AGENDA

FINANCE/AUDIT COMMITTEE

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

September 5, 2013

1. APPROVAL OF RECOMMENDATION FOR 2014-2015 HOUSING RATES

Approval of a recommendation to the Board of Trustees for approval of the following 2014-2015 housing rates is recommended.

		CURRENT RATE	PROPOSED RATE	EFFECTIVE DATE
FALL OR SPRING SEMESTER				
McDONALD or O'DANIEL APARTMENT				
Two Bedroom:	Two students per bedroom	$2,015	$2,070	7-01-14
	One student per bedroom	3,600	3,699	7-01-14
One Bedroom:	Two students	2,430	2,497	7-01-14
	One student	4,515	4,639	7-01-14
GOVERNORS, NEWMAN, O'BANNON, or RUSTON HALL				
One and Two Bedroom: Two students per bedroom		$2,015	$2,070	7-01-14

SUMMER SESSIONS

Summer session rates are pro-rated to fall and spring semester rates.

2. APPROVAL OF RECOMMENDATION FOR 2014-2015 MEAL PLAN RATES

Students who live in the residence halls (Governors, Newman, O'Bannon, and Ruston) are required to purchase a resident meal plan. Three plans (Red, White, and Blue Eagle) offer different combinations of meals in The Loft and discretionary spending at other dining venues on campus. The proposed rate allows for normal increases in food and labor costs.

FALL OR SPRING SEMESTER	CURRENT RATE	PROPOSED RATE	EFFECTIVE DATE
Red, White, or Blue Eagle Meal Plan	$1,825	$1,894	7-01-14

Students who live in apartments (McDonald or O'Daniel) are required to purchase $50 in Munch Money for use in any dining venue on campus.

Approval of a recommendation to the Board of Trustees for approval of the proposed meal plan rates for 2014-2015 is recommended.

3. **REVIEW OF COMPLETED AUDITS**

A summary of audits conducted by the Internal Audit Department thus far in 2013 and a revised Annual Audit Plan will be reviewed (Attachment A).

4. **APPROVAL OF RECOMMENDATION TO APPROVE REQUEST FOR GENERAL REPAIR AND REHABILITATION FUNDS**

The 2013 Indiana General Assembly appropriated $683,963 in fiscal year 2013-2014 for repair and rehabilitation of campus facilities. Board approval of the projects will allow the University to access and draw down the fiscal year 2013-2014 appropriation. Attachment B is a list of proposed projects totaling $683,963.

Approval of a recommendation to the Board of Trustees to approve the projects in Attachment B is recommended.

5. **APPROVAL OF CONSTRUCTION CHANGE ORDERS**

A construction change order requiring approval of the committee is summarized in Attachment C.

Approval of the change order in Attachment C is recommended.

6. **REVIEW OF CONSTRUCTION CHANGE ORDERS APPROVED BY VICE PRESIDENT FOR FINANCE AND ADMINISTRATION**

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

UNIVERSITY OF SOUTHERN INDIANA

Internal Audit Report

Prepared by

Bradley V. Will, CPA
Director of Internal Audit

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

Report No. USIA13-1
February 25, 2013

Audit Report
NCAA Recruiting Compliance

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	**Opportunity for Minor Improvement**	**Opportunity for Moderate Improvement**	**Opportunity for Significant Improvement**
Adequacy of written policies and procedures		██		
Off-campus recruiting activities documentation demonstrates compliance with NCAA Bylaws			██	
On-campus recruiting activities documentation demonstrates compliance with NCAA Bylaws			██	
Compliance training and education are adequate to establish an appropriate level of institutional control			██	

Introduction

Our report of the internal audit of NCAA recruiting compliance is presented below. We would like to thank Alexandra Eaton, Jon Mark Hall, and other athletic department personnel 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 activities associated with recruiting prospective student athletes in compliance with NCAA Bylaws.

This report is based on a review of USI athletics recruiting activity for the 2011-2012 academic year, as well as year-to-date activity for the 2012-2013 academic year. The audit approach consisted of reviewing USI recruiting policies, interviewing USI Athletic Department personnel, reviewing expense reimbursement requests associated with on and off-campus recruiting, and reviewing recruiting documentation filed in the athletic office.

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

- Assess the adequacy of written recruiting policies and procedures
- Determine whether documentation of off-campus recruiting activities demonstrates compliance with NCAA Bylaws
- Determine whether documentation of on-campus recruiting activities demonstrates compliance with NCAA Bylaws
- Assess whether the content and delivery of compliance training and education are adequate to establish an appropriate level of institutional control over recruiting activities

Conclusion

We noted opportunity for **minor improvement** with respect to **written policies and procedures**. Opportunities for **moderate improvement** exist in the areas of **documentation of recruiting activities and compliance training and education.**

Management will take or has taken the following actions:

- Continuing to formalize and document NCAA compliance education and training
- Including additional NCAA regulation notifications on the Student Host Expense Report
- Providing instructions at the start of an official visit to prospective student athletes regarding activities which are unallowable during the visit
- Requiring coaches to maintain recruiting logs for key information and dates
- Ensuring that all forms used to document recruiting activity are filled out consistently and completely

No additional action or response is required.

Bradley V. Will   J. Robert Howell
Director of Internal Audit   Internal Audit Manager

Distribution: Alexandra Eaton
                  Jon Mark Hall
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Report No. USIA13-1
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NCAA Recruiting Compliance
Audit Report

Control Issues and Responses

Continuing to formalize and document NCAA compliance education and training

Issue: Based on discussions with athletics personnel, compliance training for coaches and student athletes has 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.

Risk: Lack of a formal, documented compliance education and training program increases the risk of NCAA regulatory violations resulting from personnel being unaware of or misunderstanding applicable rules. In the event of an NCAA regulatory violation, the absence of formal, documented compliance education may be interpreted as poor institutional control.

Response: Monthly meetings with coaches will continue through each of the months 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.

Including additional NCAA regulation notifications on the Student Host Expense Report

Issue: Students serving as hosts for prospective student athletes during an official visit are required to sign a Student Host Expense Report in which they certify that they are aware of and have adhered to a list of NCAA regulations. The Student Host Expense Report does not include two specific prohibited activities, which are included on a form signed by the prospective student athlete.

