10, 2011	Completed





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

AUDIT NAME		RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
2. There is currently no area with responsibility for monitoring the submission of program reports in accordance with award requirements.		Implement a process to track program reporting requirements for each grant awarded to the University, communicate approaching deadlines to the appropriate PI/PPD, and obtain copies of program reports as evidence of completion.	The Sponsored Research Office (SRO) proposes to comply with the Internal Audit recommendation in three phases: (1) tracking the non-financial program report due dates, (2) sending a reminder notice to the PI/PPD for each grant awarded, and (3) documenting submission of the reports. For all grant proposals submitted in a timely manner through the SRO approval process, SRO should be able to develop and implement a process to complete phases 1 and 2 by October 1, 2011 with existing staff. Phase 3, developing a process to obtain copies of the reports and file them electronically will take more time; implementing the process will require additional staff. Since this will have budget implications, we do not anticipate full implementation of phase 3 until the new fiscal year, after June 30, 2012.	Tracking due dates: October 1, 2011  Reminder notices: October 1, 2011  Documenting submission of reports: June 30, 2012	Completed  Completed
3. The University is in the process of defining what constitutes a "full faculty workload".		Continue to define "full workload" and establish a formal target date for completion.  Ensure that the effort distribution used to define each faculty member's workload clearly identifies the period covered and is signed and dated by the faculty member and the appropriate administrative personnel (i.e. dean and/or provost).  Determine if and how the effort distribution might be leveraged to communicate salary allocations among activities and funds (i.e. as an attachment to the payroll notification or in lieu of the payroll notification form).	During fall 2011, the core working group will continue to refine the workload and faculty effort certification definitions, meet once again with the deans and provost to discuss recent iterations, and share findings with the Business Office and Office of Sponsored Research. The completion of a formal recommendation on defining faculty workload and effort certification reporting is anticipated no later than December 16, 2011.	December 16, 2011	Completed
4. Based on a review of a sample of effort certification reports covering the period from July 1, 2010 through December 31, 2010, the time period covered was not explicitly documented on the effort certification reports and the effort certification statement was worded in such a way as to presume that the employee is certifying his or her own effort.		Include the effort certification time period on future effort reports.  Modify the certification statement in such a way as to indicate that effort may be certified by someone other than the employee (e.g. "I certify that the percentages for earnings and benefits as stated above are an accurate distribution of effort expended by the above named employee, except as noted.").	Effective with the next quarterly certification period in October 2011, the Business Office will include the effort certification time period on effort certification reports. In addition, the certification statement will be modified in such a way as to indicate that effort may be certified by someone other than the employee.	October 2011 reporting period	Completed
5. The University has not defined a tolerance level for acceptable variances between salary charges and certified effort.		Define the University's precision or tolerance level as it pertains to variances between salary charges to sponsored agreements and the certified effort. Furthermore, the definition of tolerance level should clearly indicate the context in which it is to be used (i.e. X% of total effort or X% of distribution to a particular activity).	Effective with the next quarterly certification period in October 2011, the Business Office will define the University's precision or tolerance level as it pertains to variances between salary charges to sponsored agreements and the certified effort. Furthermore, the tolerance level will be specified as five percent of distribution to a particular activity and will be displayed directly on the effort report for the benefit of the certifier.	October 2011 reporting period	Completed

