

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

THURSDAY, 28 SEPTEMBER 2006

8:30 AM

FLORIDA INTERNATIONAL UNIVERSITY
GRAHAM CENTER BALLROOMS
UNIVERSITY PARK CAMPUS
MIAMI, FL

MEMBERSHIP

KIRK LANDON, *CHAIR*

MIRIAM LÓPEZ, *VICE CHAIR*

ALBERT DOTSON

ARMANDO GUERRA

BRUCE HAUPTLI

GENE PRESCOTT,

FIU FOUNDATION BOARD OF DIRECTORS

AGENDA

- | | |
|--|--|
| I. CALL TO ORDER | KIRK LANDON |
| II. APPROVAL OF MINUTES | KIRK LANDON |
| III. CHAIR'S REMARKS | KIRK LANDON |
| IV. ITEMS FOR COMMITTEE REVIEW | |
| A. ACTION ITEMS | |
| 1. UNIVERSITY STUDENT SUPPORT COMPLEX AND
EXPANSION OF FOOTBALL STADIUM | MARCOS PEREZ
ALEXANDER ZYNE |
| 2. UNIVERSITY INTERNAL AUDIT PLAN, 2006-2007 | TED GUBA |
| 3. ACCOUNTS RECEIVABLE WRITE-OFF | VIVIAN SANCHEZ |
| B. REPORTS (<i>FOR DISCUSSION - NO ACTION REQUIRED</i>) | |
| 4. OFFICE OF INTERNAL AUDIT ANNUAL REPORT 2005-2006 | TED GUBA |
| 5. OFFICE OF INTERNAL AUDIT REPORT | TED GUBA |
| 6. UNIVERSITY COMPLIANCE PROGRAM REPORT | LEYDA BENITEZ |
| 7. AUDITOR GENERAL PEOPLESOFT FINANCIALS SYSTEM
AUDIT | JAMES BOND
IVON FOSTER |

8. SPONSORED RESEARCH REPORT

GEORGE WALKER

9. CFO UPDATE

VIVIAN SANCHEZ

C. REPORTS (*FOR INFORMATION ONLY*)

10. FOUNDATION REPORT

ALEXANDER ZYNE

11. UNIVERSITY INVESTMENT COMMITTEE REPORT

ALEXANDER ZYNE

V. OTHER BUSINESS (*IF ANY*)

KIRK LANDON

VI. ADJOURNMENT

KIRK LANDON

**NEXT FINANCE AND AUDIT COMMITTEE MEETING
IS SCHEDULED FOR
DECEMBER 4, 2006**

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: FINANCE AND AUDIT COMMITTEE MEETING MINUTES, 20 MARCH 2006

PROPOSED COMMITTEE ACTION:

Adopt the following Resolution:

RESOLVED that the minutes of the meeting of the Florida International University Board of Trustees' Finance and Audit Committee held on 20 March 2006, attached to this Resolution as Exhibit "A," are hereby approved.

EXHIBITS/SUPPORTING DOCUMENTS:

- EXHIBIT "A": 20 MARCH 2006
COMMITTEE MEETING MINUTES.

FACILITATOR/PRESENTER:

- COMMITTEE CHAIR KIRK LANDON

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**



**FINANCE AND AUDIT COMMITTEE
MINUTES
20 MARCH 2006**

I. Call to Order

The Florida International University Board of Trustees' Finance and Audit Committee meeting was called to order by Chairman Kirk Landon on Monday, 20 March 2006, at 4:05 p.m., in the University Park Graham Center Ballrooms, Miami, Florida.

The following attendance was recorded:

Present:

Kirk Landon, *Chair*
Miriam López, *Vice Chair*
Albert Dotson
Armando Guerra
Bruce Hauptli

Trustee Alex Prado was also in attendance.

II. Approval of Minutes

Committee Chair Kirk Landon asked if there were any additions or corrections to the minutes of the 21 November 2005, Finance and Audit Committee meeting. Hearing none, the Committee adopted the following:

RESOLVED that the minutes of the meeting of the Finance and Audit Committee, held on 21 November 2005, and attached to this Resolution as Exhibit "A," are hereby approved.

III. Chair's Remarks

Committee Chair Landon welcomed Trustees and staff to the meeting. He noted that a discussion of items requiring follow up from the last Finance and Audit Committee meeting was forthcoming. He also noted that he held meetings with the University's management team to review the outstanding items. Committee Chair Landon noted that the focus of the meeting was to review action plans in the areas of Internal Audit, Compliance and Sponsored Research.

FIU Board of Trustees
Finance and Audit Committee Minutes
20 March 2006
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Committee Chair Landon noted that the State Auditor General found the University's June 30, 2005, Financial Statements to be reported fairly and that no material control issues were found in the financial reporting. He added that this achievement was a result of a team effort involving many including University Controller, James Bond, and PeopleSoft financials lead, Jack Bello. Committee Chair Landon commended the entire team on their hard work and dedication.

IV. Items for Committee Review

A. Action Items

1. Revisions to University Internal Audit Plan, 2005-2006

University Internal Audit Director Ted Guba presented the Revision to the University's Internal Audit Plan, 2005-2006 for Committee review. Internal Audit Director Guba noted that revisions to the University Internal Audit Plan were customary in addressing all audit issues.

Without further discussion, the Committee recommended Board adoption of the following Resolution:

WHEREAS the Operating Procedures of the Florida International University Board of Trustees' Finance and Audit Committee (the Committee) Charter provides that the Committee shall review and approve the Office of Internal Audit's annual audit plan;

WHEREAS the Committee approved the University Internal Audit Plan, 2005-2006 on 6 September 2005;

WHEREAS subsequently revisions to the plan have been proposed and are attached to this Resolution as Exhibit "B";

THEREFORE BE IT RESOLVED that the Florida International University Finance and Audit Committee adopts the revisions to the University Internal Audit Plan for the fiscal year ending June 30, 2006, and attached to this Resolution as Exhibit "B".

2. Re-Adoption of University Traffic and Parking Regulations

University Treasurer Alex Zyne presented the Re-Adoption of University Traffic and Parking Regulations for Committee review. Treasurer Zyne noted that the proposed fee increases would maintain the bus systems operations and improve debt coverage. Committee Chair Landon inquired as to Student sentiment regarding the increases. Trustee Alex Prado noted that Students value the current parking and transportation services available to them and felt that the increases were well justified.

Without further discussion, the Committee recommended Board adoption of the following Resolution:

WHEREAS, the Florida International University Board of Trustees (the BOT) is authorized to establish Traffic and Parking fees and regulations within the limits provided by law; and

FIU Board of Trustees
Finance and Audit Committee Minutes
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WHEREAS, the proposed University Traffic and Parking Regulation FIU-1105 consists of language present in the University's Traffic and Parking rule 6C8-5.006 which is revised primarily to reflect the name of the department responsible for specified duties throughout the regulation and to reflect changes in the decal registration fees and is being presented for adoption;

THEREFORE, BE IT RESOLVED THAT, the BOT adopts the following University Regulation, which is attached hereto as Exhibit "C":

- FIU-1105 – University Traffic and Parking Regulations

BE IT FURTHER RESOLVED, that, as the Regulation includes information on fees, the University Administration will submit the University Traffic and Parking Regulations FIU-1105 to the Florida Board of Governors for approval.

3. Student Health Fee

CFO and Vice President of Human Resources Vivian Sanchez presented the Student Health Fee change for Committee review. CFO Sanchez noted that the proposed health fee increase consisted of an additional \$13.20 per student per semester, to become effective in the Fall term of 2006. She added that the increase was needed to fund existing health services and to provide expanded services and hours at the two campuses.

Without further discussion, the Committee recommended Board adoption of the following Resolution:

WHEREAS, the Florida International University Board of Trustees (the BOT) has the power to establish a Student Health Fee for the university pursuant to Board of Governor's Resolution adopted January 7, 2003, which references **Section 1009.24(10)**, Florida Statutes;

WHEREAS, the health fee committee has approved an increase in the health fee in the amount of \$13.20 per semester effective Fall 2006;

WHEREAS, the President has approved the fee increase after consultation with the Student Government president;

THEREFORE BE IT RESOLVED that the BOT approve a Health Fee increase from the current \$54.00 per semester to \$67.20 per semester effective Fall 2006; and

BE IT FURTHER RESOLVED that the increase will fund existing services, expanded services, and increased hours during the week and weekends based on student survey results and utilization levels; and

BE IT FURTHER RESOLVED that the BOT authorizes the University Administration to take all further actions necessary to implement this Resolution.

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Finance and Audit Committee Minutes
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B. Reports

4. Office of Internal Audit Status Report

University Internal Audit Director Ted Guba presented the Office of Internal Audit Status Report.

5. University Compliance Office Second Interim Report FY 2005-2006

University Compliance Officer Leyda Benitez presented the University Compliance Report, reporting on the status of University-wide Compliance Initiatives. She also unveiled the new Compliance website.

6. Sponsored Research Report

Committee Chair Landon welcomed the University's new Associate Vice President for Research, Joseph Barabino. The Provost presented the Sponsored Research Report, reporting on the division's action plan focusing on the areas of accounts receivable, collections and compliance.

7. HR System Decision and Implementation Report

CFO and Vice President of Human Resources Vivian Sanchez presented the HR System Decision and Implementation Report. She reported on the payroll conversion process, its estimated cost, and next steps.

8. Ongoing State Audits Update

University Controller James Bond reported on the status of the Financial Statement Audit, the Information Technology Audit, and the Statewide Federal Awards Audit which were completed since the last Finance and Audit Committee meeting held on 21 November 2005.

9. Reports

a. Treasury Update

University Treasurer Alex Zyne presented the Treasury Update. He reported on the University Investment Committee meeting which was held on December 2005, to review information and proposals on Investment Managers. He also reported on the Investment Managers selected by the University Investment Committee for various funds. Treasurer Zyne noted that investment of funds with the newly selected Investment Managers will begin on 1 April 2006.

C. CFO Update

CFO and Vice President of Human Resources Vivian Sanchez presented the CFO Update. VP Sanchez reported on the strengthening of management reporting and financial analysis, pending expenditure issues specifically for contractual services and on increasing the University's financial management capabilities through an extensive training effort.

FIU Board of Trustees
Finance and Audit Committee Minutes
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V. Other Business

Vice President for Administration, Marcos Perez, presented the Amendment to the 2005-2006 Capital Improvement Plan for Committee review. He noted that the proposed amendments reflect adjustments in line with the Board of Governors' approved funding levels.

Without further discussion, the Committee recommended Board adoption of the following Resolution:

RESOLVED that the Florida International University Board of Trustees approves an amendment to the University's 2005-2006 Capital Improvement Plan in the form attached to this Resolution as Exhibit "L" to reflect (i) an increase in the funding requested for certain projects in order to recover reductions in the scope of such projects resulting from increases in construction costs, and (ii) adjustments for the Board of Governors' approved funding levels.

VI. Adjournment

With no other business, Committee Chair Landon adjourned the meeting at 5:28 pm.

Trustee Requests

1. *Committee Chair Landon requested that CFO Vivian Sanchez conduct a review of the critical accounting policies that would require approval prior to year end and report the findings to the Committee on the next scheduled meeting.*
2. *Committee Chair Landon requested that at the next scheduled meeting environmental-related matters be renewed, both in terms of regulatory and compliance issues and in terms of forward-looking policy.*
3. *Trustee Hauptli requested that the University Compliance Office follow up on their report detailing the Conflict of Interest Disclosure Policy as it relates to higher-risk individuals.*
4. *Trustee Dotson requested that all agenda items and reports include an Executive Summary.*
5. *Trustee Guerra will follow up with CFO Vivian Sanchez on ADP conversion.*
6. *Trustee Guerra will follow up with CFO Vivian Sanchez on University construction budgets.*
7. *Committee Chair Landon requested a copy of the Compliance Report. (Completed)*
8. *Trustee Lopez to follow up with University Internal Audit Director Ted Guba on auditing procedures.*

Exhibits attached: "A", "B", "C", "D" and "E"

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4.10.06

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: FIU STUDENT SUPPORT COMPLEX AND EXPANSION OF FOOTBALL STADIUM

PROPOSED COMMITTEE ACTION:

Recommend Board adoption of the following Resolution:

WHEREAS, in order to support the mission of Florida International University (“University”) and the needs of the University’s students, the University desires to develop a student support complex and an expanded football stadium on the University campus (the “Project”);

WHEREAS, the Project will be developed in two Phases. Phase I of the Project will include the construction and installation of an expansion to the existing football stadium and related infrastructure (the “Football Stadium”), and Phase II of the Project will include the construction and installation of a student support complex and related infrastructure;

WHEREAS, in order to undertake the financing of the construction and installation of the expansion to the existing Football Stadium, the University desires to establish the FIU Athletics Finance Corporation, a Florida not-for-profit corporation (the "Corporation"), and designate the Corporation as a direct support organization of the University; and

WHEREAS, it is anticipated that in order to finance the cost of constructing the expansion to the existing Football Stadium, the Corporation will issue one or more series of Capital Improvement Revenue Bonds in an aggregate par amount not to exceed \$35,000,000 pursuant to a trust indenture with a corporate trustee to be secured by revenues generated by the Football Stadium, fund raising activities related to the Football Stadium, and a portion of the athletic fees collected by the University; and

WHEREAS, based on the presentation from staff regarding the estimated costs of the Football Stadium and the projected expenses and revenues related thereto, the University finds and determines that the construction and financing of the Football Stadium is a purpose consistent with the mission of the University; and

WHEREAS, the Corporation will enter into a management and use agreement with the University pursuant to which the University, through its Athletic Department, will agree to be responsible for the day to day operations of the Football Stadium, and pursuant to which the University will grant a limited pledge of a portion of the athletic fees in an amount which does not exceed 5 percent of the annual collection of such fees.

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of Florida International University (the "Board of Trustees") as follows:

1. The Board of Trustees hereby (i) approves the development of the Project; (ii) authorizes the construction and installation of the Football Stadium, which will constitute Phase I of the Project; (iii) authorizes the establishment of the Corporation; (iv) authorizes the Corporation to issue one or more series of its Capital Improvement Revenue Bonds in order to finance the costs of construction and installation of the Football Stadium; and (v) authorizes the limited pledge of the University's athletic fees.
2. The Board of Trustees hereby authorizes University staff to assist in the preparation of an offering document that will be used by the underwriting firm or firms to be retained by the Corporation to purchase and sell the Capital Improvement Revenue Bonds (the "Preliminary Official Statement") The President, or his designee, is hereby authorized to deem such document final and deliver a "deemed final" certificate with respect to the Preliminary Official Statement in accordance with the provisions of SEC Rule 15(c)2-12.
3. Upon the sale of the Capital Improvement Bonds to the underwriting firm or firms, the Preliminary Official Statement will need to be finalized and the Board of Trustees hereby authorizes the use and distribution of a Final Official Statement relating to the Capital Improvement Revenue Bonds by one or more underwriting firms to be selected by the Corporation related to the sale of the Capital Improvement Revenue Bonds. The form, terms and provisions of the Final Official Statement shall be substantially as set forth in the Preliminary Official Statement. The President, or his designee, is hereby authorized and directed to execute and deliver the Final Official Statement in the name and on behalf of the University, and thereupon to cause such Final Official Statement to be delivered to the underwriters with such changes, amendments, modifications, omissions and additions as may be approved by the President, or his designee. The Final Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the President, or his designee, and the information contained therein are hereby authorized to be used in connection with the sale of the Capital

Improvement Revenue Bonds to the public. Execution by the President, or his designee, of the Final Official Statement shall be deemed to be conclusive evidence of approval of such changes.

4. The Board of Trustees hereby authorizes and directs the President, or his designee, to do all acts and things required of them by this Resolution or desirable or consistent with the requirements and limitations of this Resolution, the Indenture, the Debt Management Guidelines of the State of Florida Board of Governors and any related agreements, such as any management and use agreement and any required fund raising agreement that may be required to effectuate the approvals contained in this Resolution. The President or his designee will keep the Board informed as to the progress of the Football Stadium, and the Project.

The Board of Trustees hereby authorizes University staff to request the approval of the issuance of the Capital Improvement Revenue Bonds by the Florida Board of Governors at the January, 2007 or at the first possible Florida Board of Governors meeting thereafter.

BACKGROUND INFORMATION:

In order to support the needs of Florida International University, the University desires to develop a student support complex and an expanded football stadium on the University campus (the "Project").

In Phase I of the Project, the University plans to build approximately 17,000 new stadium seats, including up to 1,400 club seats, 14 luxury suites and a wrap-around concourse. Three thousand seats will remain in the current stadium bringing a total of up to a 20,000 seat stadium to be completed by the fall semester of 2008. Concession stands, ranging from free standing food service kiosks and a full cooking facility are programmed. In addition, sound and lighting requirements are fully programmed to adhere to industry standards for televising football games. A state-of-the art scoreboard, press boxes and a clubroom for pre-game hosting parties and events are also planned.

Phase II of the Project is in the conceptual planning stage and is anticipated to include a student support complex consisting of a welcome center for newly entering students, admissions, registration and records, cashiers office, financial aid, an advising and learning center, and 16,000 gross square feet of football field house and coaches' office space. It is expected that this building will wrap around the exterior of the north side of the Football Stadium. The building will consist of approximately 100,000 gross square feet and is planned to be completed by fiscal year 2009/10. It is envisioned that more than 100,000 students will visit this building every year to be welcomed into the FIU family including a one-stop-shop

for student administration to provide students with the most efficient and complete services while at FIU.

STATUTORY AUTHORITY:

This resolution is being adopted pursuant to the provisions of Section 1004.28, Fla. Stat., regarding the establishment of the FIU Athletics Finance Corporation and Section 1010.62, Fla. Stat., regarding the issuance of revenue bonds to finance the construction and installation of the Football Stadium.

EXHIBITS/SUPPORTING DOCUMENTS:

- **NONE**

FACILITATOR/PRESENTER:

- **MARCOS PEREZ**
- **ALEXANDER ZYNE**

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: UNIVERSITY INTERNAL AUDIT PLAN, 2006-2007

PROPOSED COMMITTEE ACTION:

Recommend Board adoption of the following Resolution:

WHEREAS the Operating Procedures of the Florida International University Board of Trustees' ("BOT") Finance and Audit Committee Charter ("the Charter") provides that the Committee shall review and approve the Office of Internal Audit's annual audit plan, as attached to this resolution as Exhibit "B," and

THEREFORE BE IT RESOLVED that the Florida International University Finance and Audit Committee adopt the 2006-2007 University Internal Audit Plan for the fiscal year ending June 30, 2007.

BACKGROUND INFORMATION:

LEGAL AUTHORITY:

The BOT Operating Procedures, Finance and Audit Committee Charter, Specific Responsibilities: The Office of Internal Audit, states in relevant part:

The Finance Committee shall... Review and approve the Office of Internal Audit's annual audit plan (and any subsequent changes thereto), considering the University-wide risk assessment and the degree of coordination with the Auditor General's Office for an effective, efficient, non-redundant use of audit resources.

EXPLANATION OF COMMITTEE ACTION:

The Finance and Audit Committee Charter mandates approval of the audit plan for the upcoming fiscal year.

EXHIBITS/SUPPORTING DOCUMENTS:

- EXHIBIT "B": UNIVERSITY INTERNAL AUDIT PLAN, 2006-2007

FACILITATOR/PRESENTER:

- TED GUBA

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OFFICE OF INTERNAL AUDIT

September 6, 2006

TO: Modesto Maidique, President

FROM: Ted Guba, Audit Director

SUBJECT: ACTION ITEM – University Internal Audit Plan, 2006-2007

Using the same risk assessment procedures as last year, we identified a list of auditable processes/areas based on each financial reporting category within the certified financial statements for the fiscal year ended June 30, 2005.

Discussions were held with various financial and other University management to determine high-risk and high priority areas to audit from their perspective. After obtaining Office of Internal Audit (OIA) staff input and applying various risk factors, such as prior audit history, financial controls, financial exposure, recent changes in management or systems, and/or public exposure, etc., we prioritized the high risk auditable processes/areas. Also, auditable Information Technology areas were evaluated and high risk exposures were identified (See Attachment A, Nos. 9-13), that concentrate on Oracle Database Security for Student Administration and Patient Information Security, since the State Auditors audited the Oracle Database Security related to financials. It should also be noted that the IT Security Office is in the process of identifying critical systems throughout the University. We may re-evaluate our work plan focus based on the results of the survey prior to the second half of the fiscal year.

