

MINUTES
FINANCE/AUDIT COMMITTEE
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

March 6, 2014

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Thursday, March 6, 2014, in the University Center on campus. Present were Committee Chair Jeffrey L. Knight and Trustees John Dunn, and Ted C. Ziemer, Jr. Trustees Brenden Davidson '15 and Kenneth L. Sendelweck '76 were absent. Also in attendance were Vice President for Finance and Administration Mark Rozewski and Vice President for Government and University Relations Cynthia S. Brinker.

Mr. Knight called the meeting to order at 9 a.m.

1. REPORT ON RECOMMENDATIONS OF BENEFITS STUDY GROUP REGARDING CERTAIN RETIREE BENEFITS.

Mr. Knight called on Vice President Rozewski for a report on the recommendations of the Benefits Study Group. Mr. Rozewski reminded the Trustees that the sustainability of the University's post-retirement health care benefit was an issue that had been before the Board several times in the past, when the Board was asked to approve a transfer of funds to the VEBA Trust that underwrote the liability of the University's health care benefit. The annual required contribution to the VEBA Trust, as determined by the University's most recent actuarial report, was approaching \$3 million per year. In 20 years, the total liability would surpass \$100 million, if the benefit were allowed to continue unchanged. The University will not come close to fully funding the associated liability. Mr. Rozewski explained that the realignment of the post-retirement health care benefit should be done concomitantly with realignments of two other employee benefits; the Defined Contribution Plan for Faculty and exempt Administrators, (TIAA-CREF) and the Public Employee Retirement Fund pension and annuity benefit for non-exempt employees (PERF).

Mr. Rozewski reported that a Benefits Study Group, which he chaired, was formed to develop recommendations for changes to the benefits. Other members of the Group were Ethel Elkins, Faculty Senate; Jeffery Syler, Council of Chairs; Andrea Gentry, Administrative Senate; Betsy Mullins, Staff Council; and Donna Evinger and Nancy Lumley, Ex Officio members.

Mr. Rozewski introduced Director of Human Resources Donna Evinger who summarized the Benefits Study Group's proposed changes to certain retiree benefits.

2. RECOMMENDATION FOR APPROVAL OF PROPOSED CHANGES TO RETIREE INSURANCE ELIGIBILITY

Under the current plan, full-time, benefits-eligible employees who retire from the University with 10 years of service and who are at least age 60, as well as those who meet the rule of 85 or who become totally disabled as designated by the long-term disability insurer, are entitled to continue medical, dental, and life insurance benefits under the terms of the plans during the period of retirement or the period of disability. The Benefits Study Group evaluated several options for changes to the eligibility for these insured benefits. After careful consideration, including a review of likely future unfunded liability created by these benefits, the Group recommended the following revisions to retiree insurance coverage:

- a) End retiree medical, dental, and life insurance coverage for all employees who are hired on or after July 1, 2014.
- b) Continue a life insurance benefit at retirement or disability retirement for all full-time, benefits-eligible employees who are hired on or before June 30, 2014.

- c) Continue the option of medical and dental insurance at retirement for all full-time, benefits-eligible employees hired on or before June 30, 2014, whose age plus years of service as of July 1, 2014, equals or exceeds 57 points, or whose benefits-eligible service as of July 1, 2014, is 10 or more years, and for any disabled retiree whose beginning date of disability, as determined by the University's long-term disability insurer, was on or before June 30, 2014.
- d) End the option of medical and dental insurance at retirement for all full-time, benefits-eligible employees whose age plus years of service as of July 1, 2014, is less than 57 points and whose benefits-eligible service as of July 1, 2014, is less than 10 years.

All such changes will be subject to any provisions or limitations required by the Internal Revenue Code. Mr. Rozewski recommended approval of a recommendation to the Board of Trustees for approval of the proposed changes for retiree medical, dental, and life insurance coverage effective July 1, 2014.

3. RECOMMENDATION FOR APPROVAL OF PROPOSED CHANGES TO UNIVERSITY OF SOUTHERN INDIANA DEFINED CONTRIBUTION PLAN FOR FACULTY AND ADMINISTRATORS

Under the current University of Southern Indiana Defined Contribution Plan for full-time, eligible faculty and administrators, the University of Southern Indiana makes the following employer contribution: 11 percent of the first \$10,800 of salary plus 15 percent of the portion of salary above \$10,800. After careful consideration, the Benefits Study Group recommended a reduction in the University contribution, but with an off-setting one-time special base salary adjustment as follows:

- a) Amend the Defined Contribution Plan to allow for a fixed employer contribution of 11 percent of appointment salary, to take effect at the beginning of the next plan year, July 1, 2014.
- b) When the employer contribution is amended, include a grandfather clause that allows the following two groups to continue to receive the current 11 percent /15 percent contribution:
 - i. Retired employees who have already begun an Early Retirement benefit period before or on July 1, 2014, for the remainder of the post-retirement contribution period; and
 - ii. Disabled retired employees who have been or will be determined to be eligible for post-retirement benefits under the Long-Term Disability plan in place through December 31, 2013, with The Standard, for disabilities that are determined to have begun during 2013 or earlier, even if approved after 2013, for the length of such disability period.

NOTE: This Board was advised in November 2013, of the change of carriers for disability from The Standard to Sun Life effective January 1, 2014, due to a significant (over 80 percent) premium increase from The Standard. The new policy with Sun Life no longer provides for a post-disability retirement contribution and thus requires a modification in the Defined Contribution Plan to end that contribution for those whose disabilities are determined by the insurer to have begun on or after January 1, 2014.

- c) Amend the plan name to the "University of Southern Indiana Defined Contribution Plan for Faculty and Administrators" effective July 1, 2014.
- d) Provide a special one-time base salary increase to all full-time faculty and administrators hired on or before June 30, 2014, and to written offers for full-time faculty and administrators extended on or before March 6, 2014, equal to the amount of the University contribution decrease on their June 30, 2014, salary, plus the faculty or administrator's actual Social Security tax (if any) and Medicare tax on that one-time base salary increase.

All such changes will be subject to any provisions or limitations required by the Internal Revenue Code. Mr. Rozewski recommended approval of a recommendation to the Board of Trustees for approval of the proposed changes for the University of Southern Indiana Defined Contribution Plan effective January 1, 2014, and July 1, 2014. University Administration is authorized to enter into such amendment documents as needed to make these plan changes.