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

AUDIT NAME		RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
6. Internal Audit noted several instances where additional documentation was warranted to provide evidence of compliance with or the acceptability of exceptions to internal or granting agency policy (see full report for details).		SRO should document the reasons for exceptions to obtaining signatures on the sponsored project approval forms.	Effective August 5, 2011, the SRO implemented a process to document the reasons for exceptions to (i.e. missing) signatures on sponsored project approval forms.	August 5, 2011	Completed and ongoing
		The Business Office should document and retain (in the grant files) reasons for allowing expenses that are otherwise considered unallowable and correspondence with the grantor regarding significant issues impacting the administration of the grant.	The assistant controller will issue a memo on or before August 31, 2011, to remind all accountants of the need to document reasons for exceptions and correspondence with grantors in the grant files. A copy of the memo will be archived to the online folder where other Business Office grant accounting procedures are stored.	August 31, 2011	Completed
7. A review of a sample of federal grants, revealed differences between salary allocations per the effort reports and allocations per general ledger reports. The differences are due to the fact that effort certification is pulling data based on payroll periods, while the general ledger reflects salaries and benefits allocated (i.e. split) across fiscal years based upon the period for which the work is attributable.		Document the Business Office policy for utilizing payroll periods for production of effort certification reports, explain that differences between salary and benefits figures based on payroll periods are an acceptable approximation of salary and benefit expense incurred, and differences may result at fiscal year-end due to allocation of salaries and benefits across reporting periods.	The assistant controller will compose a narrative of the Business Office effort certification procedures by January 31, 2012. This narrative will complement the existing process flowchart, and it will include an explanation of the relationship between the data accumulated from the Banner Human Resources module for effort certification purposes and the data recorded in the financial ledgers.	January 31, 2012	Completed
<b>Student Financial Assistance 2010-2011</b>					
1. Institutional student information records (ISIR) from the U.S. Department of Education for students who eventually choose to attend other universities are stored indefinitely in a data table of unmatched records.		Develop a retention and disposal policy for unmatched electronic ISIRs.	The Office of Student Financial Assistance (SFA) has determined that unmatched electronic ISIRs should be retained for a period of two academic years following receipt based on potential need for the data.  Beginning June 30, 2012, SFA personnel will run a Banner process to purge unmatched electronic ISIRs that exceed the retention period.	Immediate  June 30, 2012	Completed
2. The SFA department does not have a fully cross-trained backup administrator for state aid programs.		Continue efforts to cross-train personnel on state financial aid programs.	Currently the SFA office does not have personnel with workload capacity and/or the skill set to begin a cross-training process. A request for an additional SFA counselor level position will be submitted during the annual budget hearing.	NA	
3. The information systems associate validates changes made to Free Application for Federal Student Aid records by manually comparing the number of student records and each student name in the SFA upload file to the Department of Education's Central Processing System (CPS) return file.		Automate the validation of changes submitted to and processed by the CPS.	The associate director of SFA, with the assistance of a financial assistance advisor, will explore the development and implementation of a program that will automate the validation of changes to student records.	June 30, 2012	
4. In the relatively few situations where a credit balance is held at the request of the student or parent, verbal authorization is required but formal written authorization from the student is not obtained.		Obtain written authorization from students to hold a credit balance.	The Bursar's Office has created a form which will be used to obtain and retain written authorization from students and/or parents who elect to have the University hold a credit balance rather than receive a refund.	December 1, 2011	Completed and ongoing