As a result of the risk assessment process, the areas that were identified to be included in the work plan for fiscal year 2006-2007 are included in Attachment A. The work plan also includes investigations, follow up and other audit related activities (See Attachment B). In regards to the remaining audits, we are required to certify to the Department of Financial Services (DFS) by December 21, 2006, that our new payroll system that will be implemented on January 1, 2007 has adequate and functional controls. The contracts and grants areas of Compensation for Personal Services/Time and Effort Reporting and Allowable Expenditures are carryovers from last year's audit plan. Due to the dollar volume of monies spent on new construction of buildings, management requested that we review Processes and Controls related to Construction. Housing has added several buildings over the years, has not been audited since 1998, and is currently implementing a new collection system. An audit of Housing will be performed including revenues and expenditures as well as other areas. After new Foundation procedures are approved and implemented, we will review Travel and Expense Reports processed through the Foundation. Purchasing Card Controls will be reviewed at the departmental level since the controls in this area are decentralized by department.

Exhibit "B"

Also, we will include a Follow-up Audit on significant recommendations that have been reported as implemented. Finally, since the OIA adheres to the International Standards for the Professional Practice of Internal Auditing, we will have a quality assurance review performed on the operations of our department by May 2007, since this review is required at least every five years, and was last performed by the State Auditor General in May 2002. We also noted other potential audits if time permits or priorities change. Attachment C details the tentative timeline of when the audits will be performed.

The plan is based on five of the authorized audit positions being filled throughout the year and two new hires coming on board, a Senior Manager by September 1, and another auditor by January 1. After your approval, the work plan will be presented to the Finance and Audit Committee for final approval.

Approved: _____
Modesto Maidique, President

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment A

Audit Activities

1. Payroll Certification for the Department of Financial Services
2. Contracts & Grants – Compensation for Personal Services/Time & Effort Reporting
3. Contracts & Grants – Allowable Expenditures
4. Construction – Processes & Controls
5. Housing
6. Foundation – Travel & Expense Reports
7. Purchasing Card Controls
8. Follow-up Audit on Implemented Recommendations
9. University Health Services – Patient Information Systems
10. Oracle Database Security – Student Administration
11. Oracle Database Security – Tidal Enterprise Scheduler
12. Oracle Database Security – TouchNet
13. Oracle Database Security – AllFusion Harvest

Other

14. Quality Assurance Review of the Office of Internal Audit

Other Potential Audits

1. Departmental Ledger Reconciliations
2. Utilities
3. Food Operations
4. Public Safety
5. Purchasing
6. Construction – Change Orders
7. Foundation – Other Expenditures
8. Information System Developers & Administrators End Point Security

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment B

Investigation Activities

1. UTS – referred by State Attorney – Dr. John McGowan
2. College of Education Grant – Interim Dean Judy Blucker
3. College of Arts & Sciences – Dean Mark Szuchman
4. College of Engineering – Dean Viswanath Prasad
5. School of Hospitality & Tourism Management – Dean Joseph West
6. Additional Financial Aid Complaints – Vice President Corinne Webb
7. UTS – Audio/Video Equipment Purchases Complaint – CFO & Senior Vice President Vivian Sanchez

Follow Up Activities

Note: We will follow up on the current status of the implementation of recommendations prior to each Finance and Audit Committee Meeting.

Audit Related Services

1. Minimum of Two Surprise Cash Counts
2. Risk Assessment and Work Plan
3. Quarterly Audit Committee Reports
4. Annual Report

Other Activities

1. Coordination with State Auditor General
2. Revision of Audit/Investigation Operations Manual
3. The Office's Web Site Update
4. Get Lean Hotline Monitoring
5. New Employee Mentoring
6. Training and Seminars for Staff

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment C

AUDITS	QTR 1	QTR 2	QTR 3	QTR 4
1. Payroll Certification for the Department of Financial Services		X		
2. Contracts & Grants – Compensation for Personal Services/ Time & Effort Reporting	X			
3. Contracts & Grants – Allowable Expenditures		X		
4. Construction – Processes & Controls			X	
5. Housing				X
6. Foundation – Travel & Expense Reports				X
7. Purchasing Card Controls			X	
8. Follow-up Audit on Implemented Recommendations			X	
9. University Health Services – Patient Information Systems		X		
10. Oracle Database Security – Student Administration	X			
11. Oracle Database Security – Tidal Enterprise Scheduler			X	
12. Oracle Database Security – TouchNet			X	
13. Oracle Database Security – All Fusion Harvest				X
<u>OTHER</u>				
14. Quality Assurance Review of the Office of Internal Audit	X			

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: ACCOUNTS RECEIVABLE WRITE-OFF

PROPOSED COMMITTEE ACTION:

Recommend Board adopt the following Resolution:

WHEREAS, the University's accounts receivables reflect \$625,835.73 in debts owed by students prior to June 30, 2000 and such debts cannot be collected because the statute of limitations has expired or further collection efforts will exceed statute of limitation; as attached to this Resolution as Exhibit "C", and

THEREFORE, BE IT RESOLVED that the Board authorizes the Chief Financial Officer to write off said student debts as uncollectible; and

BE IT FURTHER RESOLVED that all such student accounts are permanently identified so that the students cannot re-register nor obtain copies of their education records until their financial obligations to the University have been satisfied.

BACKGROUND INFORMATION:

Fla. Stat. 1010.03 authorizes the Board to use all efforts to collect delinquent accounts and to charge-off or settle such accounts as may prove uncollectible.

EXHIBITS/SUPPORTING DOCUMENTS:

- EXHIBIT "C": ACCOUNTS RECEIVABLE WRITE-OFF, SUMMARY
- ATTACHMENT 1: FLORIDA STATUTE 1010.03

FACILITATOR/PRESENTER:

- VIVIAN SANCHEZ

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FLORIDA INTERNATIONAL UNIVERSITY
ACCOUNTS RECEIVABLE WRITE-OFF
As of June 30, 2006

Receivable Type:	Amount incurred in Fiscal Years						Total
	81-95	95/96	96/97	97/98	98/99	99/00	
Tuition	\$ 3,200	\$ 4,277	\$ 1,049	\$ 11,386	\$ 37,153	\$ 376,820	\$ 433,884
Short-Term & Book Loans	359	375	1,550	950	3,165	41,547	47,946
Financial Aid	2,927	516	907	6,537	7,994	14,031	32,911
Parking & Traffic	25	149	1,390	385	1,644	12,608	16,201
Housing	3,220	65	531	110	4,206	6,864	14,997
Library Fines	1,187	256	1,023	358	1,275	10,301	14,401
Health Fees	103	168	0	36	670	9,743	10,720
Bad Check Fines	0	15	15	15	408	5,982	6,435
Computerized Photo ID's	10	17	0	40	40	2,329	2,436
Athletic Fees	10	30	0	20	130	1,938	2,128
Miscellaneous	15,392	478	291	352	5,703	21,561	43,777
Total	\$ 26,433	\$ 6,344	\$ 6,756	\$ 20,189	\$ 62,389	\$ 503,726	\$ 625,836

The 2006 Florida Statutes

[Title XLVIII](#)
K-20 EDUCATION CODE

[Chapter 1010](#)
FINANCIAL MATTERS

1010.03 Delinquent accounts.--District school boards, community college boards of trustees, and university boards of trustees:

- (1) Shall exert every effort to collect all delinquent accounts.
- (2) May charge off or settle such accounts as may prove uncollectible.
- (3) May employ the services of a collection agency when deemed advisable in collecting delinquent accounts.
- (4) May adopt rules, as necessary, to implement the provisions of this section, including setoff procedures, payroll deductions, and restrictions on release of transcripts, awarding of diplomas, and access to other resources and services of the school district, community college, or university.

History.--s. 529, ch. 2002-387.

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: OFFICE OF INTERNAL AUDIT ANNUAL REPORT 2005-2006

PROPOSED COMMITTEE ACTION:

None. Discussion item.

BACKGROUND INFORMATION:

The Office of Internal Audit annually prepares a report on its activities for the Finance and Audit Committee's review.

EXHIBITS/SUPPORTING DOCUMENTS:

- OFFICE OF INTERNAL AUDIT ANNUAL
REPORT FOR 2005-2006

FACILITATOR/PRESENTER:

- TED GUBA

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OFFICE OF INTERNAL AUDIT

September 7, 2006

MEMORANDUM

TO: Florida International University
Finance and Audit Committee Members:
Kirk Landon, Chair
Miriam Lopez, Vice Chair
Albert Dotson
Armando Guerra
Bruce Hauptli

FROM: Ted Guba, Audit Director 

SUBJECT: Office of Internal Audit Annual Report for 2005 – 2006

The Florida International University Office of Internal Audit is pleased to present its annual report for the 2005 – 2006 fiscal year. This report summarizes the audits, follow-up, audit related services, investigations, and other activities of our office.

Please let me know if you have any questions about our annual report.

C: President, Provost and Vice Presidents

EXECUTIVE SUMMARY

The Florida International University Office of Internal Audit has prepared its annual report for the 2005-2006 fiscal year. This report summarizes the audits, follow-up, audit related services, investigations, and other activities of our office.

Highlights of services provided by our office during the 2005 – 2006 fiscal year include:

Audits – Eight audits were completed: Office of Sponsored Research Administration's (OSRA) Pre-Award Controls; Access Controls Over PeopleSoft (PS) Student Records (SR) Module; Access Controls Over PS Financial Aid (FA) Module; Review of the Office of Sponsored Research Administration's Suspense Accounts; Office of Sponsored Research Administration's Close-Out Controls; Access Controls Over PS Admissions (AD) Module; Office of Sponsored Research Administration's Billings and Collections; and Access Controls Over PS Student Financials (SF) Module. In these audits, we offered recommendations for improving controls, operational efficiency, and compliance with University policies and procedures. The audit issues related to the four audits of access controls over the various information technology modules are confidential information and exempt from inspections of public records, per Florida Statutes Section 282.318(2)(a)(15). The following significant audit issues related to the other completed audits were noted, and they are detailed in this report as follows:

- Charges to Suspense Accounts not cleared timely – page 5
- Contracts and Grants not closed on a timely basis – page 5
- Project Accounting did not consider all applicable factors – page 6
- Contracts and Grants not billed timely – page 7

Follow-up – In the fall of 2005, we implemented a new procedure to follow-up on findings and recommendations of prior audits and investigations. Rather than following up twice each year on each finding by conducting audit tests to determine the implementation status, we now require University management to update the current status of the implementation of all audit recommendations prior to each Finance and Audit Committee Meeting.

For the Finance and Audit Committee Meeting of June 12, 2006, there were 21 recommendations due from both internal and state audits of which 12, or 57%, were implemented, and 15 were due in future periods.

The following significant audit issues were not fully implemented as of the Finance and Audit Committee Meeting of June 12, 2006, and they are detailed in this report.

- Disaster Recovery Plan – page 8
- Frost Art Museum Collection Records – page 9
- Property Conversion to PeopleSoft – page 10
- Repairs and Upgrades on Wolfsonian Annex Building – page 10

Our office will continue to track all outstanding recommendations through our follow-up system until they are fully implemented.

Audit Related Services – We provided audit related services to various University departments on internal controls and compliance matters, and performed other objective analysis as requested. We assisted management on implementation of prior recommendations and other areas.

Investigations – Six investigations were included in our work plan and an additional seven were received this fiscal year. Seven were completed; and two were substantially completed.

Other Activities – Coordinated activities with external auditors, participated in the Information Technology Administrators Committee, and attended continuing educational programs to achieve and maintain high levels of professional performance.

**OFFICE OF INTERNAL AUDIT
ANNUAL REPORT
For the Year Ended June 30, 2006**

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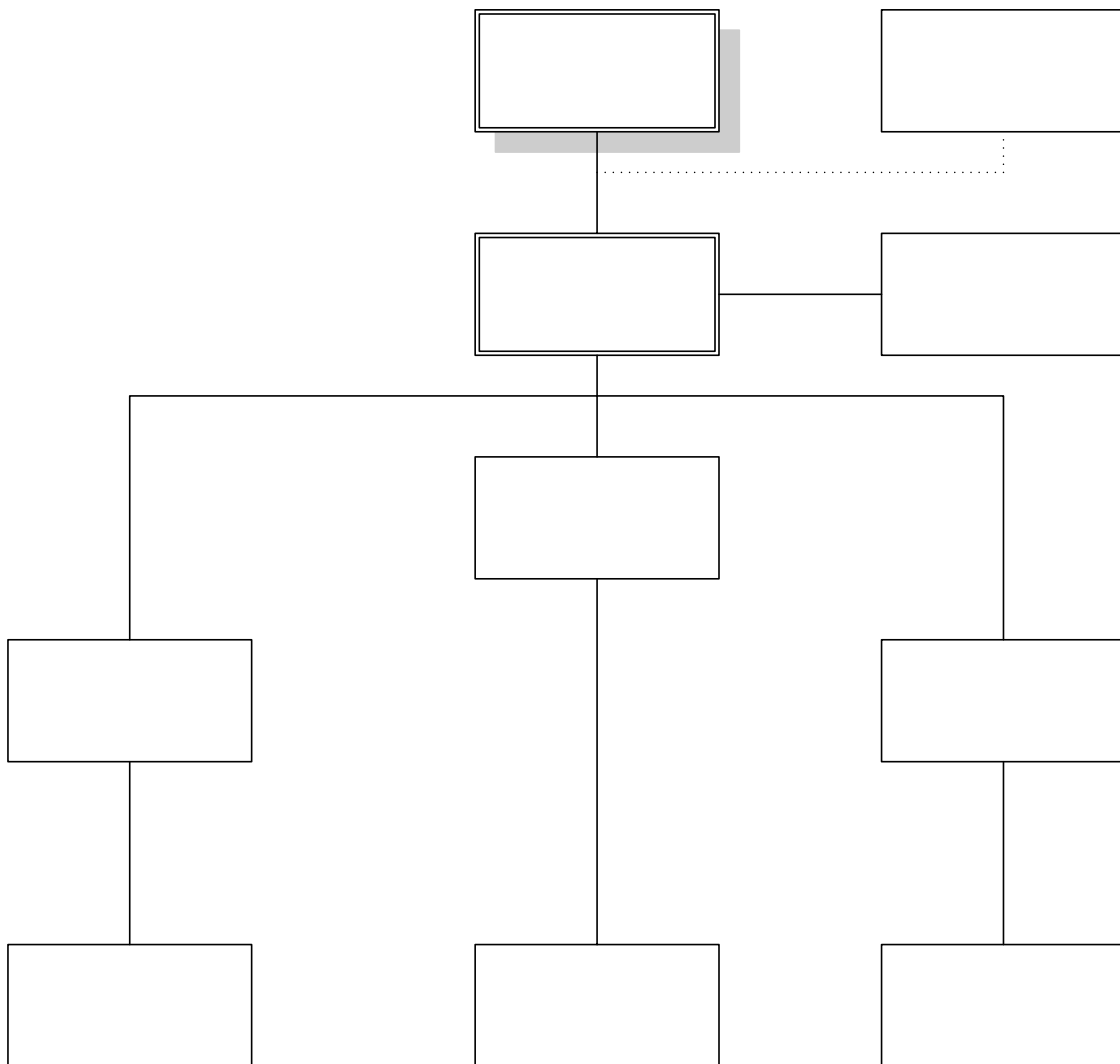
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INTRODUCTION

The University President and the Finance and Audit Committee appoint the Audit Director to carry out activities that promote accountability, integrity, and efficiency for the University. The Office of Internal Audit (OIA) is pleased to submit an annual report to the Finance and Audit Committee summarizing the activities of our office.

This report summarizes the audits, follow-up, audit related services, investigations, and other activities for our office for the 2005 – 2006 fiscal year.

The OIA has authorization for seven professional positions and one support staff, and we currently have five professionals and support staff and are actively recruiting for a Senior Audit Manager. The chart below represents the organizational structure and staffing of the OIA at June 30, 2006.

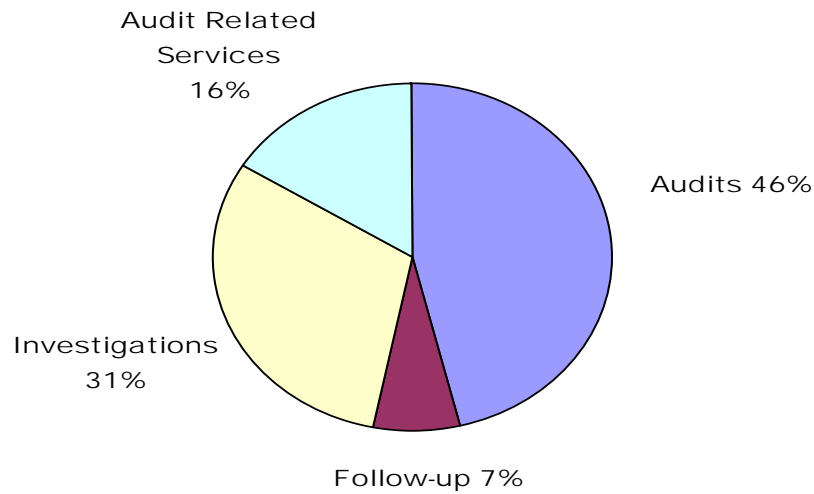


CPA = Certified Public Accountant
CIA = Certified Internal Auditor
CFE = Certified Fraud Examiner
CIG = Certified Inspector General
CIGI = Certified Inspector General Investigator

PROJECT TIME ALLOCATION

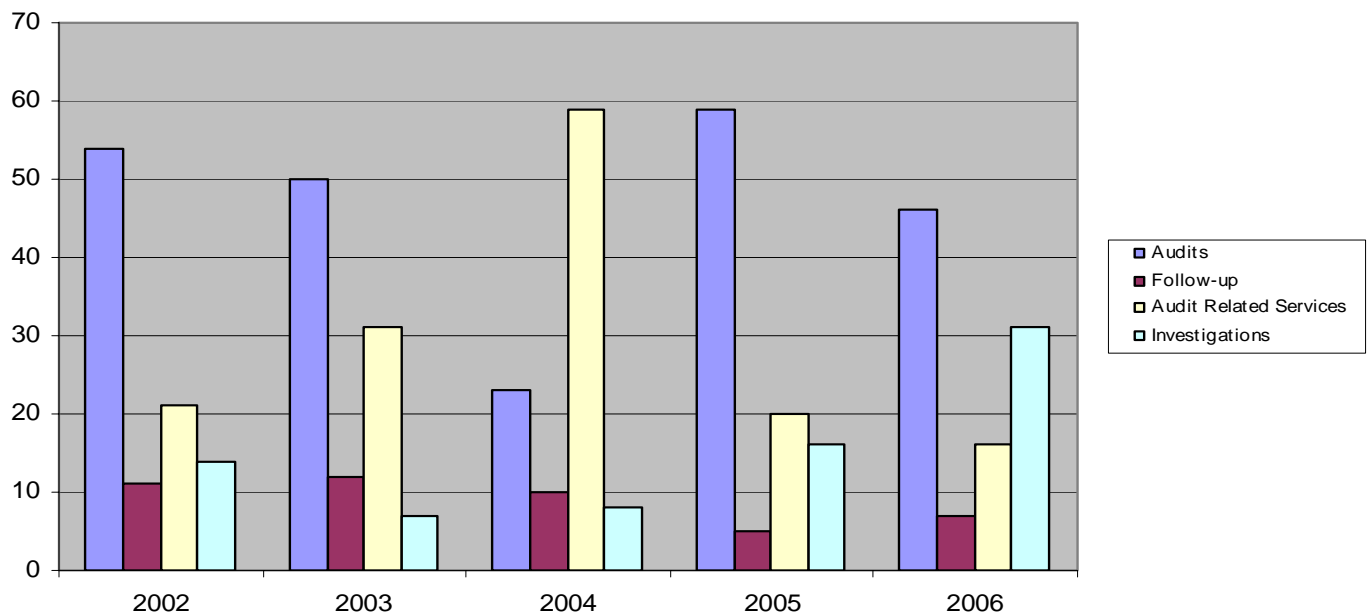
For the 2005 – 2006 fiscal year, the office maintained an appropriate balance between audits, audit related services, and investigations.