Risk: A lack of disclosure to and acknowledgement of receipt by the student host of information regarding relevant NCAA regulations increases the risk that rule violations may be committed by the student host.

Response: Athletic department administration will include the following two additional regulations on the Student Host Expense Report by May 2013:

1. Do not provide the prospect with cash for entertainment purposes, cash for souvenirs (i.e., T-shirts or other institution mementos), or athletic gear during the official visit.
2. Do not involve the prospect in activities or events at any locations that would cause a perception of impropriety (i.e., use of alcohol or drugs, sexual misconduct, adult entertainment, gaming/gambling activities, etc.).

Providing instructions at the start of an official visit to prospective student athletes regarding activities which are unallowable during the visit

Issue: Based on discussions with athletics personnel, prospective student athletes participating in an official visit are required to sign the Official Visit Prospect Form at the conclusion of the visit. The purpose of this form is to obtain the prospect's confirmation that they have not participated in a list of NCAA prohibited activities. However, the prospect is not given instructions at the beginning of the visit as to what activities are prohibited.

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Risk: The lack of disclosure to and acknowledgement by the prospect at the start of the official visit of those activities that are prohibited increases the risk of violations by the prospective student athlete and a dishonest affirmation statement at the conclusion of the visit.

Response: Beginning in May 2013, athletic department personnel will begin providing to the prospect, at the beginning of the visit, instructions as to what activities are prohibited, a copy of the Official Visit Prospect Form, and have him/her read and sign the form attesting that he/she "will not" participate in any of the prohibited activities.

Requiring coaches to maintain recruiting logs for key information and dates

Issue: Based on discussions with athletics personnel, coaches generally do not maintain logs of recruiting activity.

Risk: The lack of a concise record of recruiting activity increases the risk that violations of NCAA regulations may go undetected. Furthermore, in the event of a violation, the lack of documentation demonstrating compliance with NCAA regulations may be interpreted as a lack of institutional control.

Response: 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.

Ensuring that all forms used to document recruiting activity are filled out consistently and completely

Issue: Based on a review of a sample of official visits, unofficial visits, off-campus recruiting expense reports, and tryout forms, Internal Audit noted that unofficial visit forms and tryout forms were not consistently used by coaches and official visit forms were often 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.

Risk: Incomplete records of recruiting activity increase the risk that a violation of NCAA regulations may go undetected. Furthermore, in the event of a violation, the lack of documentation demonstrating compliance with NCAA regulations may be interpreted as a lack of institutional control.

Response: 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.

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March 25, 2013

Audit Report
Contracting Authority
Risk Assessment

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 procedures for review, approval, and signature of contracts				███
Assess the adequacy of contractual provisions to limit the University's financial exposure				███

Introduction

Our report of the risk assessment review of USI contracting authority is presented below. We would like to thank Mark Bernhard, Steve Bridges, Katherine Draughon, Jeff Sickman, and other University personnel who contributed positively to our results.

Background Information

The University of Southern Indiana enters into many contractual agreements each year that provide for a wide array of activities involving the commitment of University personnel and other resources for the delivery of educational, training, or research services to third parties. While the University has fairly extensive and well-documented policies outlining authority for the University's procurement of goods and services, as well as for committing the University to grant agreements, management perceived that processes were not as well defined surrounding agreements where the University and/or its personnel were committed to deliver services to a third party.

Pursuant to management's request, Internal Audit performed a review of policies and procedures associated with the commitment of University resources or personnel to non-grant contracts for the delivery of services to third parties. The approach consisted of interviews with Office of Sponsored Projects and Research Administration (OSPRA), Business Office personnel, and Outreach and Engagement personnel. Internal Audit also reviewed the Bylaws of the University of Southern Indiana Board of Trustees and the Employee Handbook for the inclusion of provisions or policies specific to the delegation of the authority to negotiate and sign such agreements.

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

- Identify the types of contracts and commitments for delivery of services and the parties responsible for making and delivering on those commitments

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- Assess the existence and adequacy of policies and procedures for reviewing, approving, and signing contracts for delivery of services to third parties
- Assess the adequacy of contractual provisions to limit the University's financial exposure from claims associated with the performance of the services

The majority of non-grant contracts committing University personnel or resources for delivery of services to third parties are processed through the Division of Outreach and Engagement (including the Center for Applied Research and Economic Development and the department of Continuing and Professional Education). The contracts may include the delivery of educational programs on campus; on-site training at the third-party facility; survey design, analysis, and reporting; and applied research (e.g. product testing) services.

<u>Conclusion</u>

The results of our review indicate that the University **does not have a comprehensive, written policy outlining the positions that are authorized to approve and execute contracts obligating the University to deliver services to third parties**, **nor is there a standard contract** template **with contract provisions which protect the University** from unfounded claims and unforeseen financial exposure.

Management will take or has taken the following actions:

- Creating a written policy governing contract signature authority for agreements obligating the University to deliver services to third parties and evaluating the feasibility of centralizing the review of all such contracts
- Developing a standard contract template for the provision of services to third parties
- Standardizing the pricing for services performed by University personnel pursuant to contracts between the University and third parties

No additional action or response is required.

Bradley V. Will   J. Robert Howell
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March 25, 2013

Contracting Authority
Risk Assessment

Control Issues and Responses

Creating a written policy governing contract signature authority for agreements obligating the University to deliver goods or services to third parties and evaluating the feasibility of centralizing the review of all such contracts

Issue: Based on discussions with administrative personnel in the Division of Outreach and Engagement, OSPRA, and the Business Office, as well as a review of existing University policies, 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.

Risk: Lack of a formal, written policy increases the risk that contracts binding the University to perform services or deliver goods are executed by personnel who have no such authority. Furthermore, contracts may be executed which commit University personnel or resources to activities that may not correspond with strategic objectives or which could have negative reputational implications.

Response: 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 includes representation from Outreach and Engagement (including the Center for Applied Research and Economic Development, and Continuing and Professional Education), the Business Office, and OSPRA. The committee will develop a policy to clearly define those positions and their delegates with authority to execute contracts obligating University funds, resources, or personnel. Policy considerations may include:

1. Dollar limits for each authorized signer
2. Contract types which certain positions may sign
3. Internal review requirements
4. Guidance for involving outside legal counsel

The committee also will consider the feasibility of centralizing the review of all contracts to facilitate routing to appropriate University personnel, to provide monitoring for provisions or modifications that have been predetermined as potentially detrimental to the University's interests, and to ensure legal counsel is consulted when appropriate. 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.