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

<b>AUDIT NAME</b>		<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>OBSERVATION</b>					
	5. The initial review of student accounts which Banner indicates are due a Title IV refund is performed manually.	Automate the initial review of Title IV refund eligible students.	The Bursar's Office will implement a process to extract "account balance", "refundable Title IV", and "all refund" data fields from Banner and place them into Excel where the data can be filtered and sorted to identify accounts that may be refunded and those that require additional review.	January 1, 2012	Completed and ongoing
<b>NCAA Grant-in-Aid</b>					
	1. There currently is no formal process for comparing year-to-year student-athlete grant-in-aid awards or tracking the return of signed student-athlete grant-in-aid forms.	Compare year-to-year grant-in-aid awards and track the return of student-athlete grant-in-aid forms.	Athletics compliance personnel have developed a spreadsheet for comparing current year and prior year grant-in-aid awarded to student-athletes and for tracking the return of grant-in-aid forms.	Immediate	Completed and ongoing
	2. Internal Audit noted that adjustments to student-athlete grant-in-aid are initiated by the coach completing a "Grant-in-Aid Adjustment" form (adjustment form). The completed adjustment form is forwarded to student financial assistance (SFA). SFA reviews the adjustment form and adjusts the student-athlete's grant-in-aid award in Banner. Although SFA provides the athletics compliance coordinator with a list of student-athletes and their awards once per semester, there is currently no immediate process for notifying the athletic department that the adjustment was completed.	Confirm the application of grant-in-aid adjustments to student-athlete accounts.	The SFA office will provide active confirmation to the athletic office via e-mail once adjustments to a grant-in-aid have been completed.	December 1, 2012	Completed and ongoing
	3. Internal Audit discussed with the athletic compliance coordinator the classification of various forms of non-athletic, institutional aid and whether that aid should be countable or non-countable towards individual and team award limitations. The compliance coordinator uses a conservative approach by counting aid in the award limitations unless there is obvious reason to exclude the award. However, there may be instances where aid is being counted toward individual and team limits that could potentially be excluded.	Review the classification of aid as countable or non-countable for institutional and other awards commonly received by student-athletes.	Athletic department personnel will meet with SFA personnel to review awards commonly received by student-athletes to determine if the aid should be classified as countable or non-countable.	May 31, 2012	
	4. Internal Audit reviewed the job descriptions of personnel in the athletic department and SFA with responsibility for administering athletic grant-in-aid. Internal Audit noted that the job description for the SFA advisor does not include responsibilities related to the processing of student-athlete grant-in-aid in accordance with NCAA Bylaws.	Include NCAA grant-in-aid responsibilities in the job description of the student financial assistance staff person with oversight of awarding athletic grant-in-aid.	The SFA office will modify the job description of the employee responsible for oversight of awarding athletic grant-in-aid to ensure federal, state and NCAA compliance.	January 1, 2012	Completed
	5. Grant-in-aid forms are the documents by which renewals of athletic grant-in-aid are communicated to student-athletes. These forms are prepared by athletic office personnel and reviewed by financial aid personnel after the student-athlete has signed and returned the form. In addition, notification letters to student-athletes of cancelation/non-renewal/opportunity for a hearing are produced by athletic department personnel under authorized signature of the director of student financial aid (which signature is affixed via stamp by athletic department personnel).	Route grant-in-aid forms and notification of cancelation/non-renewal/opportunity for hearing letters to SFA personnel for review and signature prior to delivery to student-athletes in conformance with NCAA regulations.	The Office of Student Financial Assistance and Department of Athletics will develop a process to route grant-in aid forms and notification letters through the financial aid office prior to delivery to student-athletes. Furthermore, the authorized signature of the director of student financial assistance shall be affixed to notification letters by a designee within SFA.	February 1, 2012  Revised: March 1, 2012	