The following chart indicates the percentage allocation for total direct service delivery hours for the year (excludes leave time, training, and administration).



The following chart indicates the percentage allocation for total direct service delivery hours during the last five fiscal years.

Percent of Effort by Activity



AUDITS

The OIA's primary service to the University is to provide audits. A risk assessment is conducted annually, forming the primary basis for the audit work plan. The University President, Provost, Vice Presidents, Finance and Audit Committee members, and other members of the University administration provide input for the risk assessment. In addition, the President and others may request that special audits be conducted.

During the 2005 – 2006 fiscal year, eight audits were completed as scheduled in the work plan. The following table identifies each audit issued during the year. It is followed by a summary of:

- the objectives of each audit;
- significant audit issues*; and
- management's action plan to correct the deficiencies.

It should be noted that each report contained other findings and recommendations for improvement that were either implemented, or were determined to be less significant to the operations. Therefore, they did not meet the threshold for reporting the specific details in the Annual Report and are summarized as other comments.

** Significant audit issues are defined as conditions that would adversely affect the University if left uncorrected and result in: 1) Non-compliance with laws, regulations, policies and procedures that could result in adverse public/regulatory exposure, or 2) Unreliable financial reporting that could result in material financial statement misstatements.*

Audits	Audit Period	Issue Date	Report No.
Office of Sponsored Research Administration's Pre-Award Controls	01/01/05 – 09/30/05	02/22/06	05/06-01
Access Controls Over PS Student Records Module	December 2005	02/23/06	05/06-02
Access Controls Over PS Financial Aid Module	February 2006	05/05/06	05/06-03
Review of the Office of Sponsored Research Administration's Suspense Accounts	March 2006	05/09/06	05/06-04
Office of Sponsored Research Administration's Close-Out Controls	07/01/05 – 12/31/05	05/19/06	05/06-05
Access Controls Over PS Admissions Module	March 2006	06/20/06	05/06-06
Office of Sponsored Research Administration's Billings and Collections	12/31/05 – 03/31/06	06/29/06	05/06-07
Access Controls Over PS Student Financials Module	March 2006	06/30/06	05/06-08

Office of Sponsored Research Administration's Pre-Award Controls

The objectives of the audit were to determine whether OSRA's Pre-Award procedures related to active sponsored agreements were adequate and properly adhered to.

Other Comments

No significant audit issues were noted, however, we noted the following exceptions: Principal Investigators (PI) did not always adhere to OSRA policy for the submittal deadlines of Internal Clearance Forms (ICF) for new sponsored research projects; and PIs submitted and OSRA reviewed and processed incomplete and sometimes outdated versions of the ICF.

Access Controls Over PS Student Records Module

The audit objectives were to:

- Determine that the process for adding, modifying, and removing user access was adequate.
- Determine that user access to PS SR Module was appropriate (based strictly on the individual's job responsibilities) and provided adequate segregation of duties.
- Determine that basic security measures have been implemented for end user workstations.

Due to the nature of the audit findings, the report is confidential and exempt from public records by Florida Statutes; therefore exempt from this Annual Report.

Access Controls Over PS Financial Aid Module

The audit objectives were to:

- Determine that the process for adding, modifying, and removing user access was adequate.
- Determine that user access to PS FA Module was appropriate (based strictly on the individual's job responsibilities) and provided adequate segregation of duties.
- Determine that basic security measures have been implemented for end user workstations.

Due to the nature of the audit findings, the report is confidential and exempt from public records by Florida Statutes; therefore exempt from this Annual Report.

Review of the Office of Sponsored Research Administration's Suspense Accounts

The objectives of the review were to determine OSRA's compliance with policies and procedures regarding the timely reversal of charges posted to these accounts so that the appropriate sponsoring agencies were timely billed for charges incurred and sponsored grant or contract expenditures were properly stated. Transactions that remained in a suspense account were not billed to the sponsoring agency by OSRA, and remained uncollected.

Significant Audit Issues

The findings reflected that charges to the suspense accounts were not reversed and billed in a timely manner to the sponsoring agencies, with 40% of the charges, or \$1,326,797, not reversed since their initial posting, and 60% of the charges, or \$1,987,286, reversed an average of 112 calendar days after the initial posting, ranging from 0 to 384 days.

Management's Action Plan

Responsible Executive: OSRA VP

Significant progress has been made on the removal of charges from suspense but the removal of all charges from suspense will have to be extended to October 31, 2006. The suspense accounts were reviewed by the Post Award staff and approximately \$1.5 million of expense transactions were cleared to Project IDs, Facility & Administrative cost return or Educational & General funds. The remaining \$500 thousand that could not be distributed to project IDs will be reviewed by the Post Award Director to determine the appropriate fund for write off. The Post Award Director review will be completed by October 31, 2006 and all suspense accounts will be closed at this time.

Office of Sponsored Research Administration's Close-Out Controls

The objectives of the audit were to determine whether OSRA's Close-Out procedures were adequate and properly adhered to, since Office of Management and Budget (OMB) procedures require that all reports be submitted within 90 days after the contract or grant's end date.

Significant Audit Issues

The results of the audit revealed that contracts and grants were not closed on a timely basis. Of the 14 grants examined, totaling \$17,929,968, with end dates between April 1, 2005 and September 30, 2005, none were closed within a reasonable period after their end dates. One grant was closed out 172 days after its end date. As of February 28, 2006, the remaining 13 contracts and grants were still in process of being closed, ranging from 150 to 304 days after their respective end dates.

OSRA is currently reviewing grants management systems that could be implemented to remove the manual processes that slow down the reporting and closing of accounts. The installation of a grants management system is expected to begin in the Fall of 2006. Numerous items affect the closing of accounts that are not controlled by OSRA that will lead to a recommendation of an account closing process that will expand over 150 days. The procedures for closing accounts will be reviewed and new procedures will be proposed by August 15, 2006.

Access Control Over PS Admissions Module

The audit objectives were to:

- Determine that the process for adding, modifying, and removing user access was adequate.
- Determine that user access to PS AD Module was appropriate (based strictly on the individual's job responsibilities) and provided adequate segregation of duties.
- Determine that basic security measures have been implemented for end user workstations.

Due to the nature of the audit findings, the report is confidential and exempt from public records by Florida Statutes; therefore exempt from this Annual Report.

Office of Sponsored Research Administration's Billings & Collections

The objectives of the audit were to determine whether OSRA's billings and collections were: (a) adequate to provide reasonable assurance that significant errors or irregularities were prevented or detected in a timely manner; (b) being properly adhered to; and (c) in accordance with University policies and procedures and applicable laws and regulations.

Significant Audit Issues**1. Project Accounting**

The calculation of accounts receivable and deferred revenue balances on sponsored research agreements requires the consideration of several factors such as contract type, e.g., fixed price, cost reimbursement, etc., budget status, ending date of the grant agreement, etc. Currently, these factors have to be considered manually when determining the entry to be recorded. However, we noted the current system does not provide the data on the type of grant, and any manual review would be subject to error.

Management's Action Plan**Responsible Executive: CFO**

A grants module is being reviewed with an expected implementation date of July 1, 2007.

2. Untimely Billings

Although we noted 2,110 contracts and grants with expenditures of \$359,388,436 and collections of \$336,665,792, we found that 504 of those projects had expenditures of \$8,343,514 without any collections. Of the 17 projects examined without any collections, none were billed on a timely basis, with 13 projects averaging 13 months after the start date before their first billing was rendered, and 3 projects averaging 23 months since their start dates that were never billed. (One project file was missing).

Management's Action Plan**Responsible Executive: OSRA VP**

OSRA has hired staff to complete manual invoices and projects are being reviewed for billing purposes. It should be noted that at the time of the review funds had been requested for 12 of 17 projects reviewed and the 5 projects that have not been invoiced were already under review. Receivables are being monitored by reviewing the one line report. A complete Grants Accounts Receivable system will be implemented by June 30, 2007.

Other Comments

We also noted several areas requiring strengthening, including invoicing procedures, reconciliation of the receivables log, cash receipts process, and access controls over the shared network drive.

Access Controls Over PS Student Financials Module

The audit objectives were to:

- Determine that the process for adding, modifying, and removing user access was adequate.
- Determine that user access to PS SF Module was appropriate (based strictly on the individual's job responsibilities) and provided adequate segregation of duties.
- Determine that basic security measures have been implemented for end user workstations.

Due to the nature of the audit findings, the report is confidential and exempt from public records by Florida Statutes; therefore exempt from this Annual Report.

FOLLOW-UP

In the Fall of 2005, we implemented a new procedure to follow-up on findings and recommendations of prior audits and investigations. Rather than following up twice each year on each finding by conducting audit tests to determine the implementation status, we now require University management to update the current status of the implementation of all recommendations prior to each Finance and Audit Committee Meeting.

All items reported as not fully implemented were required to be addressed by each Vice President with the following information:

1. The Director or other manager that was responsible for implementing the recommendation;
2. If implemented, the corrective steps taken;
3. If not implemented, the new target date and action plan for future implementation.

At the most recent Finance and Audit Committee Meeting of June 12, 2006, there were 21 recommendations due from both internal and state audits of which 12, or 57%, were implemented, and 15 were due in future periods.

The following summarizes significant audit issues from prior year reports that have not been fully implemented as of the Finance and Audit Committee Meeting of June 12, 2006.

Data Center Operations & IT Contingency Plan, Report #00/01-08

Responsible Executive: CFO

Disaster Recovery Plan

IRM management did not complete a comprehensive contingency plan for disaster recovery (DR) of IT resources to ensure a minimal impact on University operations in the event of a disaster or a major disruption. This plan should be kept current and tested on a regular basis, and at a minimum, include the following:

- The individual responsible to direct the recovery plan including his/her team members and their responsibilities.
- Arrangements, procedures, and responsibilities, including software and data backups and offsite storage, to ensure that critical operations can be continued if normal processing is interrupted for an extended period of time.
- A network infrastructure to restore the necessary level of connectivity for critical systems and services.
- Recovery procedures and responsibilities to facilitate the rapid restoration of normal operations at the primary site, or if necessary, at the hot site facility, following the destruction, major damage or other interruptions at the primary site.
- Acceptable prioritized level of degraded operation of the critical systems or functions to guide implementation at the hot site facility. The plan must accommodate the established priorities.

Current Status: In Progress

Reviewed and completed the Disaster Recovery contingency plan. A disaster recovery test was conducted on March 15, 2006. The IT Security Office and UTS will continue to conduct disaster recovery tests at least annually. The foundation of the official Disaster Recovery Plan is under development, to be completed July 2006. Even once it is completed, it will be revised as necessary.

The Frost Art Museum, Report #04/05-03**Responsible Executive: Provost**Art Collection Records

A review of 6,040 items in the Art Museum's collection records as of July 2004, disclosed that: 679 items (11%) were either missing or misplaced; 3,153 items (52%) did not have a value assigned; 2,887 items (48%) were assigned a value totaling \$17,852,424, although the current insurance coverage for the collection totaled \$15,730,331; and 2,310 items (38%) did not have an accession number. In addition, no complete annual physical inventory of art works had been performed.

Current Status: In Progress

1.1 Inventory

45% of the offsite storage of the collection has been inventoried. Over 5,000 works of art are stored at our offsite collection storage facility. Due to limited staff and budget, the inventory process has slowed considerably, but we anticipate that it will be completed by May 1, 2007.

1.2 Fair Market Value

There are numerous artworks without values assigned and many that have been assigned by donors. To correct this problem we would either need to consult with an outside art appraisal team to conduct a full appraisal of the collection, or assign staff members to research auction prices for similar objects. Either procedure would take several years to complete, requiring dedicated staff and resources. This should be finished, contingent on staff, by November 2008.

1.3 Environmental Health and Safety

We are working with the Insurance Program Manager, from Environmental Health and Safety and have provided him with an updated valuation for the collection. However, until we have a full appraisal, we can only estimate insurance on the values that we know. This is contingent upon fair market value and we estimate that it will be completed by November 2008.

1.4 Assignment of Accession Numbers

The assignment of accession numbers to the collection is being done in conjunction with the inventory. Most of the collection already had accession numbers, however, we are finding that there has been improper numbering and we are correcting this as we conduct the inventory. This will be completed by February 2007 after a full inventory of the collection has been completed. This is just an estimate.

The School of Nursing, Report # 04/05-04

Responsible Executive: CFO

Property Conversion to PeopleSoft

During the implementation of the Asset Management module of the PeopleSoft Financials System, many property items were not properly recorded to the correct department ID's. For example, as of March 2005, 2,604 property items, totaling approximately \$90.1 million (including \$80 million worth of land & buildings) were recorded on the two property holding accounts due to improper asset conversion.

Current Status: In Progress (phase I completed on 6/30/05, and phase II in progress).

We have actively made progress to properly identify and reassign property items to the correct department/project ID and accountable officer. From the \$8.9 million in cost value remaining as of June 30, 2005, we have successfully identified the correct department and accountable officer for 73% or \$6.5 million as of April 30, 2006. The remaining items have a net book value of only \$121,497. Notwithstanding this progress, 721 items remain which require further research and investigation. We will focus our efforts on the assets with the largest cost value of \$357,445 for department 131009051 and \$662,482 for department 131000130 (NBV of \$14,883) and have these items completed by the June 30, 2006 target date.

Wolfsonian-FIU, Report # 04/05-05

Responsible Executive: Provost

Repairs and Upgrades to Annex Building

We noted areas of concern pertaining to the preservation of the art collection at the Annex building. University management was aware of the deficiencies and obtained an estimate of costs totaling \$1,866,176 for architectural, mechanical, electrical, HVAC, and structural work to repair and upgrade the building to standards that would properly preserve the collection.

Current Status: Pending Funding

Facility and security issues are still unresolved and pending identification of funding source(s) to address these issues. We are waiting to finalize the contract with Miami Dade County to receive funds awarded to the Wolfsonian through its General Obligation Bond Issue, to determine if any of the facility issues can be addressed by the scope of work performed under that contract.

AUDIT RELATED SERVICES

Our office is committed to providing proactive, preventive advice on internal controls, compliance and operational issues. These services are an important part of our role since they help address specific management concerns. As a result of the actions taken by management, future problems can be prevented. The type of service varies based on the needs of the specific area, but generally includes reviews of policies and procedures, advice on internal controls and compliance matters, as well as other objective analysis or measurement.

The following summarizes the highlights of Audit Related Services activities during the 2005-2006 fiscal year.

- Conducted two surprise cash counts at the Cashier's Office, one at University Park and another at the Biscayne Bay Campus.
- Provided assistance to several departments by researching state laws, rules, and University policies applicable to their specific areas of concern.
- Provided assistance to several departments in their efforts to implement prior recommendations, and in assessing internal control procedures.

INVESTIGATIONS

The OIA is responsible for investigating all complaints received from the "Get Lean" hot-line, whistle blowers and from other sources that allege waste, abuse, neglect of University resources, mismanagement, and/or misconduct.

Six investigations were included in our work plan and an additional seven were received this fiscal year. Six were completed; and two were substantially completed.

- College of Education: It was alleged that an adjunct faculty member: (a) was improperly charging students for equipment and test fees, and requiring judo association membership with no accountability to the University; (b) had incorporated for profit without disclosure to the University; (c) was inappropriately using the FIU name for personal ventures; and (d) had possible conflicts of interest. The results of our investigation into the four allegations indicated that allegation (a) was partially substantiated, where allegations (b) through (d) were all substantiated.
- Director of Media Relations: It was alleged that he: 1) had a secondary position running political campaigns with a business associate through a company he owned, while on state time; and 2) had misused state telephones. The results of our investigation indicated that the first allegation was inconclusive, while the second allegation was substantiated.
- Biscayne Bay Campus: Get Lean Hotline Complaint alleging that two University employees at the Biscayne Bay Campus were "buying machines to clean the floor and a getting a percentage under the table". The allegation was determined to be unsubstantiated.

- Financial Aid Office: Two separate written complaints that included four allegations. One complaint alleged that changes in financial aid policies and procedures resulted in potential compliance issues that may place the University at risk. The other complainant alleged that accurate Federal Pell Grant disbursement data may not have been provided to the U.S. Department of Education by the established deadline due to a lack of adequate technical support. The results of our investigation into the four allegations disclosed three violations of federal regulations and one violation of a state regulation. As a result of our investigation, we issued nine recommendations
- Division of Advancement: Get Lean Hotline Complaint alleged improper hiring of unqualified personnel. The complaint was referred to the Office of Human Resources and they determined the allegation to be without merit.
- Facilities Department: Complaint received that architectural specifications were not being followed. The complaint was referred to the Facilities Department in Biscayne Bay Campus and was determined to be unsubstantiated.

OTHER ACTIVITIES

The following are highlights of some of the other activities conducted by our office during the 2005-2006 fiscal year:

- Coordinated activities with external auditors, primarily with the Office of the Auditor General.
- One staff member participated in an advisory capacity in the Information Technology Administrators Committee.
- Each OIA staff member obtained the necessary continuing education and training in compliance with Government Auditing Standards and the OIA Operations Manual.

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: OFFICE OF INTERNAL AUDIT STATUS REPORT

PROPOSED COMMITTEE ACTION:

None. Discussion item.

EXHIBITS/SUPPORTING DOCUMENTS:

- INTERNAL AUDIT STATUS REPORT

FACILITATOR/PRESENTER:

- TED GUBA

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Meeting of the Finance and Audit Committee

BOARD OF TRUSTEES

Office of Internal Audit

September 28, 2006

Audit Committee Meeting September 28, 2006

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Executive Summary – Office of Internal Audit Status Report

Board of Trustees

Finance and Audit Committee

September 28, 2006

This report details the current status of the Office of Internal Audit. The following audit and investigative reports were issued during the reporting period of June 12 through September 6, 2006: **Report No. 05/06-07**, Office of Sponsored Research Administration's Billings and Collections; **Report No. 06/07-I-01**, Investigation into Allegations Against the Director of Enterprise Technology Support Services; **Report No. 06/07-I-02**, Investigation Into Allegation of Employee Fraud at the School of Hospitality and Tourism Management at Biscayne Bay Campus. The following reports: **Report No. 05/06-06**, Access Controls Over The PeopleSoft Admissions Module; **Report No. 05/06-08**, Access Controls Over The PeopleSoft Student Financials Module were previously provided to all Finance and Audit Committee members. The results of these audits are exempt from public disclosure per Florida Statutes. Also attached is a summary on the current status of management's implementation of prior recommendations from both internal audits and those performed by the State Auditor General.

With respect to staffing, the Office of Internal Audit is in the process of recruiting to fill a senior audit manager position.

Since the June 12th meeting, in addition to issuing the previously mentioned reports, the Office of Internal Audit has started various additional audits and investigations that are detailed on the Special Projects, Investigations Summary and Proposed Audit Plan. The Proposed Audit Plan is an action item for this meeting; and we have also included our audit risk assessment analysis. Additionally, one complaint for investigations was received since the last meeting.

STANDING AGENDA

The Standing Agenda is included for reference by the Committee to matters that should be addressed at various times during the year. Those items that are dated and italicized were either previously discussed during a prior committee meeting or will be discussed during this meeting.

I. INDEPENDENT AUDITOR (STATE AUDITOR) MATTERS

- (a) Review of qualifications, performance and independence of the State Auditors.
- (b) Review of State Auditors' activities and findings since last update – *Every Meeting*
- (c) Meeting with representative from the Auditor General (State Auditors).

II. INTERNAL AUDIT MATTERS

- (a) Review of Internal Audit Department activities and findings since last update – *Every Meeting*
- (b) Review of organization, plan, scope and results of Internal Audit Function – *2006-2007 University Internal Audit Plan – September 28, 2006; Office of Internal Audit Annual Report 2005-2006*
- (c) Periodic review of the performance of the Director of Internal Audit.