Developing a standard contract template for the provision of goods or services to third parties

Issue: Based on discussions with administrative personnel in the Division of Outreach and Engagement, OSPRA, and the Business Office, as well as a review of a sample of contracts and proposals for delivery of services, the University does not have a standard contract template that is required for all such agreements. Consequently, these agreements generally lack provisions limiting the University's liability and protecting the University from claims associated with the performance of the services.

Risk: Lack of a standard contract template containing limitation of liability, indemnification, and other contractual protections increases the potential financial risk assumed by the University in the delivery of goods or services to third parties.

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Response: The Division of Outreach and Engagement will work with legal counsel to develop standard contract templates containing limitation of liability, indemnification, force majeure, and confidentiality provisions as appropriate for the types of services routinely performed by University personnel, including delivery of training and/or course materials and technical services such as various forms of scientific testing and social service studies. The target date for the completion of contract templates is September 30, 2013.

Standardizing the pricing for services performed by University personnel pursuant to contracts between the University and third parties

Issue: Based on discussions with administrative personnel in the Division of Outreach and Engagement, OSPRA, and the Business Office, the University has not had consistent pricing methodology or a standard pricing model in place across departments for use in the development of service contracts and proposals with third parties.

Risk: Lack of consistent pricing methodology and a standard pricing model increase the risk that fees charged by the University are inadequate to cover costs or, alternatively, in the case of federal or state grant funds, exceed allowable amounts.

Response: As of May 29th, the committee has developed a pricing model for use in costing and pricing future proposals and contracts. The sample pricing model requires pricing (at cost) for:

1. Salary and benefits of professional personnel (based on rates outlined in the rate sheets)
2. Third party consultants
3. Equipment cost
4. Small equipment and supplies expenses
5. Lodging, travel, and mileage (at University rates)

The model is designed with a section to calculate facilities and administrative (F&A) costs at the appropriate negotiated rate. If federal funds are not associated with a project, the model allows the user to include a cost markup, which the department responsible for the project deems appropriate under the contract. The Division of Outreach and Engagement will begin using the pricing model immediately for services under proposal and will modify it based on practical experience.

Audit Report
Institutional Data Reporting

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	**Opportunity for Minor Improvement**	**Opportunity for Moderate Improvement**	**Opportunity for Significant Improvement**
Performance funding metrics are accurately calculated and reported	■			
Admission and institutional data metrics are accurately calculated and reported		■		

Introduction

Our report of the internal audit of University of Southern Indiana institutional data reporting is presented below. We would like to thank Katherine Draughon, Joe Wingo, Sandy Frank, Jayne Tang, Ed Shelby, Eric Otto, and other University personnel who contributed positively to our results.

Background Information

Institutional data compiled and published by Universities are used at the federal and state level for policy analysis and development and budgetary funding decisions; at the institutional level for benchmarking and peer analysis; and by students and parents to aid in the college search process. Thus, the accuracy of institutional data is important from both a budgetary funding perspective and a student recruitment perspective. The compilation and reporting of institutional data at USI is performed primarily in the Office of Planning, Research, and Assessment (OPRA) and the Office of the Registrar, with support from Information Technology (IT) programmers. OPRA compiles the data for the following institutional data sets: the annual USI Fact Book, Common Data Set (CDS), Integrated Postsecondary Education Data System (IPEDS), credit hour distribution report, faculty load productivity report, dashboard reports, and other ad hoc reports. The Office of the Registrar, with support from IT, prepares and uploads the data file for the Indiana Commission for Higher Education (ICHE), publishes an internal enrollment report for each academic term, and produces ad hoc reports. Each of the foregoing departments participates in the compilation of some portion of the University's state budgetary performance funding metrics. The audit report presented here is limited to a review of a sample of data presented in the Fact Book, CDS, IPEDS, internal enrollment reports, performance funding metrics, and the files submitted to the ICHE.

This report is based on a review of USI Fact Book data for the fall 2009 – fall 2012 academic terms, the 2010 and 2012 CDS, 2011 IPEDS report (fall 2010 data), enrollment reports for fall 2011 and 2012, performance funding metrics for the 2013-2015 budget biennium, and data submitted to the ICHE for the 2009-2011 fall academic terms. The audit approach consisted of interviewing personnel responsible for the compilation and reporting of institutional data, reviewing and re-performing the calculation of a sample of data elements, cross-

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referencing the same data elements published across multiple reports, and reconciling differences between reports containing the same data elements.

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

- Determine whether performance funding metrics are accurately calculated and reported to the ICHE and state budget agency
- Determine whether admission data and other institutional data are accurately calculated and reported to internal and external users

<u>Conclusion</u>

We noted **adequate controls and practices** with respect to calculation and reporting of **performance funding metrics** and **opportunity for minor improvement** with respect to calculation and reporting of **institutional data metrics.**

Management will take or has taken the following actions:

- Identifying students who have met degree program graduation requirements and who have not applied for graduation
- Adding footnotes to the Fast Facts and Fact Book reports regarding potential differences from data reported to the ICHE

No additional action or response is required.

Bradley V. Will   J. Robert Howell
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April 19, 2013

Institutional Data Reporting
Audit Report

Control Issues and Responses

Identifying students who have met degree program graduation requirements and who have not applied for graduation

Issue: Based on discussions with the Registrar and IT, the designation of a student's degree status on the Banner student system is contingent upon the student completing a "Formal Application for Graduation". The Registrar stated that sometimes students fail to complete the application in a timely manner. Furthermore, the University's current degree audit software lacks the functionality to assist with the identification of students who have completed or are nearing completion of their degree requirements.

Risk: The inability to efficiently and effectively identify students who have or will soon complete their degree requirements increases the risk that the number of degrees conferred and on-time graduation rates are understated as a result of some students' election not to apply or their failure to apply for graduation. In addition, the reliance on students to initiate the change in their designation as having received a degree increases the risk that Pell grant and other federal aid is awarded beyond the students' eligibility.