4. RECOMMENDATION FOR APPROVAL OF PROPOSED CHANGES TO PERF RETIREMENT BENEFITS FOR SUPPORT STAFF

Currently, all support staff in regular (non-temporary) assignments with a 50 percent schedule or more are eligible for PERF retirement benefits. The PERF benefits consist of (1) an Annuity Savings Account with a required three percent contribution that is paid by the University; and (2) a defined benefit or pension plan which provides a disability pension after five years of service and a retirement pension after age 60 and 15 years of service, age 65 and 10 years of service, and other age/service combinations. For this benefit, the University pays an actuarially determined cost, subject to change each year; for the current fiscal year, the plan costs the University 11.2 percent, resulting in a total University contribution for support staff of 14.2 percent.

Because the PERF benefits are provided under provisions of Indiana code, the University has determined that such benefits must continue to be provided for existing eligible support staff and for any re-hired support staff member who was in a PERF-eligible position during a previous period of employment. Therefore, after careful review and consideration, the Benefits Study Group recommended that:

- a) All PERF-eligible support staff currently employed or employed through June 30, 2014, and all re-hired support staff in a PERF-eligible position during a previous period of employment, will retain eligibility for PERF retirement benefits.
- b) A new Defined Contribution Plan for Support Staff should be created to take effect July 1, 2014, for only newly hired support staff in regular assignments with a 50 percent or greater schedule, with an employment date on or after July 1, 2014, and no prior PERF-eligible employment with the University of Southern Indiana. The new Defined Contribution Plan for Support Staff should be established with TIAA-CREF, with the same immediate vesting and other features as the Defined Contribution for Faculty and Administrators, but with a fixed employer contribution of seven percent of compensation and using the PERF definition of eligible compensation.

Mr. Rozewski recommended approval of a recommendation to the Board of Trustees for approval of the proposed changes including creation of a new University of Southern Indiana Defined Contribution Plan for Support Staff effective July 1, 2014. University Administration is authorized to notify the State of Indiana and to enter into such plan documents as needed to make these changes.

On a motion by Mr. Ziemer, seconded by Mr. Dunn, all three recommendations for approval of proposed changes to retiree benefits were approved.

5. REVIEW OF THE COMPLETED AUDIT AND APPROVAL OF THE ANNUAL AUDIT PLAN

Mr. Knight called on Vice President Rozewski for a report of completed audits and approval of the annual Audit Plan. Mr. Rozewski introduced director of Internal Audit Brad Will, who reviewed the report of completed audits and other activities conducted by the Internal Audit Department in 2013. He referred the Trustees to Attachment A, a detailed report of the following audits, and reviewed the objectives, conclusions, and recommendations of each audit.

- Bank and Investment Account Signature Authority
- Office of the Registrar
- Student Financial Assistance Federal Compliance
- Federal Grant Administration and Compliance

Mr. Will concluded his report by reviewing the Audit Recommendations Matrix on pages 15-22 of Attachment A.

In answer to Mr. Dunn's question of whether Mr. Will and his staff have the full cooperation of the administration, departments, and individuals when audits are performed, Mr. Will replied that he has full cooperation.

Mr. Will reviewed the scheduled audits for calendar year 2014 in Attachment A.

On a motion by Mr. Dunn, seconded by Mr. Ziemer, the Annual Audit Plan for Calendar Year 2014 was approved.

There being no further business, the meeting was adjourned at 9:55 a.m.



UNIVERSITY OF SOUTHERN INDIANA

Internal Audit Annual Report

Prepared by

Bradley V. Will, CPA
Director of Internal Audit

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

Report No. USIA13-6
 October 4, 2013

Audit Report Bank and Investment Account Signature Authority

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Review the adequacy of written policies and authorizations for the administration and execution of wire transfer, Automated Clearing House (ACH), and investment transactions				
Verify the personnel authorized by the University are consistent with online banking systems and financial institution records of authorized signers				
Review bonding levels of personnel with ACH, wire transfer, and investment authority for adequacy				
Obtain reasonable assurance that wire transfers and ACH transactions are properly authorized, approved, and supported with appropriate documentation				

Introduction

Our report of the internal audit of bank and investment account signature authority is presented below. We would like to thank Steve Bridges and other University personnel who contributed positively to our results.

Background Information

The University of Southern Indiana has established relationships with a number of local, regional, and national financial institutions to meet the University's banking and investment needs. Approved depositories and authorized signers were established by Board of Trustee resolution. Signature authority, including the ability to initiate ACH and wire transfer transactions, is limited to the following positions at the University: Treasurer, Assistant Treasurer, Controller, Assistant Controller, and the Payroll Manager. Due to the ability of the authorized signers to potentially move significant sums of money, Internal Audit performed a review of their signing authority, online banking access, and review/approval procedures associated with processing ACH and wire transfer transactions.

Report No. USIA13-6
October 4, 2013

This report is based on a review of authorized signers of record, online banking access, and financial institution ACH and wire transfer verification procedures as of August 2013. The audit approach consisted of comparing the authorized signers reflected in the financial institutions' records and online banking user access lists to the signers authorized by the Board of Trustees; obtaining financial institution procedures for verifying the legitimacy of ACH, wire transfer, and investment redemption transactions; reviewing bonding levels of the authorized signers; and reviewing a sample of ACH and wire transfer transactions processed during the 2012 – 2013 fiscal year.

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

- Review the adequacy of written policies and authorizations for the administration and execution of wire transfer, ACH, and investment transactions
- Verify the personnel authorized by the University are consistent with online banking systems and financial institution records of authorized signers
- Review the adequacy of bonding levels of personnel with ACH, wire transfer, and investment authority
- Obtain reasonable assurance that wire transfers and ACH transactions are properly authorized, approved, and supported with appropriate documentation

Conclusion

We noted opportunity for **minor improvement** with respect to **written policies and authorizations and consistency of signers with financial institution records**. Opportunity for **moderate improvement** exists with respect to **bonding levels of employees** with signature authority on University accounts. **Adequate controls and practices** were noted with respect to the authorization, approval, and supporting documentation for the sample of ACH and wire transfer transactions reviewed.