III. ACCOUNTING AND REPORTING PROCESS

- (a) Review key critical accounting policies and judgments made by management in connection with these accounting policies.
- (b) Review adequacy of the University's internal controls over financial reporting and address issues that have or may develop into significant deficiencies or material weaknesses.
- (c) Audited Financial Statements.
- (d) Foundation Financial Statements
- (e) Budgets

IV. LEGAL, REGULATORY AND COMPLIANCE OVERSIGHT

- (a) Review risk assessment and risk management policies and procedures – *Risk Assessment/2006-2007 Audit Plan*
- (b) Review environmental-related matters, both in terms of regulatory and compliance issues and in terms of forward-looking policy.
- (c) Review of legal and other regulatory and compliance issues
- (d) Review of associate or other comments relating to accounting, internal control or audit matters
- (e) Review of Audit Committee Charter.
- (f) Sponsored Research Report
- (g) Treasury Update

V. EXECUTIVE SESSION OF THE AUDIT COMMITTEE

Florida International University Office of Internal Audit

MISSION STATEMENT

The mission of the Office of Internal Audit (OIA) at Florida International University is to provide audits, audit related services and non-criminal investigative services to the University departments and academic units in order to promote accountability, integrity and efficiency in the use of resources. To effectively accomplish this mission, the OIA strives to deliver its services in a competent and professional manner while maintaining the organizational independence necessary to provide objectivity in fact and appearance. The activities of the OIA shall be conducted in accordance with the Standards for the Professional Practice of Internal Auditing and Code of Ethics.

VALUES

The staff of OIA shall comply with the **State of Florida's Code of Ethics**, as well as the **Code of Ethics established by the Institute of Internal Auditors** for its members. In addition, the following values will be upheld by all OIA staff at all times.

- **Integrity** – Be honest, objective, diligent and credible in all relationships, both as individuals and as a representative of the OIA.
- **Excellence** – Uphold a high standard of service and commitment to quality in performing all projects.
- **Service** – Maintain a commitment to carry out all responsibilities with an attitude of service toward University management.
- **Leadership** – Provide noteworthy examples which emphasize high ethical and moral standards.
- **Sensitivity** – Maintain a sincere, dignified and caring attitude, and treat all University personnel in a professional manner.

FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

SUBJECT (R*)	EFFECTIVE DATE (R)	POLICY NUMBER
OFFICE OF INTERNAL AUDIT POLICY & CHARTER	March, 2006	
RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R)	RESPONSIBLE UNIVERSITY OFFICER (R)	
Division of Administration Florida International University	Marcos Perez Vice President, Administration	

POLICY STATEMENT (R)

Reporting, Independence and Authority

The Director of Internal Audit has direct reporting responsibilities to the Board of Trustee's Finance and Audit Committee. The OIA has unrestricted access to all records, data, information and personnel of the University deemed necessary to carry out its duties and responsibilities; however, the OIA has no direct responsibility or authority over the activities it reviews.

Professional Standards

The activities of the OIA shall be conducted in accordance with the standards for the Professional Practice of Internal Auditing. Staff members should demonstrate qualities of integrity, honesty, loyalty, morality, dignity and confidentiality, consistent with the Institute of Internal Auditors Code of Ethics.

Duties and Responsibilities

- Provide independent and objective appraisals regarding risk management and controls on financial matters. The yearly work plan that is derived from a comprehensive risk assessment is recommended by the Audit Director and approved by the Finance and Audit Committee.
- Periodically follow-up and report on the status of managements' implementation of recommendations resulting from these activities. Significant observations that are not implemented will be highlighted and closely monitored.
- Investigate allegations of financial fraud, waste, abuse, wrongdoing, and any whistleblower complaints.
- Ensure effective coordination and cooperation with external auditors.

REASON FOR POLICY (O*)

The purpose of Florida International University's Office of Internal Audit (OIA) is to provide independent and objective appraisals regarding risk management and controls on financial matters within the University.

CONTACTS (R)

Administrative Office's Address	Telephone Number	Fax Number
Ted Guba Audit Director Office of Internal Audit Florida International University 11200 S.W. Eighth Street Miami, Florida 33199	305-348-2465	305-348-6421

*R = Required *O = Optional

**Florida International University
Office of Internal Audit
Special Projects/Investigations
September 6, 2006**

<u>INVESTIGATION/RESPONSIBLE EXECUTIVE</u>	<u>Target Date to Complete</u>	<u>Assigned Auditor</u>
<i>1. UTS-referred by State Attorney-Dr. John McGowan</i>	<i>Complete</i>	<i>Cho</i>
<i>2. College of Education Grant-Interim Dean Judy Blucker</i>	<i>October</i>	<i>Sanchez</i>
<i>3. College of Arts & Sciences-Dean Mark Szuchman</i>	<i>October</i>	<i>Sanchez</i>
<i>4. College of Engineering-Dean Viswanath Prasad</i>	<i>October</i>	<i>Cho</i>
<i>5. School of Hospitality & Tourism Management- Dean Joseph West</i>	<i>Complete</i>	<i>Sanchez</i>
<i>6. Additional Financial Aid Complaints-VP Corinne Webb</i>	<i>October</i>	<i>Cho</i>
<u>Complaints</u> – Received since last Finance and Audit Committee Meeting		
<i>7. UTS – Audio/Video Equipment Purchases Complaint- CFO & Senior VP -Vivian Sanchez</i>	<i>December</i>	<i>Cho</i>

Florida International University
Office of Internal Audit
Procedures for Risk Assessment-Financial Reporting and Controls

Identifying the Audit Universe

To identify the audit universe for developing a risk based audit plan for financial reporting and control purposes, we will segregate areas by financial statement categories: Assets, Liabilities, Revenues and Expenses. Under each broad category, we will identify key financial statement accounts and related processes.

Assessment Criteria and Risk Categories

There are five risk categories and three risk classifications as follows:

<u>RISK CATEGORIES</u>	<u>RISK CLASSIFICATIONS*</u>		
Management/Auditor Concerns	High	Medium	Low
Financial Controls	High	Medium	Low
Prior Audit History	High	Medium	Low
Financial Exposure, Materiality	High	Medium	Low
Public/Regulatory Exposure	High	Medium	Low

*High Risk = 5, Medium Risk = 3, Low Risk = 1

Definitions of Risk Categories

- A. **Management/Auditor** will initiate the use of audit resources to address problems that may come to Management/Auditor attention that warrant immediate action.
- B. **Financial Controls** are a management tool used to provide reasonable assurance that management's objectives are met. Effective internal control promotes orderly, economical, efficient, and effective operation and quality products on services consistent with the organization's mission. Effective internal control safeguards resources against loss due to waste, abuse, mismanagement, error and fraud. Lastly, effective internal control helps the organization to ensure that it is adhering to laws and management directives, and helps to develop and maintain reliable financial and management data and fairly disclosing that information in management reports.
- C. **Prior Audit History** relates to the results and intervals since the last audit. This includes audit activity by all auditing bodies including internal audits and investigations, as well as external audits; (i.e., Auditor General or outside CPA firms) during the previous five-year period.
- D. **Financial Exposure, Materiality** comprises the risk of loss to assets or funds flowing (expenses or revenues) through the audit unit. Risk elements in this category would include revenues generated or processed, non-payroll expenditures, payroll expenditures, and assets.
- E. **Public/Regulatory Exposure** relates to the sensitivity to disclosure of an adverse condition, i.e., illegal or improper acts, safety, health and the related customer impact. Also, the existence of governing laws, rules, and regulations and the extent of oversight exercised by regulatory bodies could result in loss of customer confidence or loss of dollars from funding sources, etc.

Definition of Risk Classifications

High Risk

Risks that expose FIU to unacceptable financial and operating vulnerabilities. An unacceptable vulnerability is one that will result in material financial misstatements, waste and inefficiency, a material loss of University resources, fraud, and/or prevention of the attainment of organizational goals. Management would have an immediate obligation to eliminate an unacceptable vulnerability by whatever means necessary including the commitment of additional economic resources, major policy or system changes, or management restructuring.

Medium Risk

Risks that expose FIU to moderate financial and operating vulnerabilities. A moderate vulnerability is one that could result in financial misstatements, some loss of operating efficiency, loss of resources, or could impede in attaining organizational goals. Management would have an obligation to eliminate or reduce the vulnerability on a timely, but not immediate, basis using the current system and with existing economic and managerial resources.

Low Risk

Risks that expose FIU to minor financial and operating vulnerabilities. Minor financial and operating vulnerabilities are those that could result in reduced but not ineffective operating efficiencies, misuse, but not loss, of resources, and slowed, but not prevented, attainment of organizational goals. Management would have the obligation to be aware of such risks but not be obligated to implement changes to correct.

Risk Assessment Information Gathering

In completing the scoring phase of the risk assessments, the following tools can be considered.

1. Board of Trustees minutes.
2. Prior audit and follow-up reports.
3. Budgets and budget variances.
4. Management concerns and input obtained during formal meetings held with senior management.
5. External audit reports, (Auditor General) and outside CPA's.
6. Problems identified in the news media (newspapers, magazines, radio, and television).
7. Importance and placement of the entity (where the activity occurs) in the organization structure.
8. Previously communicated Audit Committee concerns and special requests.
9. Vulnerability and internal control assessment.
10. Review of departmental goals for upcoming year and success in attaining prior year's goals.

Developing the Annual Audit Plan

After the universe of assets, liabilities, revenues and expenses and key processes have been identified and each account/process has been assigned a risk assessment classification (High, Medium, or Low), the audit plan will be developed selecting the highest rated areas identified in the risk assessment process.

The annual audit plans will then be approved by the President and the Finance and Audit Committee.

Florida International University
Office of Internal Audit
Summary of Audit Risk Assessment Analysis

Based on meetings and discussions with key University management during June 2006, our Office assessed the risk categories score on key financial statement accounts/business processes for the 2006-2007 Risk Assessment Analysis. During this process, we identified ten key financial statement accounts and seven other areas that had the risk value of more than 20 as follows:

1. Cash and Cash Equivalents (Current & Non-Current)

We did not select this area since we conducted an audit of the Cashiering Function two years ago and each year perform surprise Cash Counts with minimal exceptions noted.

2. Depreciable Capital Assets, Net

For this account, Property Control was identified as a high-risk area. Therefore, we will incorporate property items purchased through contracts/grants fund within the Contracts & Grants Audit of "Allowable Expenditures" and through the auxiliary fund for the audit of Housing.

3. Construction Contracts Payable

For this account, major construction projects were identified as a high-risk area due to the dollar volume. Therefore, an audit of "Construction Processes & Controls" will be included in the audit plan. For this audit, we will focus on the control process of major projects from beginning to end.

4. Salaries and Wages Payable

For this account, implementing the University's new payroll system using ADP was identified as a high-risk area. In addition, our office is required to certify to the State Department of Financial Services (DFS) by December 21, 2006 that the new payroll system has adequate and functional controls. Therefore, a project for "Payroll Certification for DFS" will be included in the audit plan.

5. Student Tuition and Fees, Net of Scholarship Allowance

For this account, student financial aid award process was identified as a high-risk area. Since we had already conducted an investigative audit on this area during the previous fiscal year, we did not include in the audit plan. However, we may include implemented recommendations in this area in our Follow-up Audit (See Attachment A, # 8).

6. Federal Grants and Contracts

The Contracts and Grants area was determined to be the highest risk area for the University due to the Federal audits as well as the implementation of new policies and procedures. Accordingly, we conducted audits of "Pre-award Controls", "Suspense Accounts", "Billings and Collections", and "Close-out Controls" during the previous fiscal year. We will continue to perform audits of "Allowable Expenditures" and "Compensation for Personal Services/Time and Effort" in the audit plan.

7. Sales and Services of Auxiliary Enterprises

For this account, Housing was identified as a high-risk area. Based on discussions with senior management, we will audit every financial area of Housing, including revenues, expenditures, and property. We were informed that they are implementing a new collection system. Therefore, we will schedule an audit of Housing after it has been in operation for a reasonable period of time.

8. Compensation and Employee Benefits

As noted in No. 4 above, implementing the University's new payroll system using ADP was identified as a high-risk area. In addition, our office is required to certify to the State Department of Financial

Services (DFS) by December 21, 2006 that the new payroll system has adequate and functional controls. Therefore, a project for “Payroll Certification for DFS” will be included in the audit plan.

9. Services and Supplies

The Purchasing Card Process was determined to be a high-risk area since controls are decentralized within departments. Therefore, we will incorporate reviews of this area within the Contracts and Grants Audit of “Allowable Expenditures” and a separate audit of Purchasing Card Controls at the Departmental level.

10. Foundation – Review of Travel & Expense Reports

Although the Foundation is a separate entity and audited by an outside CPA firm, some of the travel and entertainment related expenses processed through the Foundation were questioned by news media recently. Also, the Finance and Audit Committee Chair requested that our Office review the travel and expense reports processed through the Foundation. Accordingly, this review will be included in the audit plan.

11. Purchasing Card Controls

Although this is not a part of financial statement accounts, purchasing card transactions affect expense accounts. Since controls over purchasing card transactions are decentralized, they are considered as a high-risk area. Therefore, we will include an audit of University-wide Purchasing Card Controls in the audit plan.

12. University Health Services – Patient Information System

Although this is not a part of financial statement accounts, patient information systems are high risk as they contain sensitive personal health information. Also, we want to ensure that the University complies with HIPPA regulations, which require patient information to be protected. Therefore, we included an IT audit of University Health Services – Patient Information Systems, as part of the audit plan.

13. Oracle Database Security

Although this is not a part of financial statement accounts, the Oracle Database is a high risk since it supports the University’s daily functions and contains sensitive student and financial data. Since the Office of the Auditor General recently audited the Financial Oracle Database Security, we will focus on the databases other than the Financial Oracle Database in this year’s audit plan. The following are specific audits of the Oracle Database that we included in the audit plan.

a) Oracle Database Security: Student Administration

The Student Administration database is a high risk as it supports the University’s daily functions and contains sensitive student data. Without proper security in this area, the University’s daily operations will be at risk since student information can be easily compromised.

b) Oracle Database Security: Tidal Enterprise Scheduler

The Tidal Enterprise Scheduler database is a high risk as it supports the University’s routine batch jobs for processing student information. Without proper security in this area, the University’s daily operations will be at risk since processing of student information can be adversely affected.

c) Oracle Database Security: TouchNet

The TouchNet database is a high risk as it supports the University’s ability to accept electronic payments for tuition and fees. The TouchNet database also contains sensitive credit card information. Without proper security in this area, the University’s daily operations may be at risk since processing of students’ credit card will be inoperable, and credit card information can be easily compromised.

d) Oracle Database Security: AllFusion Harvest

The AllFusion Harvest database is a high risk as it supports the University's daily development process for PeopleSoft Student Administration applications. Without proper security in this area, the University will be at risk since this will affect the development of PeopleSoft applications to support PeopleSoft systems.

14. Follow-up Audit on Implemented Recommendations

Although this is not a part of financial statement accounts, follow-up on prior recommendations is required by the International Standards for the Professional Practice of Internal Auditing. Due to change in our follow-up procedures, where we rely and report on management's statements on the implementation status of recommendations without testing, we need to monitor and test management's implementation of significant recommendations to ensure that they were, in fact, properly implemented. Therefore, we included this audit as part of the work plan.

15. Quality Assurance Review of the Office of Internal Audit

Although this is not a part of financial statement accounts, a quality assurance review is required by the International Standards for the Professional Practice of Internal Auditing at least once every five years. The last certification was issued in May 2002. This review will be conducted in house, and then will be reviewed and certified by independent outside entity by May 2007.

16. Departmental Ledger (DL) Reconciliations

Due to the PeopleSoft implementation, many transactions have been decentralized at the department level and the ledgers should be reconciled to local records on a monthly basis. We will audit this area if time permits as it is currently classified as potential audit in the work plan.

September 6, 2006

TO: Modesto Maidique, President

FROM: Ted Guba, Audit Director

SUBJECT: ACTION ITEM – University Internal Audit Plan, 2006-2007

Using the same risk assessment procedures as last year, we identified a list of auditable processes/areas based on each financial reporting category within the certified financial statements for the fiscal year ended June 30, 2005.

Discussions were held with various financial and other University management to determine high-risk and high priority areas to audit from their perspective. After obtaining Office of Internal Audit (OIA) staff input and applying various risk factors, such as prior audit history, financial controls, financial exposure, recent changes in management or systems, and/or public exposure, etc., we prioritized the high risk auditable processes/areas. Also, auditable Information Technology areas were evaluated and high risk exposures were identified (See Attachment A, Nos. 9-13), that concentrate on Oracle Database Security for Student Administration and Patient Information Security, since the State Auditors audited the Oracle Database Security related to financials. It should also be noted that the IT Security Office is in the process of identifying critical systems throughout the University. We may re-evaluate our work plan focus based on the results of the survey prior to the second half of the fiscal year.

As a result of the risk assessment process, the areas that were identified to be included in the work plan for fiscal year 2006-2007 are included in Attachment A. The work plan also includes investigations, follow up and other audit related activities (See Attachment B). In regards to the remaining audits, we are required to certify to the Department of Financial Services (DFS) by December 21, 2006, that our new payroll system that will be implemented on January 1, 2007, has adequate and functional controls. The contracts and grants areas of Compensation for Personal Services/Time and Effort Reporting and Allowable Expenditures are carryovers from last year's audit plan. Due to the dollar volume of monies spent on new construction of buildings, management requested that we review Processes and Controls related to Construction. Housing has added several buildings over the years, has not been audited since 1998, and is currently implementing a new collection system. An audit of Housing will be performed including revenues and expenditures as well as other areas. After new Foundation procedures are approved and implemented, we will review Travel and Expense Reports processed through the Foundation. Purchasing Card Controls will be reviewed at the departmental level since the controls in this area are decentralized by department.

Also, we will include a Follow-up Audit on significant recommendations that have been reported as implemented. Finally, since the OIA adheres to the International Standards for the Professional Practice of Internal Auditing, we will have a quality assurance review performed on the operations of our department by May 2007, since this review is required at least every five years, and was last performed by the State Auditor General in May 2002. We also noted other potential audits if time permits or priorities change. Attachment C details the tentative timeline of when the audits will be performed.

The plan is based on five of the authorized audit positions being filled throughout the year and two new hires coming on board, a Senior Manager by September 1, and another auditor by January 1. After your approval, the work plan will be presented to the Finance and Audit Committee for final approval.

Approved: _____
Modesto Maidique, President

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment A

Audit Activities

1. Payroll Certification for the Department of Financial Services
2. Contracts & Grants – Compensation for Personal Services/Time & Effort Reporting
3. Contracts & Grants – Allowable Expenditures
4. Construction – Processes & Controls
5. Housing
6. Foundation – Travel & Expense Reports
7. Purchasing Card Controls
8. Follow-up Audit on Implemented Recommendations
9. University Health Services – Patient Information Systems
10. Oracle Database Security – Student Administration
11. Oracle Database Security – Tidal Enterprise Scheduler
12. Oracle Database Security – TouchNet
13. Oracle Database Security – AllFusion Harvest

Other

14. Quality Assurance Review of the Office of Internal Audit

Other Potential Audits

1. Departmental Ledger Reconciliations
2. Utilities
3. Food Operations
4. Public Safety
5. Purchasing
6. Construction – Change Orders
7. Foundation – Other Expenditures
8. Information System Developers & Administrators End Point Security

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment B

Investigation Activities

1. UTS – referred by State Attorney – Dr. John McGowan
2. College of Education Grant – Interim Dean Judy Blucker
3. College of Arts & Sciences – Dean Mark Szuchman
4. College of Engineering – Dean Viswanath Prasad
5. School of Hospitality & Tourism Management – Dean Joseph West
6. Additional Financial Aid Complaints – Vice President Corinne Webb
7. UTS – Audio/Video Equipment Purchases Complaint – CFO & Senior Vice President Vivian Sanchez

Follow Up Activities

Note: We will follow up on the current status of the implementation of recommendations prior to each Finance and Audit Committee Meeting.