Response: The Office of the Registrar will continue efforts currently underway to pursue more robust degree audit software with functionality to identify students who have completed or are nearing completion of their degree requirements. The University is currently evaluating Degree Works as a possible solution, however, final selection and purchase will likely be contingent upon the completion of upgrades to Banner.

In the interim, until such software is acquired and implemented, the Office of the Registrar, with the assistance of IT, has developed some ad hoc reports to identify students who appear to be at or near degree completion and who have not applied for graduation. These reports will be generated two times per year (during the months of March and October) to ensure that students who would meet on-time graduation requirements are counted in the reports submitted to the Indiana Commission for Higher Education. If a large number of students are identified, the Office of the Registrar may distribute the reports to the colleges for assistance with the review.

Adding footnotes to the Fast Facts and Fact Book reports regarding potential differences from data reported to the ICHE

Issue: Student headcount and credit hour data reported in the Fast Facts and Fact Book are materially different from data reported to the ICHE. The variances are primarily the result of differences in the timing of these reports and the availability of certain data associated at the time of their publication. The Fast Facts and Fact Book are generated based on data available at the time of the fall census (approximately the fifth day of the fall semester), while the ICHE reports are generated one year in arrears. As a result, the ICHE reports include College Achievement Program (CAP) enrollment headcounts and credit hours, as well as late registrants for undergraduate and graduate programs that are not included in the Fast Facts or Fact Book. However, there are no footnotes in the Fast Facts or Fact Book to alert users of these data to the likely differences.

Risk: The lack of footnotes to the Fast Facts and Fact Book regarding the reasons for differences between those data and data reported to the ICHE may confuse users of the data, result in reliance on an incomplete data set for a particular purpose, and could result in unwarranted criticism of the data.

Response: In an effort to provide clarification of differences in enrollment numbers provided on the Fast Facts and Fact Book and those reported to ICHE, OPRA will add footnotes to the Fast Facts and Fact Book beginning with the fall 2013 publication of the Fact Book. An example note might state, "All official USI

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enrollment data is based on enrollment records at the time of the census (5th day of classes during the fall semester) and does not include students enrolled in USI's College Achievement Program".   OPRA also will institute a new policy beginning July 1, 2013, about retroactively updating data to the Fact Book and Fast Facts documents. When a data item is changed or updated, a footnote with a date stamp will be placed in the footer on the page the data item was changed. A detailed explanation for the change will be placed in the "Notes and Definitions" section of the Fact Book.

Report No. USIA13-4
May 28, 2013

Audit Report
Eagle Access Department Card

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 procedures				
Determine the adequacy and availability of management reporting of department card activity and balances				
Assess the adequacy of procedures for monitoring whether department cards are used in compliance with policies			 	

Introduction

Our report of the internal audit of Eagle Access department cards is presented below. We would like to thank Sodexo card office personnel, Ryan Ewers and Bryan Faw, as well as Steve Bridges and other University personnel who contributed positively to our results.

Background Information

The University of Southern Indiana utilizes a card identification system for faculty, staff, and students that includes a magnetic stripe which provides the ability to load funds to the card for use at various on-campus merchant locations, including food service venues, campus laundry, and campus print/copy machines. In addition to the identification cards, the University has authorized the issuance of departmental cards to various administrative and academic departments to facilitate the purchase of meals in conjunction with legitimate business purposes, including employee candidate meals, business meetings with non-employees, meals for program participants where the program cost paid by participants includes the cost of a meal, and meals when employees are required to work through a normal meal hour. At the time of this review, 204 departmental cards were listed as issued and active with a cumulative available balance in excess of $32,000.

In 2011, the card office transitioned from being managed by University personnel to management by the University's dining services vendor, Sodexo, Inc. In conjunction with this transition, there have been some changes with respect to how the department cards are administered. Consequently, management requested that Internal Audit review the impact of these changes on the functionality and operation of these cards.

This report is based on a review of Eagle Access department cards reflected as issued and active in the card system as of April 17, 2013. The audit approach consisted of reviewing the Employee Handbook and USI

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May 28, 2013

hospitality policies for information related to the Eagle Access department cards; reviewing card activity from July 2011-April 17, 2013, to identify cards without activity; interviewing a sample of departments with frequent departmental card use; and performing a physical inventory of cards on hand for the sample of departments interviewed.

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

- Review the adequacy of written policies and procedures for the administration and use of departmental Eagle Access cards
- Determine the adequacy and availability of management reporting of department card activity and balances
- Assess the adequacy of procedures for monitoring whether department cards are used in compliance with policies

Conclusion

We noted opportunity for **significant improvement** with respect to **written policies and procedures and management reporting**. Opportunity for **moderate improvement** exists in the area of **procedures for monitoring whether department cards are used in compliance with policies.**

Management will take or has taken the following actions:

- Requesting Sodexo prepare monthly reports of department card activity including month end credit balance available
- Developing a policy regarding acceptable use of Eagle Access department cards, providing training for card users, and documenting users' acknowledgement of proper card usage
- Developing an independent review of card usage for conformity with policies and procedures
- Closing departmental cards that have not had activity for more than twelve months

No additional action or response is required.

Bradley V. Will   J. Robert Howell
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Distribution: Steve Bridges
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Report No. USIA13-4
May 28, 2013

Eagle Access Department Card
Audit Report

Control Issues and Responses

Requesting Sodexo prepare monthly reports of department card activity including month end credit balance available

Issue: Based on discussions with a sample of Eagle Access Department Card users, regular reports indicating activity and the balance available to spend are not provided to facilitate proactive management and monitoring of card activity. Furthermore, due to changes in card office administrative procedures, which were not communicated to the user groups, 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.

Risk: The lack of reporting card activity and balances available restricts management's ability to actively manage and monitor card usage. Insufficient reporting coupled with card office procedural changes that resulted in cards being continuously active and accumulating available balances increase the likelihood of fraudulent activity in the case of lost or stolen cards.

Response: The Assistant Vice President for Business Affairs and Assistant Treasurer will request the card office begin producing and distributing to cardholding departments monthly reports of card activity and available credit balances. The request shall indicate the first set of reports be generated as of September 30, 2013, and subsequent reports be produced and distributed on a monthly basis thereafter.