Management will take or has taken the following actions:

- Ensuring financial institutions have removed terminated employees from authorized signer lists
- Requiring dual authorization and increasing the bonding for employees responsible for ACH and wire transfers

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

J. Robert Howell
Internal Audit Manager

Distribution: Steve Bridges
Mark Rozewski
Dr. Linda L. M. Bennett

Report No. USIA13-6
October 4, 2013

Bank and Investment Account Signature Authority Audit Report

Control Issues and Responses

Ensuring financial institutions have removed terminated employees from authorized signer lists

Issue: Internal Audit obtained a list of financial institutions with which the University was doing business as of June 30, 2013, and requested the institutions to provide the authorized signers reflected in their records for the University's accounts. Six of the fifteen financial institutions responded with an outdated authorized signer list containing one or two retired employees. According to the Assistant Vice President for Finance and Administration and Assistant Treasurer, the financial institutions had been notified of the employee retirements. However, it appears the authorized signers had not been updated by some of the financial institutions.

Risk: Inaccurate authorized signer lists increase the risk that transactions may be initiated by unauthorized personnel.

Response: Management will contact the institutions again regarding the terminated employees and will require a response from them to confirm the requested changes have been made. This request will be made by January 15, 2014 with a requested completion by January 31, 2014.

Requiring dual authorization and increasing the bonding for employees responsible for ACH and wire transfers

Issue: Internal Audit requested the University's financial institution partners to describe their protocol for verifying the legitimacy of wire transfers. The majority of the institutions utilize a call-back procedure to the individual originating the wire transfer request. Internal Audit also reviewed the bonding amounts for University employees with significant cash management responsibilities. Insurance coverage in place at the time of the audit included bonding for employees in the amount of \$400,000, regardless of cash management and signatory responsibilities.

Risk: Allowing a single employee to originate and confirm wire transfer transactions increases the risk of unauthorized transfers of University funds. In addition, the lack of insurance bonding proportional to each employee's cash management role increases the risk that a misappropriation of funds will result in a direct financial loss to the University due to inadequate insurance coverage.

Response: The University wire disbursement process and ACH disbursement process require an originator and approver. According to standard procedure, the approver and the originator cannot be the same person. These controls are built into the system for 5/3 Direct and require a unique user specific computer ID and password in addition to an individually assigned random number generator token.

The monthly transfers from receipt only banks require a unique caller ID and password and are transferred using established templates that move the dollars to USI operating accounts at Fifth Third Bank via a telephone call. Dual authorization is obtained before the transfers are made but is initiated by the originator providing to bank personnel the name and telephone number of the person that will confirm the wire. The confirmer is required to be a signer for the account which is verified by bank personnel. In addition, some of the institutions holding University investments or certificates of deposit may initiate a call back to the originator of wire transfer or redemption transactions. Management will request that the financial institutions processing monthly transfers and investment or certificate redemptions utilize dual authorization in the future without being prompted by the originator. The anticipated date of completion will be January 31, 2014.

Report No. USIA13-6
October 4, 2013

The University began a new insurance broker relationship in October of 2013. This new broker has over 800 college and university clients and reviewed our bonding levels as part of the renewal process. Management is comfortable that this new, independent review in combination with their wealth of experience has the University positioned better than ever with respect to bonding coverage. The crime policy was increased from \$400,000 to \$2,000,000 which includes computer and funds transfer fraud.

Report No. USIA13-7
 October 25, 2013

Audit Report Student Financial Assistance Federal Compliance

Results at a Glance

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

Introduction

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

Background Information

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

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October 25, 2013

SFA is responsible for monitoring the eligibility of prospective financial aid recipients, verifying certain applicant data as required by the Department of Education, determining the best combination of aid to meet each student's financial need, applying federal aid to student accounts within regulatory timeframes, and identifying over-awards and student withdrawals that require the return of federal funds. Business Office personnel are responsible for the drawdown, accounting, and return of federal student aid funds to the Department of Education, the administration of credit balances created from the application of federal student aid to student accounts, and preparation of the Fiscal Operations Report and Application to Participate (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 fifth annual audit of SFA performed by Internal Audit. The previous audit of SFA was performed and reported on in October 2012, at which time Internal Audit noted **adequate controls and practices** for each of the compliance audit objectives and opportunity for **minor improvement** in the area of policies, procedures, and other issues.

This report is based on the review of SFA activity for the fall 2012, spring 2013, and summer 2013 academic terms. The audit approach consisted of reviewing SFA procedures and controls, reviewing federal student aid regulations, interviews with SFA management and staff, and analysis of student records for the fall 2012, spring 2013, and summer 2013 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 Institutional Eligibility Requirements
- Evaluate compliance with the Federal Student Financial Aid General Eligibility Requirements
- Evaluate compliance with Federal PELL Grant requirements
- Evaluate compliance with Federal Campus-Based Program requirements
- Evaluate compliance with Federal Direct Loan & PLUS loan requirements
- Determine whether the FISAP has been accurately completed and submitted on time
- Evaluate policies, procedures, and other issues not impacting compliance

Conclusion

In general, the results of our audit procedures indicate that the administration of SFA is in compliance with federal requirements governing the Title IV student aid programs. **Adequate controls and practices** exist for each of the audit objectives evaluated **except for the completion of the FISAP**, for which we noted **opportunity for minor improvement**.

Management will take or has taken the following action:

- Determining whether tuition and fees revenue reported in the FISAP corresponds to the FISAP instructions

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

J. Robert Howell
Internal Audit Manager

Distribution: Mary Harper
Suzanne Devine
Steve Bridges
Mark Rozewski
Dr. Linda L.M. Bennett

Report No. USIA13-7
October 25, 2013

Student Financial Assistance Federal Compliance Audit Report

Control Issues and Responses

Determining whether tuition and fees revenue reported in the FISAP corresponds to the FISAP instructions

Issue: During review of the University's 2012 FISAP report, Internal Audit noted that tuition and fees reported in the FISAP excluded tuition and fee revenue recorded in funds 15001 through 15005. Based on discussions with management, tuition and fees reported on the FISAP in prior years had also excluded these funds. The amount of tuition and fees that was excluded from revenue for the 2012 FISAP was \$18,812,600. Due to the timing for filing the 2012 FISAP, the historical precedent for reporting, and uncertainty about whether or not the reported tuition and fees should include these funds, management elected to report 2012 figures consistently with prior years and review the treatment of the tuition and fees for future reporting periods. Upon review of the 2013 FISAP report, Internal Audit noted that tuition and fees in the 15000 series funds were again excluded and inquired as to the results of management's review. Management indicated that no change in reporting was made due to uncertainty as to the impact of changing from the historical reporting methodology. The amount excluded from revenue reported in the FISAP for 2013 was \$18,462,286.