Audit Related Services

1. Minimum of Two Surprise Cash Counts
2. Risk Assessment and Work Plan
3. Quarterly Audit Committee Reports
4. Annual Report

Other Activities

1. Coordination with State Auditor General
2. Revision of Audit/Investigation Operations Manual
3. The Office's Web Site Update
4. Get Lean Hotline Monitoring
5. New Employee Mentoring
6. Training and Seminars for Staff

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT
2006 - 2007 WORK PLAN**

Attachment C

AUDITS	QTR 1	QTR 2	QTR 3	QTR 4
1. Payroll Certification for the Department of Financial Services		X		
2. Contracts & Grants – Compensation for Personal Services/ Time & Effort Reporting	X			
3. Contracts & Grants – Allowable Expenditures		X		
4. Construction – Processes & Controls			X	
5. Housing				X
6. Foundation – Travel & Expense Reports				X
7. Purchasing Card Controls			X	
8. Follow-up Audit on Implemented Recommendations			X	
9. University Health Services – Patient Information Systems		X		
10. Oracle Database Security – Student Administration	X			
11. Oracle Database Security – Tidal Enterprise Scheduler			X	
12. Oracle Database Security – TouchNet			X	
13. Oracle Database Security – All Fusion Harvest				X
<u>OTHER</u>				
14. Quality Assurance Review of the Office of Internal Audit	X			

**Florida International University
Office of Internal Audit**

Training and Seminars Update

The following is an update on both attended and planned seminars through the middle of August 2006. All seminar topics are directly related to critical functions of the department.

Below is a recap of training hours for the current and prior fiscal years by auditor.

	<u>2006-2007</u>	<u>2005-2006</u>
Ted Guba	xx hours	42 hours
Pyong Cho	35 hours	47 hours
Manny Sanchez	22 hours	22 hours
Phillip Maddux	22 hours	37 hours
Emmanuel Danso	xx hours	20 hours

DATE	ATTENDED SEMINARS	HOURS	AUDITOR
7/24-28/06	Institute of Internal Auditors	35	Pyong Cho
9/9-15/06	ACUA 50 th Annual Conference	22	Manny Sanchez
9/25 -10/1/06	MIS Training Institute	22	Phillip Maddux

FOLLOW-UP STATUS REPORT – OFFICE OF INTERNAL AUDIT

The following summarizes the current status of audit issues from prior internal audit reports as of August 2006.

(Note: audit issues highlighted in gray were due for implementation during this period)

Report	Audit Issue(s)	Responsible Executive/Director	Status	Revised Due Date	Original Due Date
Computer Network Security Report Issued: May 4, 2001	1. Security Risk Analysis	Sanchez/ Foster/Granto	No	10/06	Indeterminable
	2. Firewall Protection		No	09/06	Pending Funding
	3. Privileged Accounts IRM NT Domain	Sanchez/Grillo	No	12/06	08/01
	4. Security Awareness	Sanchez/ Foster/Granto	No	11/06	Pending Policy
	5. Security Training	Sanchez/ Foster/Granto	No	11/06	Pending Policy
	6. Information Technology Resources	Sanchez/Grillo	No	12/06	Pending Funding
Data Center Operations & IT Contingency Plan Report Issued: June 29, 2001	Disaster Recovery Plan	Sanchez/Foster/Granto	No	01/07	08/01
Southeast Environmental Research Center (SERC) Report Issued: June 30, 2004	Review & Reconciliation of D/L's	Berkman/Wartzok/Jaffe	Yes		12/04
Frost Art Museum Report Issued: Jan. 28, 2005	1. Art Collection Records	Berkman/De la Grana			
	1.1 Inventory		No	05/07	04/06
	1.2 Fair Market Value		No	11/08	04/06
	1.3 Insurance		No	11/08	04/06
	1.4 Assignment of Accession Numbers		No	02/07	04/06
	2. Capitalization of Art Work		No	11/08	07/05
School of Nursing Report Issued: May 31, 2005	3. Written Collection Procedures		No	05/07	06/05
	Property Conversion to PeopleSoft (Phase I due for 6/30/05 completed and Phase II in progress)	Sanchez/Bond	No	11/06	06/06
Wolfsonian-FIU Report Issued: June 17, 2005	1. Repairs and Upgrades to Annex Building	Berkman/Leff	No	Pending Funding	Pending Funding
	2. Cash Receipts Functions (Several issues completed. Only A/R system remained pending)		No	12/06	12/05
Wolfsonian-FIU Physical Security of Museum & Annex * Report Issued: June 17, 2005	Confidential and exempt from public records by Florida Statutes For 5 recommendations , 4 implemented and 1 outstanding	Berkman/Leff	Various	Various	Various
Access Controls Over PS Student Records Module * Report Issued: Feb. 23, 2006	Confidential and exempt from public records by Florida Statutes For 29 recommendations, 28 implemented and 1 outstanding	Sanchez/Grillo/Alam	Various	Various	Various
Access Controls Over PS Financial Aid Module * Report Issued: May 5, 2006	Confidential and exempt from public records by Florida Statutes For 19 recommendations, 14 implemented and 5 outstanding	Sanchez/Grillo Webb/Valines	Various	Various	Various
OSRA Review Of Suspense Accounts Report Issued: May 9, 2006	1.1 Clear prior charges Suspense Accounts	Wartzok/Barabino	No	10/06	06/06
	1.2 Implement control procedures and reconciliation		Yes		05/06
	1.3 Re-examine use of Suspense Accounts		Yes		07/06
OSRA Close Out Controls Report Issued: May 19, 2006	1.1 Examine inability to close-out on a timely basis.	Wartzok/Barabino	No	09/07	08/06
	1.2 System providing accountability of files		No		09/06
	1.3 Collectibility of the \$2.3 million		No	10/06	06/06
	2. Excess of Expenses over Revenues		No	12/06	08/06
	3. Excess of Revenues over Expenses		No	12/06	07/06
	4. Property Requiring Transfer		Yes		07/06
	5. Charges Posted Subsequent Grant End Date		Yes		05/06
	6. No Evidence Deliverables Submitted		Yes		07/06

Report	Audit Issue(s)	Responsible Executive/Director	Status	Revised Due Date	Original Due Date
Access Controls Over PS Admissions Module * Report Issued: June 20, 2006	Confidential and exempt from public records by Florida Statutes For 24 recommendations, 10 implemented, 14 outstanding	Sanchez/Grillo Webb/Brown	Various	Various	Various
OSRA Billings & Collections Report Issued: June 29, 2006	1. Project Accounting 2. Untimely Billings 3. Billing Records 4. Receivables Log 5. Cash Receipts: 5.1 Central Point of Collection 5.2 Segregation of Duties 5.3 Timeliness of Deposits 6. Access Control to Share Drive 7. Policies & Procedures	Sanchez/Bond Wartzok/Barabino	No Yes Yes Yes Yes Yes Yes Yes No		07/07 06/06 07/06 07/06 07/06 07/06 07/06 07/06 10/06
Access Controls Over PS Student Financials Module* Report Issued : June 30, 2006	Confidential and exempt from public records by Florida Statutes For 22 recommendations, 5 implemented, 17 outstanding.	Sanchez/Grillo/Bond	Various	Various	Various
Allegations Against the Director of Enterprise Technology Support Services Report Issued: July 7, 2006	1.1 Three Written Quotes-IT Consulting Services 1.2 Goods/Services Received Before PO Issued 2. Three Quotes-IT Hardware 3.1 Disciplinary Action – Fishing Trip 3.2 Conflict of Interest – Gift 3.3 Purchasing Rule – Gift 4.1 Contacting Vendor Confidential Period 4.2 Disciplinary Action-Contacting Vendor 4.3 Overpayment 4.4 Timely Payment Process 4.5 Review of Equipment List 4.6 Adequate Bid Procedures 4.7 Bid Clarification 4.8 Consistent Bid Documents	Sanchez/ Foster/ Millspough	Yes Yes Yes Yes No No No Yes Yes No No Yes Yes Yes		07/06 07/06 07/06 07/06 09/06 09/06 09/06 07/06 07/06 09/06 09/06 09/06 07/06 07/06 07/06

* (Updates on implementation status of recommendations were reported separately to Finance and Audit Committee).

FOLLOW-UP STATUS REPORT - OPERATIONAL AUDIT

The following summarizes the current status of audit issues from the State Auditor's Operational Audit report as of August 2006.
(Note: audit issues highlighted with gray were due for implementation during this period.)

Report	Audit Issue	Responsible Executive/Director	Status	Revised Due Date	Original Due Date
Finding No. 12: Monitoring Fuel Efficiency of Vehicles	The University had not implemented adequate procedures to assess the reasonableness of fuel consumption of University vehicles.	Perez/DiCiaccio	No	09/06	01/06
Finding No. 13: Reconciliation of Construction Project Records	The University had not provided for the reconciliation of total expense differences between the Facilities Management Department's project ledgers and the general ledger.	Perez/Brozic Sanchez/Bond	No	12/07	12/05

FOLLOW-UP STATUS REPORT STATEWIDE FEDERAL AWARDS AUDIT

The following summarizes current status of audit issues from the State Auditor's Federal Awards Audit as of August 2006.
(Note: audit issues highlighted with gray were due for implementation during this period.)

Audit Issue(s)/Recommendation (Finding Number)	Responsible Executive/Director	Status	Revised Due Date	Original Due Date
1. Enhance procedures to ensure that enrollment status changes for Federal Family Education Loan (FFEL) borrowers are accurate and timely submitted to the National Student Loan Data System. (FA 05-105)	Webb/Yff	Yes		3/30/06 6/30/06
2. Enhance procedures to monitor (a) FFEL student loan and (b) Perkins loan borrower's enrollment status changes to ensure exit counseling and/or conversion to repayment status is performed. (FA 05-106 & 107)	Webb/Valines (FFEL) Sanchez/Bond (Perkins)	Yes Yes		4/30/06 6/30/06
3. Implement procedures to ensure that all Federal programs reported on the Schedule of Expenditures on Federal Awards are classified correctly, and that reported amounts are complete and accurate. Comply with indirect grantor notification requirements. (FS 05-06)	Warzok/Barabino	Yes		4/30/06
4. Enhance procedures to ensure time and effort reports are performed timely. Procedures should provide for monitoring and reviewing the entire process from sending to receipt of the certification. (FA 05-109)	Warzok/Barabino	Yes		6/30/06

Total number of audit issues due for implementation as of August 31, 2006: 38

Total number of audit issues completed as of August 31, 2006: 27 (71%)

Total number of audit issues outstanding as of August 31, 2006: 31

**Florida International University
Management Responses to Audit Issues
September 6, 2006**

Computer Network Security

1. Audit Issue: **Security Awareness**

Status: Not Implemented

Action Plan to Complete:

The IT Security Office along with the UTS Customer Relations and Communications unit have developed a full-scale communication plan regarding the availability of security awareness resources. Portions of this plan have been executed, and the remaining items will be executed during the Fall 2006 semester. Due to changes in leadership in early July, this item could not be completed within the original timeframe.

2. Audit Issue: **Security Training**

Status: Not Implemented

Action Plan to Complete:

A policy regarding participation in a university-wide IT administrator training program is complete but has not been processed for acceptance and approval. The IT Security Office training program associated with the policy is as follows; The IT Security Office will continue to facilitate free training from Microsoft and Oracle and is developing agreements with other vendors. Internal training for system developers and administrators in the FIU community through the ITA committee will continue to be available upon request. The IT Security Office received funding this year to contract on-site training for campus administrators. We are currently in the process of negotiating with SANS to begin classes in the Fall.

Data Center Operations & IT Contingency Plan

1. Audit Issue: **Disaster Recovery Plan**

Status: Not Implemented

Action Plan to Complete:

The official Disaster Recovery Plan is under development, to be completed January 2007.

School of Nursing

1. Audit Issue: **Property Conversion to PeopleSoft**

Status: Not Implemented

Action Plan to Complete:

From the original \$8.9 million in cost value, we have successfully identified the correct department and accountable officer for all assets except 21 items that are still pending investigation. These remaining items have a net book value of zero. We expect to be able to identify some of these assets when the current comprehensive physical inventory is finalized by American Appraisers, the

consultants performing this undertaking. We expect to finalize the identification of all assets by November 15, 2006.

Wolfsonian-FIU

1. Audit Issue: **Repairs and Upgrades to Annex Building**

Status: Pending Funding

Action Plan to Complete:

Facility issue is still unresolved and pending identification of funding source(s) to address the issue. We are waiting to finalize the contract with Miami Dade County to receive funds awarded to the Wolfsonian through its General Obligation Bond Issue, to determine if any of the facility issues can be addressed by the scope of work performed under that contract. I do not believe that the Facilities Department has identified any other funding to begin to address any of these issues.

2. Audit Issue: Cash Receipts Functions (only A/R system remained pending)

Status: Not Implemented

Action Plan to Complete:

We have purchased the Accounts Receivable module for Financial Edge from Blackbaud. Installation and implementation has been delayed due to complexity of using the system and our need to hire additional staff in the business office to both learn this new program and support all other business office activities. We will fully implement and test the new module by December 1, [2006]. We are in the process of hiring a new assistant business and once this person is onboard (hopefully by October 1), we can train staff on use of accounts receivable module. Once installed, the invoice issuing function will be centralized and linked to our accounting system, all invoices will be pre-numbered. In the mean time, we have implemented a centralized excel spreadsheet that logs in all invoices and issues sequential numbers to each. The information from the spreadsheet is entered into our internal accounting system (Financial Edge) on a regular basis.

OSRA Review of Suspense Accounts

1. Audit Issue: **Clear Prior Charges to Suspense Accounts** (Recommendation #1.1)

Status: Not Implemented

Action Plan to Complete:

Significant progress has been made on the removal of charges from suspense but the removal of all charges from suspense will have to be extended to October 31, 2006. The suspense accounts were reviewed by the Post Award staff and approximately \$1.5 million of expense transactions were cleared to Project IDs, Facility & Administrative (F&A) cost return or Educational & General (E&G) funds. The remaining \$500 thousand that could not be distributed to project IDs will be reviewed by the Post Award Director to determine the appropriate fund for write off. The Post Award Director review will be completed by October 31, 2006 and all suspense accounts will be closed at this time.

OSRA Close Out Controls

1. Audit Issue: **Examine Inability to Close-Out on a Timely Basis** (Recommendation #1.1)

Status: Not Implemented

Action Plan to Complete:

Procedures for closing projects were reviewed and the current manual processes will remain in place until a grants module is implemented. The grants module will allow for additional automation in the close out process thus providing a mechanism for monitoring and decreasing the length of time necessary to complete close outs. The grants module is tentatively scheduled for complete installation by September 2007.

2. Audit Issue: **Collectibility of the \$2.3 million** (Recommendation #1.3)

Status: Not Implemented

Action Plan to Complete:

The Post Award staff continues to follow up on several outstanding receivables incurred prior to April 2005. A decision was made to utilize FIU staff rather than consultants to follow-up on the collection of the outstanding receivables. A separate team is being formed with dedicated time for follow up and collection of accounts receivables. Collection of outstanding receivables prior to April 2005 and write offs of bad debts will be completed by October 31, 2006.

3. Audit Issue: **Excess of Expenses over Revenues** (Recommendation #2)

Status: Not Implemented

Action Plan to Complete:

OSRA has issued invoices for terminated projects where expenses are greater than revenue provided the expenses have not exceeded the award amount. The DHHS freeze has been removed from the draw down request.

4. Audit Issue: **Excess of Revenues over Expenses** (Recommendation #3)

Status: Not Implemented

Action Plan to Complete:

OSRA has closed several projects that have residual balances and will continue its efforts to close all terminated projects. Priority was given to projects that present a higher financial risk to the University and therefore the completion of this activity is projected for December 31, 2006.

The State of Florida Auditor General's Operational Audit

Finding No. 12

Audit Issue: **Monitoring Fuel Efficiency of Vehicles**

Status: Not Implemented

Action Plan to Complete:

The installation of the fuel devices will commence on September 11, 2006 and be completed by September 30, 2006.

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: UNIVERSITY COMPLIANCE PROGRAM REPORT

PROPOSED COMMITTEE ACTION:

None. Discussion Item.

EXHIBITS/SUPPORTING DOCUMENTS:

- UNIVERSITY COMPLIANCE OFFICE
PROGRAM REPORT

FACILITATOR/PRESENTER:

- LEYDA BENITEZ

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MEMORANDUM

University Compliance Office

To: The Florida International University
Board of Trustees Finance and Audit Committee

From: Leyda Benitez
University Compliance Officer

Subject: University Compliance Program Report

Date: September 8, 2006

The purpose of this report is to summarize the status of major compliance initiatives since my last report to you dated May 25, 2006 in anticipation of the Board of Trustees Finance and Audit Committee meeting on June 12, 2006. In addition, this report outlines the principal compliance initiatives that are already underway for fiscal year 2006-07. The first part of this report summarizes the status of implementation of the overall compliance program while the second part addresses specific compliance initiatives that were undertaken or are still in progress.

A. Institutional Compliance Program at Florida International University: Implementation Status and Next Steps

1. The foundation that will serve to support the Institutional Compliance Program, the University's Policies and Procedures Library, was developed and launched. The Policies and Procedures Library establishes one central location for all University Policies and Procedures and facilitates for faculty, staff and students knowledge and familiarity with the University's standards and expectations.
2. With the launch of the University Policies and Procedures Library, the next step is to implement institutional compliance education and training to all members of the University community. This education and training will commence with new employees during their orientation session. This education session is intended to be a brief, yet effective, presentation of the concept of compliance at the University. It will serve to highlight the University's commitment to a culture of compliance and ethics in the conduct of its academic, research, and business endeavors.
3. The launch of the University's Policies and Procedures Library also makes it both possible and timely to analyze those areas of compliance concern where there is an absence of University policies or standards. One of the goals of the University Compliance Office for the 2006-07 fiscal year is to identify and correct these

omissions by assisting in the development of University policies where these are needed or desirable.

4. The University Compliance Officer will continue in her role of addressing compliance gaps and serving to facilitate corrective action measures that the University should take in order to address these gaps.
5. A risk assessment methodology will be proposed and presented to the University's Operations Committee for consideration and approval. Risk assessments, with active participation from individuals working in those areas, will be conducted in accordance with the agreed upon prioritization.
6. A University Compliance Program Advisory Committee will be established during the 2006-07 fiscal year.

B. Major Compliance Initiatives during FY 2005-2006

1. Compliance Initiative: Develop an effective clearance procedure for employees who are either separating from employment with the University or transferring departments or units.
 - a. Responsible Executive/Director – Department/Division:
Maria Alam, Human Resources
 - b. Status Update:
 - Procedure and web-based form were created and implemented.
 - This matter is now concluded.
2. Compliance Initiative: Review feasibility, advisability and need to conduct criminal background checks.
 - a. Responsible Executive/Director – Department/Division:
Maria Alam, Human Resources
Rosa L. Jones, Student Affairs
 - b. Status Update:
 - *Criminal Background Checks and Students:*
 1. Appropriate disclosure statements have been included to advise students that educational, clinical and other internship sites may require criminal background checks.
 2. Committee chaired by Michelle Ciccazzo, Associate Dean, College of Health and Urban Affairs (CHUA), continues to meet on an as needed basis.
 3. Office of the General Counsel sponsored recent seminar (June 2006) on criminal background checks

that was well attended and received by University administrative and clinical staff.

4. Decision reached that overall policy will be School/College specific at this time due to differing requirements by discipline.
5. Office of the General Counsel and Compliance are assisting in the development of a student criminal background check policy for CHUA that may serve as a template for other Schools/Colleges with a projected completion date of December 2006.

- *Criminal Background Checks and Employees:*

1. Criminal background checks are done when required by law or when such checks are otherwise required as part of the job description.
2. In addition, criminal background checks have been implemented for employees who have access to the University's information technology systems.
3. University has not implemented broader criminal background check requirements at this time and will revisit issue in light of upcoming College of Medicine requirements as such checks are prevalent in the clinical arena.
4. The status of this matter should be revisited during the next meeting of this Committee.

3. Compliance Initiative: Assess conflict of interest disclosure process for the University.

a. Responsible Executive/Director – Department/Division:
Maria Alam, Human Resources
Kenneth Johnson, Academic Affairs

b. Status Update:

- Assessment of conflict of interest disclosure process completed.
- Based on the Working Group's recommendations to create a central database that will be accessed by designated representatives from Academic Affairs, Human Resources and Office of Sponsored Research Administration, a form is under development intended to capture all of the required conflict of interest disclosures.
- Conflict of interest analysis will be the ultimate responsibility of the three areas above mentioned namely, Academic Affairs, Human Resources and the Office of Sponsored Research

Administration. These representatives, together with the University Compliance Officer, will meet on a periodic basis (at least quarterly, upon implementation of the new electronic system), in order to ensure consistency of interpretation with federal and state legal requirements regarding conflicts of interest.