Developing a policy regarding acceptable and unacceptable use of Eagle Access department cards, providing training for card users, and documenting users' acknowledgement of proper card usage

Issue: Based on discussions with a sample of Eagle Access Department Card users, some 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. Most users correctly assumed that the cards should be used consistently with guidelines for other forms of payment tools. Some, however, are using the cards for meals with staff members or departmental mentor/mentee lunch meetings.

Risk: The lack of a documented and distributed policy regarding Eagle Access department card usage increases the risk that personnel may engage in transactions inconsistent with University guidelines and limits management's ability to enforce those guidelines.

Response: 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.

Developing an independent review of card usage for conformity with policies and procedures

Issue: 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.

Risk: A lack of independent financial transaction review increases the risk that improper or fraudulent card usage may go undetected.

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Response: 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. This may allow Business Office personnel to leverage existing internal control and review processes for hospitality expenses without requiring implementation of a separate review process for Eagle Access department card transactions. The Business Office will complete its evaluation of the feasibility of such a transition by June 30, 2014, and take subsequent actions as appropriate.

Closing departmental cards that have not had activity for more than twelve months

Issue: 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. The aggregate available balance on these cards was approximately $5,000.

Risk: A lack of activity on some Eagle Access departmental cards is an indication the cards may be unnecessary for certain departments. Infrequently or seldom used cards, which remain active with a spendable balance, present an increased risk of monetary loss because the cards' absence and subsequent unauthorized activity may go undetected in the event that the card is lost or stolen.

Response: 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.

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June 27, 2013

Audit Report
Children's Learning Center and Campus
Lockdown Protocols

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	**Opportunity for Minor Improvement**	**Opportunity for Moderate Improvement**	**Opportunity for Significant Improvement**
Physical access controls and sign-in/out procedures at the Children's Learning Center (CLC)	🟩			
Written policies and procedures for declaring and implementing CLC lockdowns		🟦		
Written policies and procedures for declaring and executing campus lockdown or shelter-in-place procedures			🟧	
Lockdown or shelter-in-place training activities for CLC staff and the campus community			🟧	

Introduction

Our report of the review of lockdown protocols for the CLC and the USI campus is presented below. We would like to thank Amanda Wheaton-Collins, Steve Bequette, and Steve Woodall who contributed positively to our results.

Background Information

During the March 7, 2013, Board of Trustees Finance/Audit Committee meeting, the committee inquired about lockdown procedures for the CLC and the USI campus as a whole. As a result of the discussion, the committee requested that Internal Audit review CLC lockdown procedures and procedures for responding to a safety threat to the campus community.

Pursuant to the committee's request, Internal Audit performed a review of physical access controls at the CLC, as well as policies and procedures associated with locking down the CLC and initiating and executing procedures to promote the safety of the campus community in and around other facilities on campus. The approach consisted of interviews with the manager of the CLC and the director and assistant director of Public

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Safety. Internal Audit researched and reviewed guidelines and procedures published online by other institutions; reviewed the University's website for the presence of lockdown or shelter-in-place procedures for the campus, residence halls, and campus apartments; and reviewed standard operating guidelines in effect for the Office of Public Safety (OPS) for responding to an active shooter situation, providing crime alerts, and issuing timely warnings and notifications of immediate threats to the campus community.

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

- Review the adequacy of physical access controls and sign-in/out procedures at the CLC
- Evaluate the adequacy of written policies and procedures for declaring and implementing CLC lockdowns
- Assess the adequacy of written policies and procedures for declaring and executing campus lockdown or shelter-in-place procedures
- Review lockdown or shelter-in-place training activities for CLC staff and the campus community

<div align="center">Conclusion</div>

The results of our review indicate that **physical access controls and sign-in/sign-out procedures** at the CLC **are adequate**, while **opportunities for improvement** exist with respect to **declaring and executing lockdown or shelter-in-place procedures and** with respect to **training** on those procedures. Specifically, as of the date of this report, lockdown procedures for the CLC were under development, but a draft had not yet been completed. Furthermore, while guidelines for responding to an active shooter on campus have been created and published and some active shooter response training has occurred, a lockdown or shelter-in-place procedure for the campus, residence halls, and campus apartments has not been drafted. Although a campus-wide lockdown may not be practical or possible in an open campus environment, consideration of the different security features available in various campus facilities and the development of lockdown or shelter-in-place protocol to maximize the protection offered by those security features will promote the safety of the campus community.

Management will take or has taken the following actions:

- Developing CLC lockdown procedures with assistance from the OPS
- Developing lockdown or shelter-in-place procedures for the campus, residence halls, and campus apartments
- Developing pre-approved text for immediate and timely warning notices

No additional action or response is required.

Bradley V. Will   J. Robert Howell
Director of Internal Audit   Internal Audit Manager

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Lockdown Protocols

Control Issues and Responses

Developing CLC lockdown procedures with assistance from the OPS

Issue: Based on discussions with the manager of the Children's Learning Center (CLC) and the director of Public Safety, lockdown procedures for the CLC are under development, but a draft has not yet been completed.

Risk: The lack of a documented lockdown procedure and performance of periodic practice drills increases the risk of harm to teachers and children as a result of ineffective responses to potential safety threats.

Response: CLC and OPS personnel prepared a draft of the CLC lockdown procedure on July 24, 2013. The manager of the CLC will continue working with the OPS to refine the draft lockdown procedures. The target date for finalizing and implementing the lockdown procedures is August 31, 2013. Furthermore, CLC staff shall participate in annual training on the lockdown procedure and conduct practice drills twice each year.

Developing lockdown or shelter-in-place procedures for the campus, residence halls, and campus apartments

Issue: Based on discussions with the director of public safety and review of the University's website, guidelines for responding to an active shooter on campus have been created and published; however, a lockdown or shelter-in-place procedure for the campus, residence halls, and campus apartments has not been drafted.

Risk: The lack of a documented lockdown or shelter-in-place procedure and absence of periodic training or practice drills (where practical) increases the risk of harm to students, faculty, staff, and administrators as a result of ineffective responses to potential safety threats.

Response: Subsequent to the audit, the OPS has developed a draft of lockdown/shelter-in-place protocol which addresses the procedures applicable to the general campus community, as well as 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.