Risk: Failure to analyze the FISAP instructions and Department of Education requirements for reporting tuition and fees may lead to inaccuracies in the federal funding formulas used to determine the University's allocation of campus-based funds (i.e. Federal Supplemental Educational Opportunity Grant and Federal Work Study).

Response: Business office and SFA personnel will jointly review the reporting of tuition and fees in the FISAP report and determine the appropriate future treatment of tuition and fee revenue recorded in funds 15001 through 15005. The two teams met on December 12, 2013, and developed the following strategy:

- 1) A team composed of Steve Bridges, Mary Jo Harper, Joanna Riney, and Jeff Sickman will begin meeting in April 2014 to develop and implement a plan by May 31, 2014.
- 2) The plan will transition the FISAP completion to SFA but mainly as the lead group in its submission with the business office remaining involved in amount validations and in the discussion of elements that should be included or excluded from reporting.
- 3) The immediate goal per the audit recommendation will be to determine the items to be included in the tuition and fee revenue reported, the impact of any changes, and the manner to best report a change that could potentially be a large adjustment. The team will work to identify someone at the Department of Education who could assist us in reviewing our logic on the items to include and facilitating any reporting change that could create error messages with the reporting program due to the amounts involved.
- 4) The team will work to develop an agreed upon template of data in advance of the June 30, 2014 fiscal year end that will be completed as part of the year end process. This data will be available to SFA well in advance of the first submission deadline for the FISAP and provide an approach that assists in dealing with later multiple time sensitive deadlines.
- 5) The template will be reviewed annually in the April and May timeframe to identify any adjustments that could be required due to new fees or programs that could impact the FISAP.

Report No. USIA13-8
 November 13, 2013

Audit Report Federal Grant Administration and Compliance

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
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, Karen Tuley, Dr. Katherine Draughon, Dr. Ann White, Emily Lynn, and other personnel who contributed positively to our results.

Background Information

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

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

The previous audit of federal grant administration and compliance was performed and reported on in November 2012, at which time Internal Audit noted opportunity for moderate improvement in the areas of pre-award grant activities and post-award grant management.

This report is based on inquiry of OSPRA, Business Office, and College of Nursing and Health Professions personnel and review of a sample of federal awards that were active in fiscal year 2013. The audit approach consisted of examining award agreements, accounting transactions, and grant reports for four federal awards considered "major programs" according to the United States Office of Management and Budget Circular A-133. All four of these awards were included in the 2012 audit, at which time the grant proposals and institutionally required approvals were reviewed. The awards continued to be active in fiscal year 2013 because they either received an extension or were entering the second year of a three-year award.

Report No. USIA13-8
November 13, 2013

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

- 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 opportunity for **moderate improvement** in the area of **post-award grant management**. Although management has made improvements over the past year with respect to a number of post-award activities, an issue identified in the 2012 audit with respect to timely preparation of salary and wage activity reports was still present during the 2013 audit period. While the time frame for preparation of salary and wage activity reports was exceeded in part due to changes implemented as a result of the 2012 internal audit, management should continue to work toward preparing and distributing salary and wage activity reports within the six-month regulatory time frame.

In addition to improving the timeliness of the salary and wage activity reports, management will take or has taken the following action:

- Developing a salary allocation report for distribution to financial managers on a monthly basis

Bradley V. Will
Director of Internal Audit

J. Robert Howell
Internal Audit Manager

Distribution: Jina Campbell
Jeff Sickman
Steve Bridges
Dr. Katherine Draughon
Dr. Ann White
Mark Rozewski
Dr. Linda L.M. Bennett

Report No. USIA13-8
November 13, 2013

Federal Grant Administration & Compliance Audit Report

Control Issues and Responses

Developing a salary allocation report for distribution to financial managers on a monthly basis

Issue: During the review of salary allocations for personnel assigned to the three advanced nursing education grants, Internal Audit noted two personnel whose allocations for one academic term during the audit period appeared to be based on the inadvertent continuation of a payroll notification which was completed for the immediately preceding academic term.

Risk: The inability to designate an expiration date for salary allocations and the lack of routine reporting to financial managers regarding personnel being charged to their cost centers increase the risk of inaccuracies in salary allocations processed through the payroll system.

Response: Human Resources is working with Information Technology to develop a salary allocation report for distribution on a monthly basis to each financial manager of funds receiving payroll allocations. The report should include the fund numbers under the financial manager's control, the personnel ID number, employee name, position number, and the percent of the employee's salary allocated to each fund. The financial managers would be able to use this information pulled from the payroll system to proactively compare to their records regarding salary allocations. The target date for production and distribution of the first set of reports is January 31, 2014.

Report No. USIA13-9
 December 13, 2013

Audit Report Office of the Registrar

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Evaluate the adequacy of controls over posting grades and processing grade changes				
Review the adequacy of controls over the production and delivery of academic transcripts				
Assess the adequacy of controls over the conferral of degrees				

Introduction

Our report of the internal audit of the Office of the Registrar (OR) is presented below. We would like to thank Sandy Frank, Linda Tribble, and other University personnel who contributed positively to our results.

Background Information

The accuracy and integrity of student grades, authenticity of academic transcripts, and legitimacy of degrees conferred are critical to the reputation of institutions of higher education. Problems or scandals regarding grade changes can attract undesirable national attention. The falsification or fraudulent production of academic transcripts by individuals who are intent on misrepresenting their academic record can also result in damage to a university's reputation. Errors or fraud with respect to degrees earned by students and awarded by the University may lead individuals or organizations that rely on such information to doubt the academic rigors of University programs. In order to combat the foregoing risks, universities must implement controls to protect the integrity and legitimacy of these academic records and symbols of achievement.

This report is based on a review of controls over posting grades and grade change processing, the production and delivery of academic transcripts, and awarding of degrees. The audit approach consisted of reviewing Banner system access controls and identifying the personnel with access to post or change grades, produce and deliver transcripts, and award degrees; reviewing a sample of grade changes processed during the 2012 – 2013 academic year for legitimacy, accuracy, and adherence to departmental procedures; reviewing the population of grade changes for the most recent two academic years in an effort to identify unusual trends by course, instructor, or student groups; evaluating the adequacy of physical security over the transcript paper, security features within the transcript paper, and controls to certify the authenticity of transcripts delivered electronically; examining a sample of degrees awarded during the 2012 – 2013 academic year for adherence to

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December 13, 2013

departmental review procedures; and comparing degree requirements listed in the degree audit software to the requirements published in the academic bulletins for a sample of degree programs.