- Database needs to be created and tested.
- Rollout is expected during the 2006 Fall Term.
- In the meantime, Academic Affairs and Human Resources will be sending out communications regarding conflict of interest disclosure obligations twice per year.
- New employees must complete conflict of interest disclosure forms during sign-in process.

c. Target Date: December 2006.

4. Compliance Initiative: Enact property control policies and procedures for sponsored programs that are compliant with federal and state regulations and guidelines.

a. Responsible Executive/Director – Department/Division:
Orlando Valdes, Interim Director, Purchasing

b. Status:

- Updated Property Control Manual has been implemented with appropriate policies and procedures that are compliant with state and federal regulations and guidelines applicable to sponsored programs.
- This matter is now concluded.

5. Compliance Initiative: Create export control policies, procedures and compliance plan for the University.

a. Responsible Executive/Director – Department/Division:
Kelsey Downum, Office of Sponsored Research Administration

b. Status Update:

- Policy and procedures on export controls were approved by the President's Staff on June 12, 2006.
- University Compliance Officer will continue to work with the Office of Sponsored Research Administration on export control issues and education throughout the University community.
- This matter is now concluded.

6. Compliance Initiative: Time and Effort Reporting Certification.

a. Responsible Executive/Director – Department/Division:
Kelsey Downum, Office of Sponsored Research Administration

b. Status Update:

- As of the 2006 Spring Term, a total of 740 effort reports were distributed on June 15, 2006. Of these 734 reports have been certified to date.
- Escalation procedures are in place through the Office of Sponsored Research Administration, Academic Deans and the Provost in order to address instances of non-compliance.
- Form letter was developed to send to the researcher and to be placed in the grant/award file. This letter is in addition to the escalation procedure already in place.
- This matter is now concluded, but with a recommendation that the Office of Sponsored Research Administration continue to provide reports regarding status of compliance with time and

effort certification by the University research community on a periodic basis.

7. Compliance Initiative: Develop effective IT security policies and procedures.

- a. Responsible Executive/Director – Department/Division:
Cheryl Grant, Information Technology
- b. Status Update:
 - IT security policies and procedures are being revised and will be presented to the President’s Staff for approval.
 - Since early 2006 Spring Term, the IT Security Officer has been providing IT security awareness, education and training to the various areas that comprise Enrollment Management (Admissions, Financial Aid, Registrar’s and Transfer Services/Articulation Services).
- c. Prior Target Date: July 2006.
- d. Revised Target Date: December 2006.

8. Compliance Initiative: Privacy: Compliance with requirements of Gramm-Leach-Bliley Act and regulations.

- a. Responsible Executive/Director – Department/Division:
Cheryl Grant, Information Technology
- b. Status Update:
 - The University’s Gramm-Leach Bliley Act: Safeguards to Protect Confidential Financial Information Policy (the “GLB Policy”) and Information Security Plan were approved by the President’s Staff during its June 12, 2006 meeting.
 - The Information Technology Security Officer and University Compliance Officer are developing training and education materials regarding the GLB Policy obligations. The education and training component will be launched no later than December 2006.
 - This matter is concluded regarding the development of both the GLB Policy and Information Security Plan for the University.

9. Compliance Initiative: Privacy: Compliance with HIPAA.

- a. Responsible Executive/Director – Department/Division:
Leyda Benitez, University Compliance

b. Status Update:

- Updated policy must be presented to the President's Staff for approval.
- Must provide education and training to those specific and isolated departments within the University that are responsible for handling "protected health information."
- Education and training should commence during the 2006 Fall Term.

c. Prior Target Date: July 2006.

d. Revised Target Date: December 2006.

10. Compliance Initiative: Review of procurement practices in the area of information technology with emphasis on prior reliance on single vendor and sole source scenarios.

a. Responsible Executive/Director-Department/Division:
Leyda Benitez, University Compliance

b. Status Update:

- This matter involved an assessment of the University's procurement practices for technology hardware and software in order to meet the University's VoIP needs.
- Assessment concluded with recommendations in order to ensure University's procurement practices are open to competitive solicitation whenever such competition is required or appropriate.
- Assessment has resulted in a closer working relationship between various University units/divisions, the Office of the General Counsel and Purchasing in order to ensure State legal requirements are met or exceeded.

11. Compliance Initiative: Assist in the development of policies and procedures for Governmental Relations in order to ensure compliance with State and Federal laws.

a. Responsible Executive/Director-Department/Division:
Marcos Perez, External Relations

b. Status Update:

- At the request of the Office of the President, Office of the General Counsel and Governmental Relations, assist in the development of University policies and procedures in the area of governmental relations in order to ensure compliance with State and Federal laws.

c. Target Date: December 2006.

12. Compliance Initiative: Compliance with the Digital Millennium Copyright Act (DMCA) requirements.

a. Responsible Executive/Director-Department/Division:
Leyda Benitez, University Compliance

b. Status:

- Developing notice and framework required under the DMCA.
- Researching scope of requirements in order to determine how best to structure ultimate responsibility for notice and follow up action by the institution.

c. Target Date: December 2006.

13. Compliance Initiative: Assist in the development of a University Policy on whistleblower protection.

a. Responsible Executive/Director-Department/Division:
Cristina L. Mendoza, University Office of the General Counsel

b. Status update:

- This project was commenced at the request of the Office of the General Counsel and is necessary in light of the fact that the Florida Public Whistleblower's Act, set forth at Florida Statutes §§ 112.3187-112.31895, is no longer applicable to the State University System upon devolution.

c. Target Date: December 2006.

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: AUDITOR GENERAL PEOPLESOFT FINANCIALS SYSTEM AUDIT

PROPOSED COMMITTEE ACTION:

None. Discussion Item.

EXHIBITS/SUPPORTING DOCUMENTS:

- **STATUS REPORT** - INFORMATION TECHNOLOGY AUDIT OF THE FIU PEOPLESOFT FINANCIALS SYSTEM
- AUDITOR GENERAL PEOPLESOFT FINANCIALS SYSTEM AUDIT

FACILITATOR/PRESENTER:

- JAMES BOND
- IVON FOSTER

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STATUS REPORT

Information Technology Audit of the FIU PeopleSoft Financial System

The following summarizes the findings noted in the Preliminary from the State of Florida Auditor General's Office for the IT Audit on for the period August 2005 through January 2006 and selected action taken through May 2006.

Audit Issue(s)/Recommendation	Responsible Executive/Director	Implementation Status	Due Date
Finding 1: There was a need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.			
1a: Lack of written procedures for University wide network standards.	Cheryl Granto, IT Security Officer	Not Completed	July 1, 2007
1b: Acceptance and agreement of securities policies is not mandatory.	Cheryl Granto, IT Security Officer	Completed	
1c: FIU General IT Security Policy did not apply to UFF.	Cheryl Granto, IT Security Officer	Not Completed	Pending UFF Bargaining Session
1d: The University did not maintain logon banners for users accessing network resources.	Robert Grillo, UTS-Director	Not Completed	Dec 31, 2007
1e: Lack of formal training for Security Incident Response Team.	Cheryl Granto, IT Security Officer	Not Completed	Dec 31, 2006
1f: Improvements needed in University policies and procedures for data backup.	Robert Grillo, UTS-Director	Not Completed	July 1, 2007
1g: Lack of written security policies and procedures for the periodic review of the PeopleSoft financials user access privilege lists	Aime Martinez, Assistant VP Assoc. Controller	Not Completed	Oct 31, 2006
1h: Peoplesoft did not include procedures to ensure that changes or customizations to the application supported compliance with Section 508. (Americans with Disabilities Act)	Robert Grillo, UTS-Director	Not Completed	Feb 1, 2007
Finding 2: Improvements were needed in certain security controls within the overall operations of the application and the supporting network environment at the University.	Ivon Foster, Associated. VP of IT	Not Completed	July 1, 2007
Finding 3: Deficiencies were noted in the University's procedures for restricting access to appropriate users.			
3a: Lack of policies and procedures to ensure that access is timely revoked or modified for terminated individuals.	Maria Alam, Associate VP of Human Resources	Not Completed	Dec 31, 2006
3b: Inappropriate or unnecessary access privileges.	Aime Martinez, Assist. VP Assoc. Controller	Not Completed	Oct 31, 2006
3c: No defined circumstances or designated personnel appropriate for correction mode usage.	Aime Martinez, Assistant VP Assoc. Controller	Completed	February, 2006
Finding 4: Improvements were needed in the change management process.	Robert Grillo, UTS-Director	Not Completed	Nov 30, 2006
Finding 5: Deficiencies were noted in the disaster recovery plan and process.	Robert Grillo, UTS-Director /	Not Completed	Jan 31, 2007
Finding 6: Environmental control improvements were needed at the University's Data Center.	Robert Grillo, UTS-Director	Not Completed	No later than June 1, 2007

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AUDITOR GENERAL

WILLIAM O. MONROE, CPA



FLORIDA INTERNATIONAL UNIVERSITY

PEOPLESOFT FINANCIALS SYSTEM

Information Technology Audit

SUMMARY

Florida International University (University) utilized the PeopleSoft financials and student administration application suites as its enterprise resource planning (ERP) solution. The applications operated within an Internet-based environment supported by the Division of Information Technology. The University Technology Services (UTS) department provided a central computer facility for the University, including support for the campuswide network backbone, computer operations, and telephone service. Although UTS provided computing services, various individual colleges and departments also maintained their own networks and computing facilities and connected to the overall FIU network through UTS-maintained routers. UTS was responsible only for the network backbone and did not assume maintenance of any equipment outside of the core network.

Our audit focused on evaluating selected information technology (IT) controls applicable to the PeopleSoft financials system, as implemented and administered by the University, and selected internal controls related to the University's overall IT environment, for the period August 2005 through January 2006, and selected actions taken through May 2006.

As described below, we noted that improvements were needed in certain controls related to the University's IT functions and practices.

Finding No. 1: There was a need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.

Finding No. 2: Improvements were needed in certain security controls within the overall operations of the application and the supporting network environment at the University.

Finding No. 3: Deficiencies were noted in the University's procedures for restricting access to appropriate users.

Finding No. 4: Improvements were needed in the change management process.

Finding No. 5: Deficiencies were noted in the disaster recovery plan and process.

Finding No. 6: Environmental control improvements were needed at the University's Data Center.

BACKGROUND

During the 2000-01 fiscal year, the University began a multi-year project with the goal of implementing a new Web-based ERP system to replace the State's financial accounting system, the Florida Accounting Information Resource Subsystem (FLAIR). The University purchased software applications for student administration, financials, and human resources management systems, which the University named the PantherSoft project. The student administration system is comprised of four main modules: admissions, financial aid, student financials, and student records. These modules went live during the 2003-04 and 2004-05 fiscal years. The financials system went live on July 1, 2004, and includes modules such as the general ledger, purchasing, accounts payable, asset management, and travel and expenses. The University used consulting firms for the

implementation of and training for the student administration and financials systems. University personnel indicated that the University decided to outsource the payroll function to Automatic Data Processing, Inc. (ADP) and plan to transition off the State system on January 1, 2007. Additionally, software applications were acquired for the portal (Web access) and enterprise reporting.

Finding No. 1:

University Governance of IT

Enterprise information resources and systems are shared resources requiring security and management strategies to be coordinated across the enterprise. Security management responsibility is optimally established at the organizationwide level to deal with overall security issues in the organization. Management's ultimate objective under an enterprise governance model is to conduct day-to-day operations of the organization and to accomplish the organization's stated missions with security commensurate with the risk and magnitude of the harm resulting from the unauthorized access, use, disclosure, disruption, modification, or destruction of information. Management, through enterprise governance of IT, can provide increased assurance that due diligence is exercised by all individuals involved in the management, use, design, development, maintenance, or operation of information systems.

The FIU IT Security Office (ITSO) is one of five departments in the Division of Information Technology under the leadership of the University's Vice President and Chief Information Officer (CIO). Its mission is to protect FIU IT resources through awareness, policy, infrastructure, and education.

With the advent of the ERP initiative, core business processes underwent significant change affecting all aspects of the management of university resources. Accordingly, enterprise information was directly accessible on-line to increased groups of people. Consequently, the importance of enterprise level

management of IT was increased. Our audit disclosed the following:

- The University did not maintain written procedures for consistent network standards to be applied across the University. Specific details of this deficiency are not disclosed in this report to avoid the possibility of compromising University information. However, appropriate University personnel have been notified of the deficiency.
- Security policies, such as the FIU General IT Security Policy and the FIUnet Acceptable Use Policy, resided on FIU's Web site. However, reading, acceptance, and agreement to adhere to these policies were not mandatory for all IT resource users and, even if users read the policies, there was not always a mechanism for the users to acknowledge in writing their understanding and acceptance of the policies. The IT Security Office did indicate that one component of its IT Security Awareness On-line Training is reading and acknowledging the General IT Security Policy. While we did note that there was an optional mechanism on the General IT Security Policy Web page, wherein users could enter and submit their Panther ID and e-mail addresses acknowledging that they had read, understood, and agreed to adhere to the security policy; there was no similar mechanism on the FIUnet Acceptable Use Policy Web page. Further, certain security policies and procedures, including the Guidelines for Data Stewardship, UTS Network Operations Center Procedures for Security Issues, and procedures governing the physical security of critical network components housed outside of the University data center, existed only in draft form.
- The FIU General IT Security Policy did not apply to United Faculty of Florida (UFF) members. As of July 1, 2005, the General IT Security Policy was adopted by the FIU Board of Trustees and applied to all non-bargaining unit faculty, Police Benevolent Association (PBA) represented employees, and non-bargaining unit employees.
- The University did not maintain logon banners for users accessing network resources. The use of banners generally complements an entity's IT security, network, and acceptable use policies. Logon banners

may include notice of authorized monitoring of users' activities while they are using the system, and warnings of legal sanctions should evidence of illegal activities or violations of IT security policies occur.

- We noted a lack of formal training for Network Engineering, Telecommunications and Operations, and Enterprise Systems members of the University's Security Incident Response Team (SIRT). In addition, SIRT procedures had not been reviewed by the University to ensure that they continued to support the critical business processes and systems of the University and campus units and incorporated the requirements in Florida law¹ for notifying affected persons if their personal information is compromised.
- Improvements were needed in University policies and procedures for data backup. Specific details of this deficiency are not disclosed in this report to avoid the possibility of compromising University information. However, appropriate University personnel have been notified of the deficiency.
- The University did not have adequate written security policies and procedures in place for the periodic review of the PeopleSoft financials user access privilege lists, nor were the user lists periodically reviewed by supervisors for appropriateness. Subsequent to our audit inquiries, management indicated that it had established a review process that is handled between the PantherSoft security administrator and the user departments and that the University can create a formal procedure to document this action between the groups.
- The University's Disability Resource Center Americans with Disabilities Act (ADA) policy provides that, under the guidelines of the ADA, the University is required to make reasonable accommodations in providing services to students, staff, faculty, or visitors with disabilities. In recognition of accessibility provisions under Section 508 of the Rehabilitation Act of 1973, as amended² (Section 508), the University placed reliance on PeopleSoft's position of compliance with regard to its application software. However, the University's written change control

procedures for the PeopleSoft applications did not include procedures to ensure that any changes or customizations to the application supported continued compliance with Section 508.

Enterprise security relegated to varying technical specialties within individual campus/departmental units may not achieve a sustainable capability for developing and implementing proactive measures to mitigate security problems or incidents. Without applying management and security procedures for enterprise IT resources and data at a University level of governance, the University may fail to identify and enact security controls necessary to adequately protect information systems that support the operations and assets of the organization and, thereby, accomplish its assigned mission, protect its assets, fulfill its legal responsibilities, maintain its day-to-day functions, provide reliable financial reporting, and protect individuals.

Recommendation: A University-level governance model should be adopted to create a centralized authority for managing and securing enterprise data. Written procedures should be initiated to address those areas noted above with consistent enterprisewide application to support the confidentiality, availability, and integrity of information resources.

Finding No. 2:

Application Environment and Support Function

Security considerations for all components of a system environment, including application, operating system, network, and physical levels, contribute to the reliability and integrity of the applications and the data processed therein. Developing and maintaining procedures to ensure the proper use of the application, data management, and technological solutions put in place is enabled by a structured approach to the combination of general and application controls over IT operations.

We noted certain control deficiencies in the systems environment, including inadequate policies and procedures, related to system logging, wireless access, user workstation controls, user identification and

¹ Section 817.5681, Florida Statutes

² 29 U.S.C. Section 794d

authentication, technical management, operating system, and network controls. Specific details of these deficiencies are not disclosed in this report to avoid the possibility of compromising University information. However, appropriate University personnel have been notified of the deficiencies.

Without formal written policies and procedures outlining controls and measures necessary for the quality and consistency with which an entity's objectives are achieved, management's assurance that personnel have the appropriate guidance for performing directives in accordance with expectations or with consistent application is diminished.

Recommendation: University management should strengthen its controls surrounding its enterprise information resources and systems in the above-mentioned areas.

Finding No. 3:

Access Authorization

Proper restriction of system access to authorized individuals permits user access to application software processing functions solely for purposes of performing assigned duties and precludes unauthorized persons from gaining access.

Our audit disclosed the following instances of inappropriate or unnecessary system access privileges:

- The University did not have adequate policies and procedures in place to ensure that access capabilities were timely revoked or modified, as necessary, for individuals who had terminated employment. Termination procedures are developed and responsibilities assigned to specific departments in an organization to ensure timely notification to the data security administration function of change in employee status and cancellation of access privileges to critical areas, specific data systems, and the installation as a whole. In tests of 82 employee terminations during the period of July 2004 through July 2005, and through other audit procedures, we identified 24 University employees that continued to have PantherSoft financials or network access ranging from 68 to 431 days beyond their dates of termination. In response to our audit

inquiry, the University indicated that these personnel had been locked out of the system and all roles removed. Additionally, the University determined that the account of one terminated employee was used after the termination date, but was unable to determine what resources, if any, were accessed. In January 2006, subsequent to our audit inquiries, the University implemented new termination procedures for managing the account deletion process for UTS-supported systems. Further, University management indicated that UTS and Human Resources were working to develop Universitywide policies and a notification mechanism regarding termination procedures. Without adequate procedures to ensure the timely revocation of access, the risk is increased of unauthorized access to University resources.

- Our audit disclosed instances of inappropriate or unnecessary access privileges. An appropriate division of roles and responsibilities excludes the possibility of a single individual subverting a critical process. When enforced through appropriate system access privileges, such a division helps ensure that personnel are performing only those duties stipulated for their respective jobs and positions. During our testing of access privileges for an appropriate segregation of duties, we noted the following:
 - Five of 27 instances tested in which employees appeared to have inappropriate access privileges to PeopleSoft financials security roles. In response to our audit inquiry, the University indicated that the access privileges in these five instances had been removed.
 - Twenty of 27 instances tested in which employees appeared to have inappropriate access privileges to five PeopleSoft financials Superuser roles that allowed, among other things, the user to manage or update transactional data. In response to our audit inquiry, the University indicated that it had removed the access privileges in some of these instances. It further indicated that it is monitoring the use of the roles and is working closely with the Controller's Office to fully transition the access privileges away from the Administrative Software Unit (ASU)

of UTS to the Controller's Office and Purchasing Department.

- Four of 14 instances tested where user access privileges to certain panels within the PeopleSoft financials was inappropriate. In response to our audit inquiry, the University indicated that it will remove the access privileges in these instances.
- Twenty-three of 279 instances tested in which employees appeared to have inappropriate PeopleSoft financials financial-related roles. In response to our audit inquiry, the University indicated that the access privileges had been removed for three of the instances and adjusted accordingly for the remaining instances.

Absent appropriate segregation of duties, the risk is increased that erroneous or fraudulent transactions could be processed.

- Good controls over security administration include specific policies and procedures on the use and assignment of the correct history action type. In the PeopleSoft application, correction mode access allows the alteration, insertion, or deletion of data regardless of the data's effective date and without logging the action. Consequently, as data integrity and management reporting from the system may be adversely affected, correction mode access is best granted under limited and monitored circumstances. The University had not formally defined circumstances or designated personnel appropriate for correction mode usage. The extension of correction mode access to multiple users without clearly defined circumstances and responsibility severely diminishes the University's ability to detect, identify, and subsequently investigate inappropriate changes.