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

<b>AUDIT NAME</b>		<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>OBSERVATION</b>					
<p>6. The University requested the NCAA conduct a Compliance Blueprint Review of the athletic program, which took place in April 2011. In conjunction with the audit of athletic grant-in-aid, Internal Audit reviewed the recommendations and enhancements in the Blueprint review specific to financial aid. The recommendations and enhancements (including written procedures) had not yet been implemented.</p>		<p>Implement the NCAA Blueprint Compliance Review recommendations and enhancements, develop a timeline for implementation of each recommendation, and provide periodic reports to the University Athletic Council regarding progress.</p>	<p>Athletic department personnel will develop a timeline (project plan) for implementation of each applicable Blueprint recommendation.</p> <p>The timeline will target implementation of all applicable Blueprint recommendations. Athletic department personnel will provide updates to the University Athletic Council during their regularly scheduled meetings regarding progress versus the plan.</p>	<p>Project Plan: January 2, 2012</p> <p>Revised: March 1, 2012</p> <p>Implementation of Blueprint items: TBD based on project plan.</p>	
<b>Capital Asset Management and Reporting</b>					
<p>1. The capital asset policy does not describe the depreciation method used by the University, nor does it describe the trigger for capitalization of an asset.</p>		<p>Include a statement in the capital asset policy regarding the University's use of the straight line method of depreciation and define the trigger for capitalization and depreciation.</p>	<p>The Business Office will include a statement in the capital asset policy regarding the University's use of the straight line method of depreciation and define the trigger for capitalization and depreciation.</p>	<p>March 31, 2012</p>	
<p>2. The "Equipment Transfer/Disposal Request" form used to communicate potential asset disposals does not have a field to record the disposal method for the asset nor the recipient of the asset if sold or donated. Furthermore, the request form is not retained as support for the authorization of the disposal.</p>		<p>Add the disposal method and recipient to the Equipment Transfer/Disposal Request form and retain the request form in the Procurement Department or in the Business Office as evidence that the disposal was authorized and as a record of how and to whom an asset was disposed.</p>	<p>Business Office and Procurement management are reviewing alternatives for procedures and documentation that will provide evidence of the authorization of disposal, method of disposal, and the recipient of disposed assets, when applicable. The target date for determining the procedures and documentation is March 1, 2012, with a subsequent implementation date that will be based upon programming and training requirements.</p>	<p>Procedure review: March 1, 2012</p> <p>Implementation date: TBD</p>	
<p>3. The formal disposal process was not completed for 35 items disposed of during 2011 (approximately 33% of disposals).</p>		<p>N/A - The disposals were identified by Business Office personnel during a physical inventory of capital assets performed prior to the audit.</p>	<p>Business Office personnel issued an email to all financial managers on July 5, 2011, describing the issue identified during the inventory and outlining the formal process that should be followed when disposing of capital assets.</p>	<p>NA</p>	
<p>4. The library materials asset, accumulated depreciation, and depreciation expense are being calculated and tracked in an Excel spreadsheet rather than the fixed asset system.</p>		<p>Consider adding the library materials to the Banner fixed asset system and utilizing the system to calculate depreciation expense.</p>	<p>The manager of accounting operations will research the practices of other Banner institutions by June 30, 2012, and reevaluate use of Banner Finance for library materials for the 2012-2013 fiscal year in light of that research.</p>	<p>June 30, 2012</p>	

**University of Southern Indiana  
 Annual Audit Plan  
 Calendar Year 2012**

<b>QUARTER BEGINNING</b>	<b>AUDIT AREA</b>	<b>DESCRIPTION</b>	<b>HOURS</b>
January 2012	Fixed Asset Management	Finalize audit workpapers and report	40
	Information Technology Equipment Management	Review controls over computer equipment & disposal	70
	New Harmony Cash Controls, Key Management, and Inventory	New Harmony - Cash control review, key management, and physical inventory count	50
	Bookstore	Physical inventory observation and control review	225
	Physical Plant	Construction planning and management - process review	180
	Payment Card Industry Compliance	Compliance with debit and credit card data security requirements	50
	Information Technology	Information security audit proposals	80
April 2012	Children's Center and Athletics	Child protection policies	120
	Payroll	Review controls over payroll, employee withholdings, and remittance of tax withholdings	285
	Physical Plant Inventory Controls	Review controls over parts inventory	100
	Athletics Recruiting	NCAA Division II compliance review	200
July 2012	Security	Clery Act reporting	120
	Student Financial Aid	Grants and scholarships	230
	Non-Financial Aid Grant Fund(s)	Compliance with grantor regulations	235
October 2012	Registrar	Review controls over grades/transcripts, academic grievance procedures	200
	Privacy Legislation	Review compliance with the Family Educational Rights and Privacy Act and Gramm-Leach-Bliley Act safeguards rule	180
	Procurement Services	Review controls over bid process, requisition, and purchase orders	250

<b>Total Hours</b>	<b>2615</b>
Hours Available	2645
Hours available for unscheduled audits	30