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

- Evaluate the adequacy of controls over posting grades and processing grade changes
- Review the adequacy of controls over the production and delivery of academic transcripts
- Assess the adequacy of controls over the conferral of degrees

Conclusion

We noted opportunity for **minor improvement** with respect to **posting grades and processing grade changes**. **Adequate controls and practices** were noted with respect to the **production and delivery of academic transcripts** and **degree conferral**.

Management will take or has taken the following actions:

- Documenting the performance of data-entry verification for grade changes

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

J. Robert Howell
Internal Audit Manager

Distribution: Linda Tribble
Sandy Frank
Dr. Ronald Rochon
Mark Rozewski
Dr. Linda L. M. Bennett

Report No. USIA13-9
December 13, 2013

**Office of the Registrar
Audit Report**

Control Issues and Responses

Documenting the performance of data-entry verification for grade changes

Issue: Grade changes processed in the OR are reviewed for data-entry accuracy by an employee other than the staff person that entered the change into Banner. OR management has requested staff performing the review to initial the Incomplete Grade Report Forms and Grade Change Forms indicating that verification was completed. Internal Audit reviewed a sample of 60 grade changes and none of the Incomplete Grade Report Forms and Grade Change Forms contained initials indicating whether and by whom the review had been completed.

Risk: Failure to document the completion of the data-entry verification may lead to unidentified errors, inefficient processing, and duplication of effort as staff members have no means to determine whether verification was completed.

Response: The OR staff was verbally reminded on November 1, 2013, to initial forms when they are either the data entry person or the data entry verification person. The issue was also discussed at the November 6, 2013, staff meeting. OR intends to have the Incomplete Grade Report Form and the Grade Change Form modified to include a section for both the data entry person to initial and the verification person to initial. OR will incorporate these changes on all forms the next time they are ordered.

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

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Hazardous Materials Management and Disposal					
	1. The current operating environment lacks centralized oversight and coordination of disposal activities such that each department is handling its waste independently.	Environmental Health and Safety Department (EHS) should provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:	EHS agrees to provide University-wide oversight responsibility and coordination for hazardous, universal, and toxic waste management and disposal by performing the following activities:		
		a.) Obtain inventory listings on an annual basis from all areas generating and storing waste, including location where it is stored. Have departments provide maximum quantity of hazardous chemicals and wastes on hand at any given time (for emergency response purposes).	a.) EHS requested a listing of all hazardous materials, their locations, and maximum expected quantities from the deans on August 18, 2011, with the hope they would provide assistance in gathering the information by demonstrating support. An Excel spreadsheet was provided as a template to aid in preparation and to provide some standardization.	August 18, 2011	Completed and ongoing
		b.) Maintain a database or file on the computer network of the inventory, which is accessible by appropriate University personnel.	b.) EHS will combine the submitted spreadsheets into a master list that will be accessible to University personnel by November 30, 2011.	November 30, 2011 Revised: March 16, 2012, May 31, 2013, December 31, 2013	Completed and ongoing
NCAA Grant-in-Aid					
	6. The University requested the NCAA conduct a Compliance Blueprint Review of the athletic program, which took place in April 2011. In conjunction with the audit of athletic grant-in-aid, Internal Audit reviewed the recommendations and enhancements in the Blueprint Review specific to financial aid. The recommendations and enhancements (including written procedures) had not yet been implemented.	Implement the NCAA Blueprint Compliance Review recommendations and enhancements, develop a timeline for implementation of each recommendation, and provide periodic reports to the University Athletics Council regarding progress.	Athletic department personnel will develop a timeline (project plan) for implementation of each applicable Blueprint recommendation. The timeline will target implementation of all applicable Blueprint recommendations. Athletic department personnel will provide updates to the University Athletics Council during its regularly scheduled meetings regarding progress versus the plan.	Project Plan: January 2, 2012 Revised: March 1, 2012 Implementation of Blueprint items: TBD based on project plan.	Project Plan developed Implementation in progress: Approximately 85% of items completed
Capital Asset Management and Reporting					
	2. The "Equipment Transfer/Disposal Request" form used to communicate potential asset disposals does not have a field to record the disposal method for the asset nor the recipient of the asset if sold or donated. Furthermore, the request form is not retained as support for the authorization of the disposal.	Add the disposal method and recipient to the Equipment Transfer/Disposal Request form and retain the request form in the Procurement Department or in the Business Office as evidence that the disposal was authorized and as a record of how and to whom an asset was disposed.	Business Office and Procurement management are reviewing alternatives for procedures and documentation that will provide evidence of the authorization of disposal, method of disposal, and the recipient of disposed assets, when applicable. The target date for determining the procedures and documentation is March 1, 2012, with a subsequent implementation date that will be based upon programming and training requirements.	Procedure review: March 1, 2012 Revised: March 1, 2013 Implementation date: July 1, 2014	Completed