Developing pre-approved text for immediate and timely warning notices

Issue: Based on review of the University's notification protocol for timely warnings and/or incidents that may present an immediate threat to the University community, the current procedures for notification indicate that the message content shall be reviewed by the vice president for Finance and Administration and/or the director of News and Information Services prior to delivery to the campus community.

Risk: Requiring the review of administrative personnel beyond the director of Public Safety for situations which present an immediate threat to the safety and security of the campus community may delay the delivery of the notification and increase the risk of harm to students, faculty, staff, and administrators.

Response: OPS has developed and implemented some pre-approved messages in the RAVE Alert system related to severe weather threats. In an effort to expedite the delivery of timely warning and/or immediate threat notifications to the campus community beyond severe weather, OPS will identify the most conceivable safety threats 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.

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	In progress
Student Financial Assistance 2010-2011				
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	Cross-training completed
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

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2011

AUDIT NAME				
OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
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 TBD Implementation date: TBD	
4. The library materials asset, accumulated depreciation, and depreciation expense are being calculated and tracked in an Excel spreadsheet rather than the fixed asset system.	Consider adding the library materials to the Banner fixed asset system and utilizing the system to calculate depreciation expense.	The manager of accounting operations will research the practices of other Banner institutions by June 30, 2012, and reevaluate use of Banner Finance for library materials for the 2012-2013 fiscal year in light of that research.	June 30, 2012 Revised: July 1, 2013	Completed

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Information Technology Equipment Management and Reporting				
1. The Information Technology (IT) department is in the process of implementing a new systems management appliance for computer equipment inventory and software tracking. The implementation is in the very early stages and IT management is developing processes and procedures, considering the types of equipment that will be inventoried, and identifying the personnel that will be responsible for creating and maintaining the equipment inventory and reviewing reports of software deployed across the network versus paid licenses.	Document the policy and procedures for tracking IT computer equipment and software.	Policies and procedures will be developed to document the types of equipment that will be inventoried and why those items have been selected for tracking. In addition, documentation will be developed regarding the personnel assigned the responsibility for various aspects of the computer equipment inventory, software analysis, and report review, including documentation of the procedures that must be completed based on the results of these activities.	June 1, 2012 Revised: February 22, 2013	Completed
2. IT management should develop disposal processes and procedures, define the personnel who may authorize disposals, and determine forms or documents that must be completed, and the retention period for those documents.	Document the disposal policy and procedures for IT computer equipment.	Policies and procedures for disposal of IT computer equipment will be documented by June 1, 2012. The policies and procedures shall include details regarding who may authorize computer equipment disposals and any forms or documents (and the associated retention period) that must be completed to demonstrate disposals were properly authorized.	June 1, 2012 Revised: February 22, 2013	Completed
Historic New Harmony Cash Controls				
6. The sales registers at the front desk and in the museum shop at the Atheneum are not monitored by security cameras.	Install security cameras in the cash handling areas of the Atheneum.	Placement of the cameras will be contingent upon a potential redesign of the Atheneum front-desk area and Museum Shop. Installation of the cameras will need to be coordinated with any interior redesign activities. Update: HNH operations management will revisit the camera installation and coordinate with IT in the first quarter of 2013.	Spring/Summer 2012 TBD	Management has opted to forgo the installation of security cameras at this time.
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 completed and under administrative review

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Employment, Payroll, & Benefits				
1. A review of a sample of personnel files revealed inconsistencies in the practices associated with setting up new employees and processing terminated employees. New employee checklists and terminated employee checklists were not consistently initialed by personnel performing the data entry and/or by personnel performing verification of the data entered. In some instances, verification was performed by multiple personnel, while in other cases there is no evidence that independent verification was performed.	Review new employee setup and terminated employee processes, checklists, and assignment of input and verification responsibilities.	A Human Resource (HR) manager will create updates of the checklists and a process flow outline. These drafts will be evaluated by the HR administrators and both forms and processes will be modified as needed. Prior to implementation, the HR staff meeting will include a review of the new forms and the need for quality in data entry and consistency in the review process and sign off. The new forms and process will then be initially implemented on or before March 31, 2013.	March 31, 2013	Completed
2. University-wide salary adjustments are processed annually in July when funding allows. Financial managers submit proposed raises for their staff via soft-copy spreadsheets and also submit a hard-copy spreadsheet signed by the financial manager and the appropriate vice president. HR personnel use the electronic submission to enter pay rates for the new fiscal year. Although the Human Resources Information Systems Manager (HRISM) compares the total salary pool used on the electronic spreadsheet to the hard-copy version, there is currently no comprehensive comparison of the pay rates between spreadsheets for each person.	Compare electronically submitted annual salary worksheets to the final management-approved salary schedules or eliminate dual submission.	The HRISM will investigate procedural change options and based on findings, submit a process change recommendation by February 28, 2013, for implementation by March 31, 2013.	Process change recommendation: February 28, 2013 Implementation: March 31, 2013	Completed Completed
3. Financial managers submit proposed raises for their staff to HR. HR personnel use the submission to enter pay rates for the new fiscal year. HR standard procedure includes independent verification of the pay rates entered into the HR/payroll system. However, the worksheets used for data entry and verification of fiscal year 2011 compensation changes could not be located. Furthermore, salary worksheets do not include a place for the data entry person and the person performing verification to initial indicating the completion of their particular step.	Formalize the verification of salary data entered from salary worksheets.	The HRISM will add two columns to the data entry spreadsheet and instruct data entry staff to use first column to record the initials and date of the employee entering the data and use the second column to record the initials and date of the employee who is data checking. Forms will be retained in the annual salary process file rather than individual personnel files.	July 15, 2013	Completed - eliminated manual entry and implemented upload from electronic files
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: • 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, comparing 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 January 31, 2013	Completed

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
		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: • 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
		In addition to those processes, HR will now: • 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	Training: March 31, 2013	Completed
5. The current operating environment relies upon personnel within each of the colleges to notify payroll when a course or section is canceled. As a result of this decentralized environment, sometimes payroll is not notified timely of such cancellations.	Report course and section cancellations received by the Registrar's Office to payroll personnel.	The Payroll Manager now receives a weekly report of cancelled courses. The HRISM will investigate other methodologies for preventing overpayment of staff and develop a written recommendation by February 28, 2013, with planned implementation in March 2013.	Recommendation: February 28, 2013 Implementation: March 31, 2013	Completed Completed and ongoing
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.	Utilize technology solutions to increase efficiency of payroll processing.	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.	Decision on time-entry system: March 31, 2013	Completed