Subsequent to our field work, management indicated that it consulted with PeopleSoft support and had limited its use of the correction mode to those users that specifically needed it to perform their job functions. It further indicated that detailed procedures had been developed and communicated to the users.

Recommendation: In order to preserve the integrity, confidentiality, and availability of its information resources, the University should strengthen access authorization controls in the above-cited areas. Specifically, users' roles should be reviewed to ensure that they are reflective of the job duties of the individual to whom they are assigned and correction mode access should be granted on a limited basis according to defined circumstances and responsibilities. Further, the University should develop detailed procedures necessary to ensure that all terminated or transferred employees' access rights are timely revoked.

Finding No. 4: Change Management Process

Establishing controls over the modification of application software helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help ensure that all programs and program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled. Additionally, a proper segregation of duties regarding software change management includes a separation between who performs program changes, user acceptance testing, and the movement of programs into the production environment.

During our audit we noted the following deficiencies:

- Although the University had a written Technical Standards and Procedures manual that included procedures for the modification/change management process, staff did not always follow the procedures. Although procedures stated that the starting point for any application changes made to the PeopleSoft system required the use of a Business Process Reengineering Session Form, requests were communicated and authorized through informal verbal discussions or via e-mail with ASU staff.
- The Technical Standards and Procedures manual further stated that a Manual Data Change (MDC) request form should be used to document the request and approval of manual data changes. According to the

Financials Application Manager, requests for manual data changes were made via e-mail because the MDC request form was inefficient.

- The Technical Standards and Procedures manual did not address procedures regarding independent testing of application program changes or written user approval before the changes are moved into production.
- The PeopleSoft Financials Application Manager had the access capability to create and approve changes through the entire system development life cycle, including approval to Production. In response to our audit inquiry, the University indicated that development access for the Financials Application Manager had been deleted and was being granted in emergency situations only.

The aforementioned deficiencies in the change management process increased the risk that unauthorized or erroneous programs could be moved into the production environment without timely detection, which could jeopardize the ability of the University to meet its objectives.

Subsequent to our audit inquiries regarding the change management process, the University indicated that ASU had developed a new database, PantherTracks, to log and track issues and changes. According to the Financials Application Manager, the University began using the PantherTracks system on February 6, 2006. PantherTracks allows the University to track and manage the change management process from the users' input of issues into the system through the Application Manager being automatically e-mailed that the change is ready for production. It includes the assignment of developers, automatic e-mails for testing, user sign-offs, and ultimately an e-mail to the database administrator to move the item into production.

Recommendation: The University should take the necessary steps to update its policies and procedures to incorporate the PantherTracks process and ensure that the policies are being followed.

Finding No. 5:

Disaster Recovery Planning

Disaster recovery planning is an element of IT controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. Its main objective is to provide the organization with a plan for continuing critical operations, and, in an IT environment such as the University's, should take into consideration the significant dependence of its business processes on the ERP system. The success and effectiveness of a disaster recovery plan requires detailed development of back-up and recovery procedures, including identification of facilities, personnel, hardware, software, communications, and support services, as well as a commitment from management.

Although the University maintained a written disaster recovery plan, it was in draft form and was not current. Also, each department had its own emergency response plan, but this information was not included in or referenced from the disaster recovery plan. The lack of an approved and detailed disaster recovery plan may jeopardize the University's efforts to efficiently and effectively continue operations with minimal loss and processing disruption, should an event occur that interrupts IT services.

Recommendation: The University should continue with its efforts to complete the disaster recovery plan, along with incorporating the detailed departmental emergency response plans, to ensure a minimum business impact in the event of a major disruption.

Finding No. 6:

Environmental Controls

Environmental controls can diminish interruption in service or data losses by allowing operation through short-term power outages or provide time to backup data and perform an orderly shutdown during extended power outages. The University did not have in place adequate environmental safeguards for its Data Center. Specifically, the University indicated that the power generator that provides emergency backup

power to its Data Center does not have enough capacity to meet the needs of all hardware within the facility. Since the generator was donated by Monroe County for the primary purpose of supplying essential power to the building while it is being occupied by evacuees from Monroe County during disasters, the needs of the University were secondary. The University indicated that due to the critical nature of this issue becoming clear during Hurricane Wilma, funding has been allocated for a new generator or possible outsourcing of critical systems to an off-campus data center.

Without sound environmental safeguards, data center resources, equipment, and data may not be sufficiently protected from service disruption.

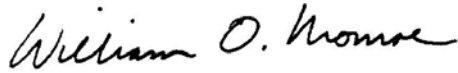
Recommendation: The University should implement and maintain environmental controls as noted above to ensure the safety of data center resources from environmental hazards.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this IT audit were to determine the effectiveness of selected University IT controls, including management's control framework for securing the application and the surrounding technology infrastructure. Our scope focused on evaluating selected internal controls and IT functions applicable to PeopleSoft financials during the period August 2005 through January 2006, and selected actions taken through May 2006. In conducting our audit, we interviewed appropriate personnel, observed University processes and procedures, and performed various other audit procedures to test selected IT controls.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our information technology audit.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In a letter dated July 17, 2006, the President provided responses to our preliminary and tentative findings. This letter is included at the end of this report as Appendix A.

To promote accountability and improvement in government operations, the Auditor General makes audits of the information technology programs, activities, and functions of governmental entities. This information technology audit was made in accordance with applicable standards contained in **Government Auditing Standards** issued by the Comptroller General of the United States. This audit was conducted by Kathy Sellers, CISA, and supervised by Nancy Reeder, CPA*, CISA. Please address inquiries regarding this report to Jon Ingram, CPA*, CISA, Audit Manager, via e-mail at joningram@aud.state.fl.us or by telephone at (850) 488-0840.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

*Regulated by State of Florida.

APPENDIX A
MANAGEMENT RESPONSE



Florida International University

Office of the President

July 17, 2006

William O. Monroe C.P.A.
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe,

Enclosed is our response to the preliminary and tentative findings and recommendations for the Information Technology Audit of the Florida International University PeopleSoft Financial System, administered by the State of Florida for the period August 2005 through January 2006, and selected actions taken through May 2006. We will implement the recommendations identified during the audit in accordance with the enclosed schedule of responses.

Thank you for your continuing support of the Florida International University. Please contact me if I can provide additional assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Dr. Modesto Maidique".

Dr. Modesto Maidique
President

Enclosures

Finding No. 1: University Governance of IT

There was a need for improved University-level governance of the PeopleSoft financials system and the enterprise data contained therein.

Recommendation: A University-level governance model should be adopted to create a centralized authority for managing and securing enterprise data. Written procedures should be initiated to address those areas noted above with consistent enterprisewide application to support the confidentiality, availability, and integrity of information resources.

Item 1a - Lack of written procedures for University wide network standards.

University Response

University Technology Services will create and recommend consistent procedures and policies for University wide adoption by August 31, 2006. The estimated approval and adoption of this policy will be phased throughout the year being fully approved and adopted by July 1st, 2007.

Item 1b - Acceptance and agreement of securities policies is not mandatory.

University Response

The Information Technology Security Policy states,

"Each member of the University community is responsible for adhering to all federal, state and local laws and FIU rules, regulations and policies"

As of July 1, 2005 the IT Security General Policy was adopted by the Florida International University Board of Trustees and applies to all non-bargaining unit faculty, PBA and SIEU represented employees, and all non-bargaining unit employees. These employees and all University students are bound by this policy. The IT Security Officer continues to provide IT security awareness and training.

Item 1c- FIU General IT Security Policy did not apply to United Faculty of Florida.

University Response

With respect to faculty members covered by the UFF bargaining unit, this policy is currently under review and discussion by University and Union representatives during bargaining sessions.

Item 1d- The University did not maintain logon banners for users accessing network resources.

University Response

University Technology Services will update its technical procedures to ensure that workstations being serviced and new machines will receive a login banner once they login to the UTS domain. These procedures will be updated by July 30th, 2006. Also, upon completion of upgrading the UTS domain to Active Directory, UTS will be able to centrally manage all computers connecting to the domain which will allow UTS to control the management of the banner from one location. The estimated implementation date is December 2007. In addition, UTS will develop a policy in which all University wide systems and networking devices must display an approved login banner. The policy will state that it is the responsibility of the departments that maintain their own IT resources to ensure that such a banner is put in place. In the interim UTS will be contacting these outside networks to encourage the implementation. The estimated approval date is July 1st, 2007.

Item 1e- Lack of Formal Training for Security Incident Response Team.

University Response

The Security Incident Response Team ("SIRT") procedures have been developed and approved. The communication plan along with the training, of all members of the FIU SIRT will be implemented by December 31, 2006.

Item 1f- Improvements needed in University policies and procedures for data backup.

University Response

University Technology Services has policies and procedures for data backup for UTS managed systems. However, as noted in the finding, there is no University wide backup policy that reflects the University's current operations. University Technology Services will create and recommend a data backup policy to the University Administration that will cover University wide backups of workstation, servers and network devices. The estimated approval date of this policy for University wide implementation is July 1st, 2007.

Item 1g- Lack of written security policies and procedures for the periodic review of the PeopleSoft financials user access privileges lists.

University Response

The Controllars Office has begun the process of reviewing all user access outside of the standard University access request form, and will complete this process on August 31, 2006. The different security roles have been reviewed and are in the process of being clearly defined and consolidated. Once the review and adjustments are completed, subsequent review will be performed on a quarterly basis. Expected completion date for review is October 31, 2006.

Item 1h- PeopleSoft did not include procedures to ensure that changes or customizations to the application supported compliance with Section 508, of the Americans with Disabilities Act ("ADA").

University Response

University Technology Services will create a procedure to ensure that all PantherSoft custom software development is compliant with ADA standards. This procedure will require that all custom software development be performed by developers trained on the ADA standards. Software code review will be performed by the lead software developer to the extent that is necessary and appropriate in order to ensure that custom software is ADA compliant. Additionally, UTS issues and software changes tracking solution (PantherTracks) will be updated to include signoff for ADA compliance for all software customizations going into the PantherSoft systems.

The estimated implementation date is February 1, 2007.

Finding No. 2: Application Environment and Support Function

Improvements were needed in certain security controls within the overall operations of the application and the supporting network environment at the University.

Recommendation: University management should strengthen its control surrounding its enterprise information resources and systems in the mentioned areas.

University Response

The FIU IT Security Council is developing written policies and procedures for the following areas:

1. System Logging
2. Wireless Access
3. Work Station Control and Security

4. User Identification and Authentication
5. Technical Management
6. Operating System Management
7. Network Control
8. Data Stewardship

The estimated completion date is July 1, 2007.

Finding No. 3: Access Authorization

Deficiencies were noted in the University's procedures for restricting access to appropriate users.

Recommendation: In order to preserve the integrity, confidentiality, and availability of its information resources, the University should strengthen access authorization controls in the above-cited areas. Specifically, users' roles should be reviewed to ensure that they are reflective of the job duties of the individual to whom they are assigned and correction mode access should be granted on a limited basis according to defined circumstances and responsibilities. Further, the University should develop detailed procedures necessary to ensure that all terminated or transferred employees' access rights are timely revoked.

Item 3a- Lack of policies and procedures to ensure that access is timely revoked or modified for terminated individuals.

University Response

The University's Division of Human Resources ("Human Resources") is currently forwarding a revised and enhanced Separation Clearance Form to UTS for implementation immediately upon receipt. Also Human Resources is providing reminders to the University community encouraging employees and supervisors to complete the "Separation Clearance Form" so that this data be acquired on a more timely fashion.

Additionally, Human Resources has been working with UTS, Academic Affairs, Environmental Health and Safety, and the University Compliance Officer in order to strength the process to eliminate access for employees terminating employment or transferring departments. The plan includes the following:

A web-based notification process of employees terminating or transferring departments must be completed by the employee's supervisor prior to the effective date of the action. Once electronically submitted, the information will be automatically transferred to the appropriate department. The individual department receiving this information will then restrict the employee's access accordingly. Human Resources will also develop

guidelines to the University supervisors' and explain the critical need to successfully implement this initiative.

The estimated implementation date is no later than December 31, 2006.

Item 3b- Inappropriate or unnecessary access privileges.

University Response

As noted in the finding, the university removed or adjusted accordingly the access privileges to the instances whereby the employees appeared to have inappropriate roles with the exception of certain technical support which is critical to operations. This functionality is being transitioned to the appropriate functional user and will be completed by August 31, 2006. In the instances where the user access privileges to certain panels (pages) within the financials system was inappropriate the access was removed. Further review of all financial users is being undertaken, please refer to response 1g above for the noted review process.

Item 3c- No defined circumstances or designated personnel appropriate for correction mode usage.

University Response

As noted in the finding, during February 2006 procedures have already been implemented to address the correction mode access. Furthermore, correction mode was restricted to a selection of users to specific functionality and justification for this access.

Finding No. 4: Change Management Process

Improvements were needed in the change management process.

Recommendation: The University should take the necessary steps to update its policies and procedures to incorporate the PantherTracks process and ensure that the policies are being followed.

University Response

University Technology Services developed an in-house software tool, named PantherTracks, to control the Change Management process for all software changes in PantherSoft. This tool tracks adjustments from the initial change request made by personnel in the functional areas through final deployment into the production environment. It also includes an entire approval process for Unit Testing and User Acceptance Testing, with notification to the proper functional and technical personnel, as well as the application managers. University Technology Services will update its technical procedures to incorporate the new Change Management tool.

The estimated date the procedure will be updated is November 30, 2006.

Finding 5: Disaster Recovery Planning

Deficiencies were noted in the disaster recovery management process.

Recommendation: The University should continue with its efforts to complete the disaster recovery plan, along with incorporating the detailed departmental emergency response plans, to ensure a minimum business impact in the event of a major disruption.

University Response

The Division of Information Technology is in the process of completing and approving the current Disaster Recovery Plan, including incorporation of the emergency plans. The estimated completion date is April 30, 2007.

Finding 6: Environmental Controls

Environmental control improvements were needed at the University's Data Center.

Recommendation: The University should implement and maintain environmental controls as noted above to ensure the safety of data center resources from environmental hazards.

University Response

University Technology Services has identified three options to maintain environmental controls and ensuring safety of the data center resources from environmental hazards. Once a selection is made the plan will include the resolution of the generator power issue in the Data Center.

Due to potential construction needed and/or physical transfer of infrastructure, the completion date is estimated to be no later than June 1st, 2007.

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: OFFICE OF SPONSORED RESEARCH STATUS REPORT

PROPOSED COMMITTEE ACTION:

None. Discussion Item.

EXHIBITS/SUPPORTING DOCUMENTS:

- SPONSORED RESEARCH REPORT

FACILITATOR/PRESENTER:

- GEORGE WALKER

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Office of Sponsored Research Administration (OSRA)
Board Meeting Update
September 29, 2006

<u>Applications</u>	<u>FY 2005</u>	<u>FY 2006</u>
Direct	206,415,183	285,534,487
Indirect	45,091,101	58,614,881
Total	251,506,184	344,105,083

<u>Awards</u>	<u>FY 2005</u>	<u>FY 2006</u>
Direct	68,160,285	77,775,385
Indirect	10,793,119	13,121,014
Total	78,953,404	90,896,399

<u>Expenses</u>	<u>FY 2005</u>	<u>FY 2006</u>
Direct	61,406,000	63,715,000
Indirect	6,553,000	11,867,000
Total	67,959,000	75,582,000

Accounts Receivable / Billing:

The grants receivable was reduced approximately 7 million from last fiscal year totals. Three OSRA staff members and two work study students have been tasked with the review and collection of all receivables that are 12 months or older. Amounts that are not collected will be accessed for possible write off or legal action to secure payment. The review and write off of old receivables will be completed by November 30, 2006. OSRA has a billing staff for all manual invoices and as of September 5, 2006, manual invoices through the period of June 30, 2006 have been completed and the majority of manual invoices through the period July 31, 2006 have been completed. Funds are being requested at a minimum, monthly or as cash is needed for grants that are part of an electronic draw process. All letter of credit accounts are currently accessible and a review is being conducted of all old projects to ensure the appropriate revenue amount was received.

Suspense Account:

OSRA no longer employs a process of charging suspense for expenses that can not be posted to the financial ledger due to budget exceptions. Budgets are adjusted or alternate funding sources are provided for all budget exceptions in the accounting period the expense is incurred. Several practices have been instituted to eliminate budget exceptions such as establishing appropriate budget levels and providing notices to investigators of projects that will terminate. The amounts previously posted to the suspense account were reviewed with approximately 1.5 million transferred to projects and 0.5 million remaining, that will be written off as unidentifiable to specific project IDs.

Account Closure:

The OSRA staff members tasked with reviewing receivables will also be assigned the task of closing old projects. The goal is to close all inactive project IDs by March 31, 2007.

Facility and Administrative (F & A) Cost Rate:

The cost proposal to establish new F & A rates is to be submitted by December 31, 2006 to the Division of Cost Allocation, Department of Health & Human Services. A physical inventory of moveable equipment & a building componentization study are currently being conducted for inclusion in the cost proposal. A space functionalization study will be performed in October as required by the cost principles of higher education (OMB Circular A-21). The information obtained from the space study, equipment inventory and building componentization study will be incorporated in a software model that will be utilized to produce the cost allocations necessary for a cost proposal.

Fringe Benefit Rate:

The Department of Health & Human Services, Division of Cost Allocation is the University's cognizant agency that negotiates and approves F & A rates, fringe benefit rates and disclosure statements for the University. The Division of Cost Allocation is aware that the University is considering a fringe benefit rate for the charging of benefit costs to sponsored programs. Data is being gathered to analyze and calculate a fringe rate to determine if this method of charging is beneficial to the University. A proposed fringe benefit rate would be submitted with the F & A proposal, if it is determined that this model of charging benefit costs is appropriate for the University.

Disclosure Statement:

Universities are required to submit a disclosure statement (DS-2) that provides costing policies of the institution. Due to the change in financial systems and the pending cost proposal, the Division of Cost Allocation has extended the due date for the submission of the DS-2 to March 31, 2007.

Schedule of Expenditures of Federal Awards (SEFA) Report:

The SEFA report has been completed for the period ending June 2006 and the numerous errors cited in the June 2005 report have been addressed.

Grants Module:

The review of a grants module is being conducted to determine which financial model best works for the management of grants. A few items that are considered invaluable in the grants module are automated billing, receivable aging, expense review, financial reporting and funds management at all levels (Central administration, department, PI). Selection of the system will be completed by September 29, 2006.

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

SEPTEMBER 28, 2006

SUBJECT: CFO UPDATE

PROPOSED COMMITTEE ACTION:

None. Discussion item.

EXHIBITS/SUPPORTING DOCUMENTS:

- CFO UPDATE
- Comparable Financial Statements FY ended June 30, 2006

FACILITATOR/PRESENTER:

- VIVIAN SANCHEZ

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CFO Update

LEGISLATIVE BUDGET REQUEST 2007-2008 UPDATE

During the June 12, 2006 BOT meeting, the Board approved the FIU 2007-08 Legislative Budget Request (LBR) in the amount of \$16.7 million to fund multiple initiatives including the planning phase of the College of Medicine. Subsequent to that meeting, the (Board of Governors) BOG office informed the University that the College of Medicine funding request of \$5.6 million was to be presented independent of FIU's \$16.7 million total request. Consequently, this \$5.6 million was available for the University to allocate to other strategic initiatives. At the end of June, FIU presented the final LBR list to the BOG. The final LBR list includes the following issues that address the SUS Strategic Plan and are aligned with the University's Strategic Plan:

Life Science Initiative	\$4.0 million
Enhance Graduation and Retention Rates: Student Degree Tracking and Communication. System	\$2.9 million
Hurricane Risk Assessment and Engineering Research	\$2.9 million
Access to Core Courses: Science & Math	\$1.0 million
Minority Biotech Institute	\$2.0 million
Student Access to Technology	\$1.7 million
Teacher Retention: Principals' Academy	\$1.5 million
Florida Entrepreneurial Climate Study	\$0.7 million

HOUSING UPDATE

During the budget we highlighted that Lake View housing was coming on line with an additional 800 beds. An occupancy rate for the total housing system of 94% was being targeted. At this rate the coverage ratio for FIU's housing bonds would be 1.24. Preliminary results of occupancy rates for Fall reach 93% or \$8.8 million resulting in a comfortable coverage ratio of 1.22.