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

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Child Protection Policies Risk Assessment	1. The University does not have a comprehensive, University-wide policy for the protection and safety of children participating in University-sponsored programs or third-party sponsored programs occurring at University facilities.	Develop a comprehensive policy, with guidance from legal counsel, and submit such policy to the Board of Trustees for review and approval.	A group representing a variety of areas across the University, including Athletics, Children's Learning Center, faculty, Human Resources, Risk Management, Special Events and Scheduling Services, Public Safety, and Residence Life was assembled at the request of the Provost to form a committee charged with the development of a University-wide policy for the protection and safety of children.	January 2, 2013 Revised: March 15, 2013	Draft under final legal review Online training has been developed and is being reviewed by the committee
Employment, Payroll, & Benefits	4. Internal Audit reviewed the I-9 forms, employment eligibility documentation, and I-9 Banner system information for the sample of employees selected for payroll audit testing (approximately 60 employees). The results of the review indicate the following: <ul style="list-style-type: none"> • Inconsistent filing practices – copies of documents presented for verification were sometimes filed with the I-9 form and sometimes filed in the employee's personnel file • Missing or misfiled I-9 forms • Inaccurate information in the I-9 section of Banner • Failure to complete verification within three business days 	Review I-9 files and documentation, compare Banner data to employment verification documents, and ensure employment verification is completed within required timeframes.	HR is seeking a legal opinion regarding whether to conduct an audit of I-9 forms for all current employees. By March 31, 2013, HR will establish a project plan for identifying and correctly filing any supporting documents from pre-June 2011 (hires prior to implementation of E-verify). Upon investigation of the audit issues, one I-9 form (from 1999) was missing, and one was misfiled. We have moved the misfiled form. We are seeking an attorney opinion on the next step regarding the missing I-9 form. Inaccurate information in Banner has been reviewed and updated. Employment staff and reviewing generalists have been reminded about this process so that future updates are completed timely.	Legal opinion: March 31, 2013 Revised: September 30, 2013 Project plan for filing supporting documents: March 31, 2013 Revised: September 30, 2013 Completed	Management has elected not to perform a review of I-9 documentation considering the finding of only one missing I-9 in the audit sample NA - Employers are no longer required to file copies of employee documents with the I-9 based on the April 30, 2013 revision of the U.S. Citizenship and Immigration Services Handbook for Employers
			The Employment generalist now reviews a monthly report for I-9 status entries other than "received" and ensures follow up with the employee. HR administration will consider discontinuing use of the US Regulatory tab in Banner and relying on E-verify for tracking receipt of employment eligibility documents; alternatively, HR will develop a procedure to periodically reconcile the two systems (Banner and E-verify) for those tracked in both. A decision will be made by March 31, 2013. Several steps to improve timely and accurate I-9 processing have been added since the implementation E-verify, including: <ul style="list-style-type: none"> • Introducing a special email address to identify whether a proposed hire requires a tax packet with I-9 • Re-training and disciplinary processes for hiring managers who allow an employee to work without an I-9 	Employment eligibility document tracking decision: March 31, 2013	Completed and ongoing: Monitoring reports generated by both Banner and E-verify

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

AUDIT NAME				
OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
		<p>In addition to those processes, HR will now:</p> <ul style="list-style-type: none"> • Review form errors and filing errors and sensitize HR staff to these in training to be developed and implemented by March 31, 2013 • Identify whether further HR training and/or job aids are needed • Evaluate the processes for entering hire dates in Banner to eliminate appearance of non-compliance • Identify any date discrepancies required by HR function and document for future audits 	<p>Training: March 31, 2013</p>	<p>Completed</p>
<p>6. During the audit, payroll personnel indicated they have established as an objective to increase the use of technology through the selection and implementation of an electronic time-keeping/time-tracking system. The current payroll processing environment relies heavily on hard-copy documents for tracking and reporting hours worked and employee time off (both paid and unpaid time). The University uses paper time sheets for employees to record their hours. In addition, personnel within the various departments summarize the hours from employee timesheets by recording them on a hard-copy recap document.</p>	<p>Utilize technology solutions to increase efficiency of payroll processing.</p>	<p>The Payroll Manager and HRISM are meeting weekly to explore options of implementing either a Banner-provided or a separate web time-entry system. The managers will make a recommendation and a final decision will be made by March 31, 2013.</p>	<p>Web time plan: Students - Fall 2013 Revised: December 2014</p> <p>Bi-weekly - Spring 2014 Revised: June 2015</p> <p>9-month faculty - Fall 2014 Revised: December 2015</p> <p>Remaining monthly - Fall 2015 Revised: June 2016</p>	
<p>7. The current payroll processing schedule includes a bi-weekly payroll for support staff and temporary workers, a bi-weekly payroll for student workers, and monthly payroll for full-time faculty, administrative staff members, and adjunct faculty. The bi-weekly payrolls are paid one week in arrears, while the monthly payrolls are paid current.</p>	<p>Consider transitioning the monthly payroll schedule to a bi-weekly payroll schedule.</p>	<p>The HR administrator group will evaluate the web time-entry project and possible changes to the payroll processing schedule and the Payroll Manager and HRISM will recommend their priority order by March 31, 2013. At that time a project plan would be built for the top priority project and subsequent deadlines established.</p>	<p>Prioritization of web time-entry and payroll schedule projects: March 31, 2013</p> <p>Evaluation of transition from monthly to bi-weekly processing: 9-month faculty - Fall 2014 Remaining monthly - Fall 2015</p> <p>Revised: June 2016</p>	<p>Web time-entry prioritized first</p>

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

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
	<p>9. A review of liability account reconciliations associated with various elective employee benefits revealed a significant amount of manual effort to complete the reconciliations. For example, the reconciliation process for dental insurance requires the reconciler to compare individual benefit participant details from the invoice to the payroll deduction register and compare participant details from the current month invoice to the prior month to identify changes in elected coverage.</p>	<p>Automate the reconciliation of certain benefit enrollments and payroll withholding.</p>	<p>Dental insurance will be the first elective benefit to be attempted.</p> <p>The proposed timeline for automation of the dental insurance reconciliation follows:</p> <p>Request the development of an exception report to identify the differences between University and vendor records by December 31, 2012. First test reconciliation by March 31, 2012. Implementation of automated process by June 30, 2013.</p> <p>When feasible, other existing elective benefit liability reconciliations will be automated with a target completion date of June 30, 2014.</p>	<p>Automation of dental reconciliation: June 30, 2013</p> <p>Automation of other reconciliations: June 30, 2014</p>	<p>On hold indefinitely due to resource constraints</p> <p>On hold</p>
Federal Grant Administration and Compliance	<p>2. There does not appear to be a consistent, formal training activity to ensure that personnel working with grants have carefully reviewed the GMG and attained an awareness of some of the nuances of federal grant compliance requirements.</p>	<p>Train faculty and administrative personnel regarding compliance requirements and University policies related to federal grants.</p>	<p>Original Response: OSPRA and the Business Office plan to develop a series of short PowerPoint presentations that highlight key federal and University policies related to grant administration.</p> <p>OSPRA and the Business Office will host "lunch and learn" type programs once each semester for faculty and staff.</p> <p>Revised response: OSPRA has developed a quarterly electronic newsletter which is sent to all USI employees and covers grant activity, policies and compliance issues.</p> <p>The responsible conduct of research committee hosts three workshops each semester on various topics, and when applicable, discussion on federal and University policies are included. These workshops are required for students and faculty supported by NIH and NSF grants, but all USI researchers, faculty, and students are welcome to attend.</p>	<p>NA</p> <p>August 2013 and ongoing</p> <p>In process and ongoing</p>	<p>NA</p> <p>Completed and ongoing</p> <p>Completed and ongoing</p>
Office of Public Safety Clery Act Reporting	<p>1. The 2012 Security Report did not contain several policy and process information statements, required by the Clery Act, that had been included in the 2011 report.</p>	<p>Include in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act.</p>	<p>Beginning with the October 2013 Annual Security and Fire Safety Report, the Security Department will update the report to include the required policy and process information identified as having been omitted from the 2012 report.</p>	<p>October 2013 Annual Security and Fire Safety Report</p>	<p>Completed</p>