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME				
OBSERVATION	**RECOMMENDATION**	**RESPONSE**	**TARGET**	**STATUS**
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.	Consider transitioning the monthly payroll schedule to a bi-weekly payroll schedule.	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.	Prioritization of web time-entry and payroll schedule projects: March 31, 2013

Web time plan: Students - Fall 2013 Bi-weekly - Spring 2014 9-month faculty - Fall 2014 Remaining monthly - Fall 2015

Evaluation of transition from monthly to bi-weekly processing: 9-month faculty - Fall 2014 Remaining monthly - Fall 2015 | Completed: Web time-entry prioritized first |
| 8. During the audit, payroll personnel indicated that printed checks are stored in a cabinet in the payroll manager's office until the day before payday. The senior payroll assistant or payroll supervisor who processed the payroll pressure seals the checks and delivers them to the Cashiers Office for distribution to employees. In addition, checks that are returned to the University as undeliverable are sent to the payroll department and stored in the payroll manager's office while they attempt to locate the payee. | Remove payroll check custodial responsibilities from payroll personnel. | Together with the Assistant Vice President for Business Affairs or the Controller, HR will evaluate where the physical custody of checks belongs within the Business Office. We expect to have the meeting and a plan identified by March 31, 2013. | March 31, 2013 | Completed |

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Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
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.	Automate the reconciliation of certain benefit enrollments and payroll withholding.	Dental insurance will be the first elective benefit to be attempted. The proposed timeline for automation of the dental insurance reconciliation follows: 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. When feasible, other existing elective benefit liability reconciliations will be automated with a target completion date of June 30, 2014.	Automation of dental reconciliation: June 30, 2013 Automation of other reconciliations: June 30, 2014	On hold indefinitely due to resource constraints On hold
Federal Grant Administration and Compliance				
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.	Train faculty and administrative personnel regarding compliance requirements and University policies related to federal grants.	OSPRA and the Business Office plan to develop a series of short PowerPoint presentations with audio overlay that highlight key federal and University policies related to grant administration. The development of these presentations will begin in January 2013 and we expect to produce a minimum of one presentation every three months until the list of topics is exhausted. In addition, OSPRA and the Business Office will host "lunch and learn" type programs once each semester for faculty and staff. The first of these events will be held during the 2013 fall semester.	Develop training presentations: one every three months until topics are exhausted Revised date for presentations: October 1, 2013 Lunch and learn: Fall 2013	
3. Lack of grant accountant involvement during the budget preparation may lead to a higher volume of budget adjustments immediately preceding the submission cutoff date and/or inadequate time to make adjustments to the proposed budget.	Involve grant accounting personnel in the up-front development of grant related budgets rather than limiting their role to that of reviewer.	The time and skills necessary to increase the Controller's Office level of participation in the proposal budget development process would necessitate the addition of another staff accountant. The Controller's Office will request a new, full-time staff accountant in its budget request for the 2013-2014 fiscal year.	2013 - 2014 Budget Hearings	Budget request for additional accounting resource was not approved. Controller's Office will continue to work with OSPRA to look for ways to improve the current process with existing resources.

University of Southern Indiana
Updated Audit Recommendations Matrix
Calendar Year 2012

AUDIT NAME				
OBSERVATION	**RECOMMENDATION**	**RESPONSE**	**TARGET**	**STATUS**
5.Payroll notifications for the allocation of grant-related salaries were not submitted timely, particularly for the first academic term of grant activity following the award.	Create a checklist of critical post-award activities.	The assistant controller will develop the post-award checklist and adopt it into practice by March 31, 2013. Accounting will continue to monitor grant expenses. Effective immediately, Accounting will adhere more closely to its 60-day threshold for cost transfers as a means to reinforce the importance of submitting payroll notifications timely.	Post-award checklist: March 31, 2013	Completed
Office of Public Safety Clery Act Reporting				
1. The 2012 Security Report did not contain several policy and process information statements, required by the Clery Act, that had been included in the 2011 report.	Include in the Annual Security and Fire Safety Report additional policy and process information required by the Clery Act.	Beginning with the October 2013 Annual Security and Fire Safety Report, the Security Department will update the report to include the required policy and process information identified as having been omitted from the 2012 report.	October 2013 Annual Security and Fire Safety Report	

Attachment A
Finance/Audit Committee
09-05-13
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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	Ongoing Completed Completed In progress
2. Students serving as official visit hosts for prospective student athletes are required to sign a Student Host Expense Report in which they certify that they are aware of and have adhered to a list of NCAA regulations. The student host does not receive any other training or notification regarding acceptable or unacceptable host activities. The prospective student athlete is also required to sign an Official Visit Prospect Form that includes relevant NCAA regulations that are not included on the Student Host Expense Report.	Include the following two additional regulations on the Student Host Expense Report: a.) Do not provide the prospect with cash for entertainment purposes, cash for souvenirs (i.e., T-shirts or other institution mementos), or athletic gear during the official visit. b.) Do not involve the prospect in activities or events at any locations that would cause a perception of impropriety (i.e., use of alcohol or drugs, sexual misconduct, adult entertainment, gaming/gambling activities, etc.).	Athletic department administration will include the additional regulations on the Student Host Expense Report by May 2013.	May 31, 2013	Completed
3. Prospective student athletes are not given instructions at the beginning of an official visit as to what activities are prohibited.	Provide prospective student athletes information at the beginning of an official visit regarding NCAA prohibited activities.	Beginning in May 2013, athletic department personnel will begin providing to the prospect, at the beginning of the visit, instructions as to what activities are prohibited, a copy of the Official Visit Prospect Form, and have him/her read and sign the form attesting that he/she "will not" participate in any of the prohibited activities.	May 31, 2013	Completed and ongoing
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