**University of Southern Indiana
 Audit Recommendations Matrix
 Calendar Year 2013**

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
NCAA Recruiting Compliance					
	1. Compliance training for coaches and student athletes has historically been conducted primarily on an informal basis. Recently, the Associate Director of Athletics/Senior Women's Administrator has instituted formal compliance education and training including monthly compliance meetings with coaches. A strong compliance education and training program helps establish a case for good institutional control over athletics compliance.	Continue the formalization and documentation of compliance education and training including regularly scheduled training events, mandatory attendance for appropriate personnel, documentation of agenda items, a sign-in process confirming attendance, and evaluations or quizzes as appropriate. Extend formal compliance education to the university's representatives of athletics interests by annually mailing a brochure to the Varsity Club members and placing compliance posters in the Varsity Club room or other locations where they may be frequently viewed by the membership.	Monthly meetings with coaches will continue each month during the academic year. Agenda items will be documented and attendance will be required and confirmed. By July 2013, athletics administration will have a policy in place for any newly hired coaches to get acclimated to the University's policies and if needed, NCAA rules. A compliance education brochure will be completed and included in the August 2013 mailings to Varsity Club members. Posters containing compliance information relevant to boosters and representatives of athletics interests will be placed in the Varsity Club room beginning in September 2013, and updated each month thereafter.	Monthly meetings: Ongoing Compliance training policy for new coaches: July 31, 2013 Compliance brochure: August 31, 2013 Compliance posters: September 30, 2013 Revised: July 31, 2014	Ongoing Completed Completed
	4. Coaches generally do not maintain logs of recruiting activity.	Require coaches to log key information and dates to document compliance with NCAA regulations. The recruiting data recorded in these logs should be periodically reviewed by the compliance coordinator and a sample of items compared to recruiting related expense reports.	The Associate Director of Athletics/Senior Women's Administrator has inquired of other Great Lakes Valley Conference member institutions regarding methods they use to facilitate coaches reporting and logging recruiting activities. By August 2013, athletics administration will compile the responses and review with the USI coaches to determine the most appropriate method to implement at USI.	August 31, 2013	Implemented log for first contact Off-campus recruiting database for men's and women's basketball implemented and being evaluated for effectiveness
	5. Unofficial visit forms and tryout forms were not consistently being used by coaches and official visit forms were often only partially completed. In some cases, required information or signatures were missing. In other cases, optional activities associated with a visit (e.g. entertainment or accommodations) were generally left blank rather than indicating on the forms that those items did not apply to a particular recruiting visit or trip.	Communicate to the coaches the requirement that recruiting forms be completed consistently and in their entirety. Athletics administration should ensure that all forms are fully completed and specific notations are made when an item on the form is inapplicable or null.	Beginning in May 2013, athletic department administration will modify the USI Prospective Student-Athlete Request for Admission/Eligibility Center Information ("green sheet") to include space for recording unofficial visit information. In addition, the athletic department administrative assistants will begin emailing the Associate Director of Athletics/Senior Women's Administrator each time they complete a reimbursement or issue a meal card for an unofficial visit. Athletic department administration will educate coaches on completing the forms in their entirety. Furthermore, the compliance office will create a database of approved official visits beginning in August 2013, which will be used for tracking purposes and to validate that official visit forms were properly completed.	Modify Request for Admission/Eligibility Center Information Form: May 31, 2013 Administrative assistant emails for unofficial visit activity: May 31, 2013 Revised: August 31, 2013 Create database of approved official visits: August 31, 2013	Completed Implemented a spreadsheet for tracking unofficial visits Implemented a spreadsheet for tracking official visits

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2013**

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Contracting Authority Risk Assessment					
	1. The University does not have a written policy outlining the positions that are authorized to execute contracts obligating the University to deliver goods or services to third parties.	Develop a written policy which clearly defines those positions with authority to execute contracts or delegate such execution authority. Centralize the review of all contracts to facilitate routing, both internally and to outside legal counsel, ensure that appropriate University personnel review the contracts, monitor the contracts for provisions or modifications that have been predetermined as potentially detrimental to the University's interests, and ensure legal counsel is consulted when appropriate.	The Division of Outreach and Engagement, under the direction of the Associate Provost, has established a contract committee (committee) to review the various types of service contracts that the department executes. The committee will complete a draft of the policy, make its determination of feasibility of centralized contract review, and submit the policy to the President's Council for review by September 30, 2013.	9/30/2013 Revised: "Pilot" policy in Division of Outreach and Engagement: February 28, 2014 Rollout policy to entire campus: January 2015	Completed
	2. The University does not have a standard contract template that is required for all contracts and proposals for delivery of services. Consequently, these agreements generally lack provisions limiting the University's liability and protecting the University from claims associated with the performance of the services.	Develop a standard contract template, which includes the following provisions: a.) Limitation of liability b.) Indemnification clause c.) Force majeure clause d.) Confidentiality clause	The Division of Outreach and Engagement will work with legal counsel to develop standard contract templates containing the suggested provisions, as appropriate for the types of services routinely performed by University personnel.	9/30/2013 Revised: March 31, 2014	In progress
Eagle Access Department Card					
	1. Regular reports indicating activity and the balance available are not provided to department cardholders. Furthermore, due to changes in card office administrative procedures the practice of deactivating cards following a specified event or time period and reducing the available balance to zero was discontinued in favor of allowing the cards to remain active with a residual available balance.	The university's liaison with Sodexo should request monthly reports of card activity and available credit balances be prepared and distributed to cardholding departments. Each department should receive information for their cards only.	The Assistant Vice President for Business Affairs and Assistant Treasurer will request the card office begin producing and distributing to cardholding departments monthly reports beginning as of September 30, 2013, and on a monthly basis thereafter.	September 30, 2013	Completed and ongoing
	2. Some card users indicated that they did not have a clear understanding of guidelines for usage of the cards, nor did they connect proper usage of the cards with the institutional hospitality policy.	Develop a policy and procedures to govern the use of Eagle Access department cards that is consistent with the approved University hospitality policy. Training should be provided for all department users and users' acknowledgement of the policy should be documented.	The Business Office will develop a policy and procedures to govern the use of Eagle Access department cards that is consistent with the approved hospitality policy. The policy will be developed by September 30, 2013, and users will receive communication/training on the policy thereafter.	9/30/2013 Revised: July 1, 2014	
	3. Eagle Access department card transactions currently receive no independent (outside the department) review to confirm that card usage is in conformity with University policies and procedures. All other University financial transactions receive some level of review by finance or accounting personnel.	Develop an independent review of Eagle Access department card transactions for conformity with established policies and procedures.	Business Office management is considering the possibility of transitioning the majority of departments currently using Eagle Access cards to the use of a procurement card for hospitality expenses. The Business Office will complete its evaluation of the feasibility of such a transition by June 30, 2014, and take subsequent actions as appropriate.	June 30, 2014	
	4. A review of Eagle Access department card transactions and an inventory of 139 cards on hand for a sample of departments revealed 25 department cards with no activity for the period from July 2011 through April 17, 2013, and 21 cards no longer in the departments' possession.	Review the cards that have not had activity and those which are no longer in the custody of University personnel and then contact the card office to have them closed, if appropriate. In addition, once statements of activity are being distributed to the departments, management should encourage departments to evaluate the need for the cards they possess and close unnecessary cards.	The Business Office will contact the card office by September 30, 2013, to request closure of the cards identified by Internal Audit as inactive and those which are no longer in the custody of University personnel. Furthermore, in conjunction with the distribution of monthly reports reflecting card activity and available balances, the Business Office will request that the card office include instructions to the cardholding departments for closing inactive or missing cards.	September 30, 2013	Completed