University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2013

AUDIT NAME				
OBSERVATION	**RECOMMENDATION**	**RESPONSE**	**TARGET**	**STATUS**
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
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.	September 30, 2013	
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.	September 30, 2013	
3. The University has not had consistent pricing methodology or a standard pricing model in place across departments for use in the development of service contracts and proposals with third parties.	Develop a standard pricing model for use by departments that develop proposals and contracts for the provision of services to third parties. Continue efforts currently underway to develop internal rate sheets detailing the cost per hour for personnel routinely involved in the delivery of work product or services to third parties.	A pricing model has been developed for use in costing and pricing future proposals and contracts.	May 29, 2013	Completed and ongoing

University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2013

AUDIT NAME OBSERVATION	RECOMMENDATION	RESPONSE	TARGET	STATUS
Institutional Data Reporting				
1. The designation of a student's degree status on the Banner student system is contingent upon the student completing a "Formal Application for Graduation". Sometimes students fail to complete the application in a timely manner. Furthermore, the University's current degree audit software lacks the functionality to assist with the identification of students who have completed or are nearing completion of their degree requirements.	The Office of the Registrar should continue its efforts to pursue more robust degree audit software. Until such software is acquired and implemented, develop reports listing students who appear to be at or near degree completion and who have not applied for graduation.	The Office of the Registrar is currently evaluating Degree Works degree audit software. Until such software is acquired, the Office of the Registrar, with the assistance of IT, has developed some ad hoc reports to identify students who appear to be at or near degree completion. These reports will be generated two times per year (during the months of March and October).	Immediate	
2. Student headcount and credit hour data reported in the Fast Facts and Fact Book are materially different from data reported to the ICHE due to the availability of certain data at the time these reports are published. The differences in the data are not explained in the Fast Facts or Fact Book.	The Office of Planning, Research, and Assessment should add footnotes to the Fast Facts and Fact Book, as appropriate, to make users of those reports aware of the most significant reasons those data may differ from data submitted to the ICHE.	OPRA will add footnotes to the Fast Facts and Fact Book beginning with the Fall 2013 publication of the Fact Book. OPRA will also institute a new policy beginning July 1, 2013, requiring footnotes when a data item in the Fact Book is changed or updated.	Footnotes regarding differences from ICHE data: Fall 2013 Footnotes for data changes: July 1, 2013	Completed and ongoing
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	
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.	September 30, 2013	
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	

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				
1. Lockdown procedures for the CLC are under development, but a draft has not yet been completed.	The CLC manager should continue working with the Office of Public Safety (OPS) to develop appropriate lockdown procedures, train staff on those procedures at least annually, and conduct lockdown drills periodically.	CLC and OPS personnel prepared a draft of the CLC lockdown procedure on July 24, 2013. The target date for finalizing and implementing the lockdown procedures is August 31, 2013. CLC staff shall participate in annual training on the lockdown procedure and conduct practice drills twice each year.	Finalize lockdown procedure: August 31, 2013 Annual training: Fall 2013	Completed In progress and ongoing
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 notifiication, initiation, and termination. Train staff on these procedures at least annually. Conduct practice drills periodically where practical.	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	
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	

University of Southern Indiana
Annual Audit Plan
Calendar Year 2013

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

Total Hours	**2640**	
Hours Available	2649	
Hours available for unscheduled audits	9	

Board of Trustees Finance/Audit Committee and Management Requested Audits

	Lockdown Protocols	Children's Learning Center and Campus Lockdown Protocols
	Eagle Access Department Cards	Administration, management, and use of cards issued to administrative and academic departments

University of Southern Indiana

General Repair and Rehabilitation

2013-2015

Project List, Cost Estimates, and Priorities

2013-2014 Fiscal Year

Priority No. 1 - Upgrade Energy Management System and Controls in Older Buildings

The University's Energy Management System (EMS) is a centralized computerized control system located in the Physical Plant Building that controls all of the heating, cooling, and ventilation systems in the major campus buildings. The exterior site lighting system also is controlled by the EMS. The older campus academic buildings have outdated energy management system controls that are no longer supported by the manufacturer; repair parts are no longer available from the suppliers; and, service on the devices is much harder to obtain and at a higher cost than the new systems. This General Repair and Rehabilitation Project will upgrade the present Johnson Controls digital system controllers, pneumatic controls, and other obsolete system architecture to the latest Metasys digital system and architecture. The upgraded EMS will help the University reduce its costs to maintain the system and will allow for the conservation of energy through more efficient and user friendly controls, software, and operator graphics. The buildings to receive the EMS upgrade include the Physical Plant, Robert D. Orr Center, Health Professions Center, Technology Center, Liberal Arts Center, Science Center, Byron C. Wright Administration Building, Art Studio Building, and Publications Service Center.

The estimated cost for the project is $400,000.

Priority No. 2 - Renovate Classrooms, Laboratories, and Corridors of the Robert D. Orr Center

The Robert D. Orr Center contains 12 flat-floored classrooms, two computer laboratories, four tiered classrooms, and connecting corridors which have not been upgraded and improved since the building opened in 1990. The project will make improvements to the seating, lighting, audio visual and technology devices and equipment, air handling systems, marker boards, and wall, ceiling, and floor finishes providing updated classrooms and laboratories. The project, to be completed in two phases, will include renovation of the corridors and the four tiered, 60-seat classrooms during fiscal year 2013-2014. Phase II of the project includes renovation of the classrooms and computer laboratories in fiscal year 2014-2015.

The estimated cost for Phase I is $284,000 in 2013-2014.

**Summary of Construction Change Orders
Recommended for Authorization**

TEACHING THEATRE PROJECT

<u>**Empire Contractors, Inc. - General Contractor**</u>

GC-08   Excavate rock from foundation areas at unit price per
cubic yard as bid $35,470

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

TEACHING THEATRE PROJECT

   <u>**Empire Contractors, Inc. - General Contractor**</u>

CO-G7   Make revisions to the layout of the restrooms, provide the appropriate
electrical requirements to elevator power and controls, and provide for sink
room relocation $4,079

   <u>**Deig Brothers Construction Co. Inc. - Mechanical Contractor**</u>

CO-M7   Make revisions to the plumbing fixture layout in the restrooms and
several modifications to toilet accessories, partitions and drinking
fountain; provide for sink room relocation; and install dry type
sprinkler system for exterior lobby canopy $6,950

CO-M8   Excavate rock from sump pump location in lower level at unit price
per cubic foot as bid $3,421