**University of Southern Indiana
 Audit Recommendations Matrix
 Calendar Year 2013**

AUDIT NAME	OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Children's Learning Center (CLC) and Campus Lockdown Protocols					
	2. A lockdown or shelter-in-place procedure for the campus, residence halls, and campus apartments has not been drafted.	Develop appropriate lockdown or shelter-in-place procedures, including notification, initiation, and termination. Train staff on these procedures at least annually. Conduct practice drills periodically where practical.	Office of Public Safety (OPS) has developed a draft of lockdown/shelter-in-place protocol which addresses the procedures applicable to the general campus community, the residence halls, and student apartments. OPS will work with Housing and Residence Life and other management personnel to finalize the procedures by August 30, 2013. Training and practice drills on the procedures will be conducted annually, where practical.	Finalize procedures: August 30, 2013 Training: Fall 2013	Completed In progress and ongoing
	3. Current notification protocol for timely warnings and/or incidents that may present an immediate threat to the University community indicate that the message content shall be reviewed by the vice president of finance and administration and/or the director of News and Information Services prior to delivery to the campus community.	Develop some pre-approved text for communication of immediate safety threats.	OPS has developed and implemented some pre-approved messages related to severe weather threats. OPS will identify the most conceivable safety threats, other than severe weather, for which notifications may be issued, develop appropriate notification text, and obtain approval of the appropriate members of the administration. The pre-approved text shall be available for use by September 30, 2013.	September 30, 2013	Completed
Bank and Investment Account Signature Authority					
	1. Six of fifteen financial institutions with whom the University does business had an outdated authorized signer list in their records containing one or two retired employees.	Request the financial institutions to update their records of authorized signers and provide the University with positive confirmation of the signers of record upon completion of the updates.	Management will contact the institutions again regarding the terminated employees and will require a response from them to confirm the requested changes have been made. This request will be made by January 15, 2014 with a requested completion by January 31, 2014.	January 31, 2014 Revised: June 30, 2014	
	2. The majority of the University's financial institution partners verify the legitimacy of wire transfers utilizing a call-back procedure to the individual originating the wire transfer. In addition, insurance coverage in place at the time of the audit included bonding for employees in the amount of \$400,000, regardless of cash management and signatory responsibilities.	Work with the University's financial institution partners to establish a dollar limit for wire transfers above which dual authorization (i.e. independent from the originator) must be obtained prior to the funds being released. Management should also review the bonding for employees with significant cash management responsibilities and consider increasing the bond coverage for these individuals.	Management will request that the financial institutions processing monthly transfers and investment or certificate redemptions utilize dual authorization in the future without being prompted by the originator. The anticipated date of completion will be January 31, 2014. The University began a new insurance broker relationship in October of 2013. The crime policy was increased from \$400,000 to \$2,000,000 which includes computer and funds transfer fraud.	Dual Authorization for monthly transfers and investment or certificate redemptions: January 31, 2014 Revised: June 30, 2014 NA	

**University of Southern Indiana
 Annual Audit Plan
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QUARTER BEGINNING	AUDIT AREA	DESCRIPTION	HOURS
January 2014	Privacy Legislation	Review compliance with Family Educational Rights and Privacy Act and Gramm-Leach-Bliley Act safeguards rule	200
	New Harmony Key Box Controls and Museum Shop Inventory	New Harmony - Museum Shop physical inventory count and key box controls follow-up	25
	Campus Store	Physical inventory observation	40
	Payment Card Industry Compliance	Compliance with debit and credit card data security requirements	140
	Construction Change Orders	Review Teaching Theatre construction change orders	100
	Procurement Services	Review controls over bid process, requisition, and purchase orders	250
April 2014	International Travel	Review policies and procedures associated with University-sponsored international travel	200
	Library Services	Assessment, recording, waiver, and collection of library fees and fines	200
	Physical Plant Inventory Controls	Review controls over parts inventory	120
	IT Network Architecture and Data Security	Outsourced IT security risk assessment and consulting engagement	60
July 2014	Student Financial Aid	Grants and scholarships	220
	Non-financial aid grant fund(s)	Compliance with grantor regulations	220
	Athletics Eligibility	NCAA Division II compliance review	200
October 2014	Grounds Center	Fuel pump access and accountability	180
	Residence Life	Review controls over billing and occupancy, card/key security, security of student data, and residence contracts	250
	Athletics Business Operations	Review controls over cash, ticket sales, and other revenue	220

Total Hours	<u>2625</u>
Hours Available	2656
Hours Available for Unscheduled Audits	31