Bay Vista and Panther Hall demonstrate in preliminary results the most significant variance to budget. Bay Vista (our only student housing at the BBC campus) had a favorable occupancy rate of 100% compared to a projected rate of 80% while Panther Hall demonstrated a shortfall of 77% compared to an expected rate of 90%. In terms of revenues, the additional beds filled in Bay Vista will generate enough revenue to offset the shortage in Panther Hall. Efforts are being made to address Panther hall shortfall through room configurations from doubles to singles potentially recovering revenue up to \$50 thousand.

Lake View housing occupancy was completed on time and, in its first semester, reached preliminary results of 93% occupancy. Budget expectations were to have reached 98% occupancy. Assuming the occupancy rate does not increase for the remainder of the Fall and Spring, we will still obtain a favorable debt ratio of 1.10.

CHINA – COLLEGE OF HOSPITALITY MANAGEMENT UPDATE

Florida International University and Tianjin University of Commerce (TUC) have agreed to offer a Bachelor's degree program in Hospitality and Tourism Management on the TUC Campus in Tianjin for Fall 06. The program will start with a cohort of 36 students and expects to grow to 200 students by the next fall. The program will be taught by both faculty of TUC and visiting faculty from the College of Hospitality Management at FIU. This program will have the same accreditation as the program offered at the Biscayne Bay Campus. This is the first program of its kind to open in China, and FIU expects enrollment to hit 500 students by its third year of operations.

The contract with TUC requires that FIU establish a local entity to hire local faculty. Existing regulations in China prohibit educational institutions from registering. Until then, faculty will be hired by TUC and funds to cover operating expenses will flow directly from the university in China to FIU in the U.S.

LOBBYING EXPENSES

It was recently discovered that Educational & General (E&G) funds were used to pay lobbying expenses, specifically for a registered lobbyist. By state law, lobbying expenditures are not allowed from sources of public funds which includes most, if not all, university resources. As a result, all expenses relating to lobbying efforts will now be absorbed by the FIU Foundation, Inc.

Lobbying activities play an extremely vital role in the growth and success of the University, and have been a critical component in securing additional public funding for programs such as the College of Medicine, the Law School, and many other comprehensive programs that make up the University. Our lobbyists work aggressively to advance FIU's mission of teaching, research, and public service mission by developing and implementing strategies for increasing state, local and federal funds. They serve the interests of the University's more than 37,000 students, 110,000 alumni, and 1,100 full-time faculty by working closely with faculty, University leaders, the Board of Trustees, and the Student Government Association through on-going relationships with elected officials, executive branch leaders, other universities, and corporate partners.

UN-AUDITED FINANCIAL STATEMENTS – INTERIM REPORT

Included in the Board book are the comparable financial statements for the fiscal year ended June 30, 2006. The June 30, 2005 amounts are per the audited 04-05 Annual Financial Report while the June 30, 2006 amounts are unaudited as reported to the Florida Department of Education on September 15, 2006. The audit for fiscal year 05-06 is now underway with no significant items to report at this time.

**FLORIDA INTERNATIONAL UNIVERSITY
(EXCLUDING COMPONENT UNITS)
STATEMENT OF NET ASSETS**

	Audited As of 6/30/2005	Unaudited As of 06/30/2006	Notes
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 764,932	\$ 3,029,547	1
Investments	86,217,762	112,217,443	1
Accounts Receivables, Net	38,278,210	23,830,612	2
Due From Other Funds	106,464,030	65,422,428	3
Loans & Notes Receivables	434,000	1,103,782	
Inventories	1,760,850	236,925	
Other Current Assets	585,406	605,545	
Total Current Assets	234,505,190	206,446,282	
Noncurrent Assets:			
Restricted Cash & Cash Equivalents	3,124,347	3,135,479	1
Restricted Investments	29,946,800	41,648,695	1
Loans & Notes Receivable	2,151,964	1,954,932	
Other Non-Current Assets	869,828	963,066	
Depreciable Capital Assets	411,749,103	427,646,101	4
Non-Depreciable Capital Assets	73,365,893	126,173,608	5
Total Noncurrent Assets	521,207,935	601,521,881	
TOTAL ASSETS	\$ 755,713,125	\$ 807,968,163	
LIABILITIES			
Current Liabilities:			
Accounts Payable & Accrued Liabilities	\$ 29,177,707	\$ 33,026,554	6
Due To Other Funds	10,323,741	7,787,311	7
Deferred Revenues	54,548,268	50,257,546	8
Long-Term Liabilities-Current Portion	8,373,274	8,407,341	
Total Current Liabilities	102,422,990	99,478,752	
Noncurrent Liabilities:			
Bonds-Revenue Certified Payable Non-Current	138,091,842	132,355,661	9
Capital Leases	2,609,378	1,681,945	
Compensated Absence Liability	24,337,025	24,035,533	10
Total Noncurrent Liabilities	165,038,245	158,073,139	
TOTAL LIABILITIES	267,461,235	257,551,891	
NET ASSETS			11
Invested In Capital Assets, Net Of Related Debt	389,661,333	460,678,027	
Restricted, Expendable:			
Debt Service	1,786,092	178,069	
Loans	2,387,396	1,342,310	
Capital Projects	13,962,009	2,806,135	
Other Restricted Net Assets	2,399,049	8,434,934	
Unrestricted	78,056,011	76,976,797	
TOTAL NET ASSETS	488,251,890	550,416,272	
TOTAL LIABILITIES AND NET ASSETS	\$ 755,713,125	\$ 807,968,163	

**FLORIDA INTERNATIONAL UNIVERSITY
(EXCLUDING COMPONENT UNITS)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	Audited Fiscal Year ended 6/30/2005	Unaudited Fiscal Year ended 6/30/2006	Notes
OPERATING REVENUES			
Student Tuition and Fees	\$ 146,181,991	\$ 145,973,650	
Scholarship allowance	(44,276,843)	(42,734,623)	
Student Tuition and Fees, net of Allowance	101,905,148	103,239,027	12
Federal Grants and Contracts	50,819,506	61,841,198	13
State and Local Grants and Contracts	7,688,352	9,421,802	
Nongovernmental Grants and Contracts	3,302,773	7,664,545	
Sales and Services of Auxiliary Enterprises	53,857,050	60,938,036	
Other Operating Revenues	20,580,181	10,091,562	14
Operating Revenues	238,153,010	253,196,170	
OTHER REVENUES FROM STATE AND CERTAIN FINANCIAL AID SOURCES			
State Appropriations	176,471,345	191,480,504	15
Financial Aid Nonoperating Revenues	44,403,637	47,832,535	16
Other Revenues	220,874,982	239,313,039	
Total Revenues	459,027,992	492,509,209	
OPERATING EXPENSES			
Compensation and Employee Benefits	282,751,108	298,664,738	17
Other Operating Expenses:			
Scholarships and Fellowships	40,907,819	45,352,896	13
Other Operating Expenses	26,525,988	26,595,090	18
Contractual Services	30,980,137	27,446,604	19
Depreciation Expense	24,963,808	28,709,388	
Utilities	16,705,936	15,924,343	
Materials and Supplies	16,840,128	16,424,020	
Repairs and Maintenance	6,810,938	7,530,493	
Travel Expenses	6,877,298	7,837,108	20
Insurance Expenses	2,544,508	3,911,631	
Other Operating Expenses	173,156,560	179,731,573	
Total Operating Expenses	455,907,668	478,396,311	
Income before Other Non-operating items	3,120,324	14,112,898	
OTHER NON-OPERATING REVENUES (EXPENSES)			
Capital Appropriations	50,041,848	52,729,640	21
Interest on Asset-Related Debt	(7,406,483)	(6,828,624)	
Investment Income	4,137,148	4,955,123	
Capital Grants, Contracts and Donations	2,549,302	2,895,496	
Other Nonoperating Expenses	(1,710,441)	(5,700,151)	
Total Non Operating Revenues (Expenses)	47,611,374	48,051,484	
Increase in Net Assets	50,731,698	62,164,382	
Net Assets, Beginning of the Year	456,856,467	488,251,890	
Prior Period Adjustments	(19,336,275)	0	
Net Assets, End of the Year	\$ 488,251,890	\$ 550,416,272	

**FLORIDA INTERNATIONAL UNIVERSITY
(EXCLUDING COMPONENT UNITS)
STATEMENT OF CASH FLOWS**

	Audited Fiscal Year ended 6/30/2005	Unaudited Fiscal Year ended 6/30/2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 103,631,068	\$ 106,341,568
Grants & Contracts	49,006,190	86,359,618
Sales & Services - Ed Dept	3,274,523	3,144,029
Sales & Services - Aux Dept	49,375,300	58,222,324
Interest on Loans Receivable	4,347	172,371
Other Operating Receipts	16,730,814	8,271,477
Payments to Employees	(279,718,643)	(296,996,634)
Payments to Suppliers for Goods and Services	(109,880,760)	(102,644,798)
Payments to Students for Scholarships & Fellowships	(40,907,819)	(45,352,896)
Net Loans Issued to Students	(40,419)	(472,750)
NET CASH USED BY OPERATING ACTIVITIES	<u>(208,525,399)</u>	<u>(182,955,691)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations	176,471,345	191,480,504
Operating Subsidies and Transfers	(2,243,431)	(1,911,527)
Net Change in Funds Held for Others	7,995,279	(1,171,941)
Other Receipts and Expenses	43,924,706	47,805,067
NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>226,147,899</u>	<u>236,202,103</u>
CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt & New Lease Obligations	36,524,761	475,262
Capital Appropriations	24,185,834	48,144,852
Capital Grants & Contracts	2,049,302	2,185,953
Capital Subsidies and Transfers	(22,939,685)	40,786,316
Purchase or Construction of Capital Assets	(55,593,572)	(93,443,459)
Principal Paid on Capital Debt and Lease	(8,643,292)	(7,357,848)
Interest Paid on Asset Related Debt and Lease	(6,909,566)	(6,830,898)
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,326,218)</u>	<u>(16,039,822)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Changes in Investments	799,583	(40,092,574)
Investment Income	3,790,907	5,161,731
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>4,590,490</u>	<u>(34,930,843)</u>
NET DECREASE IN CASH AND EQUIVALENTS	<u>(9,113,228)</u>	<u>2,275,747</u>
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>13,002,507</u>	<u>3,889,279</u>
CASH AND EQUIVALENTS, END OF YEAR	<u><u>\$ 3,889,279</u></u>	<u><u>\$ 6,165,026</u></u>

**FLORIDA INTERNATIONAL UNIVERSITY
(EXCLUDING COMPONENT UNITS)
STATEMENT OF CASH FLOWS (Continued)**

	Audited Fiscal Year ended 6/30/2005	Unaudited Fiscal Year ended 6/30/2006	Notes
Reconciliation of Net Operating Loss to Net Cash used by Operating Activities:			
Operating Loss	(217,754,659)	(225,200,142)	22
Depreciation Expense	24,963,808	28,709,388	
Change in Assets and Liabilities:			
Accounts Receivable	(15,153,435)	8,622,546	
Inventories	(1,256,214)	1,523,925	
Loans & Note Receivable	(40,419)	(472,751)	
Other Assets	(280,506)	42,398	
Accounts Payable	(1,059,106)	1,458,170	
Accrued Salaries and Wages	1,306,801	1,896,903	
Deposits Payable	(663,794)	398,605	
Compensated Absences Liability	1,725,663	(228,799)	
Deferred Revenues	(313,538)	294,066	
Net cash used by Operating Activities	<u><u>\$ (208,525,399)</u></u>	<u><u>\$ (182,955,691)</u></u>	

FLORIDA INTERNATIONAL UNIVERSITY
NOTES TO THE UNAUDITED JUNE 30, 2006 STATEMENTS

- 1 Cash and investments are classified as either restricted or non-restricted based on the fund type that contains the balances. The net cash and investment position for the University was \$120.1 million at the end of the fiscal year June 30, 2005 compared to \$162.0 million at June 30, 2006. Prior to March 2006, investments were held with the State Treasury and the State Board of Administration (SBA). During March 2006, the University started its new Treasury investment strategy transferring \$35 million to selected investment managers. Investments are reported at fair market value.
- 2 Accounts receivable is comprised of the following balances:

	As of 6/30/2005	As of 6/30/2006
Accounts Receivable, Net:		
Accounts Receivable from students and others	\$ 19,719,980	\$ 12,277,266
Contracts & Grants Receivable	26,596,060	19,163,990
Interest Receivable	768,027	577,936
Less: Allowance for Uncollectible amounts	(8,805,857)	(8,188,580)
Accounts Receivable, Net Total	\$ 38,278,210	\$ 23,830,612

The decrease in Contracts and Grants receivables of \$7.4 million is due to the continuing effort to bill granting agencies timely. The decrease in student receivables is due mainly to the timing of payment and registration deadlines between the two periods reported. The aging of the June 30, 2006 receivables is shown in the following table including the amounts and percentages contained in the allowance for uncollectible amounts:

Receivable type:	Student & others [a]	%	Contracts & Grants [b]	%	Interest [c]	%
Aging:						
Current fiscal year	5,936,277	48%	4,193,733	72%	329,026	57%
Prior fiscal year	2,345,900	19%	954,900	16%	10,148	2%
Older than two years	3,995,089	33%	669,395	12%	238,762	41%
	<u>\$ 12,277,266</u>		<u>\$ 5,818,028</u>		<u>\$ 577,936</u>	
Active Grants [d]			<u>13,345,962</u>			
			<u>\$ 19,163,990</u>			
Allowance:						
Current fiscal year	51,944	1%	1,467,807	35%	2,572	1%
Prior fiscal year	1,419,415	61%	716,175	75%	7,612	75%
Older than two years	3,793,437	95%	502,047	75%	227,571	95%
	<u>\$ 5,264,796</u>		<u>\$ 2,686,029</u>		<u>\$ 237,755</u>	

[a] Aging based on term

[b] Aging based on grant end date

[c] Aging based on interest due date

[d] Active grants are defined as those grants whose end date is greater than the fiscal year end date or are within the 90 day close out period. No allowance is taken on these grants.

- 3 Due from other funds is largely comprised of amounts due from the state for construction related projects. The amounts by project name can be found on the attached schedule.
- 4 Depreciable capital assets is comprised of the following balances:

	As of 6/30/2005	As of 6/30/2006
Depreciable Capital Assets:		
Buildings	\$ 422,641,442	\$ 446,439,200
Furniture & equipment	116,390,629	125,346,226
Library Resources	77,693,852	83,185,210
Property under Cap. Lease & Improvements	11,290,462	11,765,224
Infrastructure & Other Improvements	10,077,528	10,077,528
Other Fixed Assets	1,902,658	2,152,613
Less: Accumulated Depreciation	(228,247,468)	(251,319,900)
Depreciable Capital Assets Total	\$ 411,749,103	\$ 427,646,101

Capital assets increased this fiscal year primarily driven by capitalization of completed buildings and purchases of furniture and equipment made in the Education and General, Sponsored Research, Construction and Auxiliary trust funds. The increase in buildings of \$23.8 million is primarily comprised of the addition of the Marine Biology (\$11.4 million) and Recreation Center (\$7.9 million) buildings and completion of construction on parking garages III and IV, Health & Life Science, and the Roz and Kovens Conference center buildings (\$3.2 million).

- 5 Non-Depreciable capital assets is comprised of the following balances:

	As of 6/30/2005	As of 6/30/2006
Non-Depreciable Capital Assets:		
Land	\$ 28,402,805	\$ 28,389,550
Construction in Progress	42,248,555	94,862,560
Certain works of art & historical treasures	2,714,533	2,921,497
Depreciable Capital Assets Total	\$ 73,365,893	\$ 126,173,607

The most significant increase in non-depreciable assets was driven by construction work in progress. The increase is primarily related to the College of Law building paid from PECO funds (\$23.8 million), Lakeview Housing paid from bond proceeds and the Auxiliary Trust Fund (\$30.6 million) and the Patricia & Phillip Frost Art Museum paid from private donations and Capital Facilities Matching Trust Fund (\$7 million) offset by the capitalization of the buildings noted in footnote 4 above.

- 6 Accounts payable and accrued liabilities is comprised of the following balances:

	Fiscal Year ended 6/30/2005	Fiscal Year ended 6/30/2006
Accounts Payable & Accrued Liabilities:		
Accrued Salaries & Wages	\$ 9,484,323	\$ 11,382,796
Deposits Payable	10,066,047	8,885,490
Construction Contracts Payable	7,395,067	9,221,911
Accounts Payable	2,232,270	3,536,357
Accounts Payable & Accrued Liabilities Total	\$ 29,177,707	\$ 33,026,554

Construction contracts payable increased due to commitments for major projects, specifically, the Law School, Lakeview Housing, and Frost Art Museum.

Accrued salaries & wages increased due to the timing of the pay periods in the respective fiscal years.

- 7 Due to other funds primarily includes \$9.6 million and \$7.5 million due to FIU Research Foundation, Inc. as of June 30, 2005 and 2006, respectively. The balance also includes amounts due to the state for unemployment compensation and building and capital improvement fees collected from students.
- 8 Deferred revenues related to construction projects are appropriated funds by the state but not yet encumbered (see attached construction schedule). Once the spending authority is granted to the University the revenues are recognized. Deferred revenues also consist of grant payments made to FIU in advance of incurring the expenditure. As of June 30, 2006, these balances were \$43.8 million and \$6.1 million, respectively.
- 9 Amounts represent the long term portion of local bonds issued for parking and housing complexes and revenue certificates bonds payable issued by the state for construction projects.
- 10 Compensated absence liability represents the long term portion of the university's annual and sick leave pay out earned by its employees.
- 11 Net Assets is the difference between the University's assets and liabilities including the effect of current year operations. Net Assets Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of these assets. Debt Service consists of the net assets held for the retirement of indebtedness related to outstanding bond obligations. Capital Projects consists of the net assets held for the construction, renewal and replacement of net assets. This balance is offset by the unspent bond proceeds used to finance the capital asset. Other Restricted net assets include other net assets not otherwise classified in any of the other restricted net asset classifications and is primarily comprised of net assets for the restricted Scholarship and Sponsored Research funds. The Unrestricted Net Asset balance is comprised mainly of net assets for the operating funds such as Educational and General, Auxiliary, Activity and Service, Athletics, and the Unrestricted Sponsored Research funds.
- 12 Student tuition and fees, net, is inclusive of undergraduate and graduate tuition for in-state and out of state students, athletic fees, student activity fees and health

fees. Student tuition and fees have been earned and recorded while associated expenses for providing services have not been fully incurred. Student tuition and fees is comprised of the following balances:

	Fiscal Year ended 6/30/2005			Fiscal Year ended 6/30/2006	
		%			%
Student Tuition and Fees:					
Undergraduate Studies	\$ 74,513,605	51%	\$ 77,256,686	53%	
Graduate Studies	33,697,890	23%	28,128,292	19%	
Law	1,783,394	1%	2,160,716	1%	
Financial Aid Fees	5,493,213	4%	5,369,562	4%	
Student Activity Fees	8,096,002	6%	9,702,533	7%	
Athletic Fees	11,324,229	8%	11,763,099	8%	
Health Fees	4,911,805	3%	4,894,561	3%	
Other Registration Fees	5,469,743	4%	5,664,585	4%	
Other Fees	892,110	1%	1,033,616	1%	
Student Tuition and Fees Total	\$ 146,181,991		\$ 145,973,650		

The decrease in student tuition and fees for graduate studies is mainly attributable to the September 2005 Board approved policy that reduced to zero the non-resident out of state fee for graduate assistants. This adjustment to the non-resident out of state fee has a net impact of zero because the increased revenue would have been reduced by waiver expense in the same amount. It should be noted that waiver expense, reflected in Scholarships and Fellowships expense, is also reduced as a result of this change. In addition, the graduate non-resident out of state tuition fee was reduced by 20% for the spring semester of 2006.

- 13 The increase in Federal Grants and Contracts revenue and Scholarships and Fellowships expense from June 30, 2005 to 2006 is partially related to \$4.5 million for a Federal financial aid program which in prior year was accounted for in the Agency fund and, as such, expenses of this program was not reported on the statement of revenues, expenses, and changes in net assets. Pursuant to GASB statement no. 24, *Accounting and Reporting for Certain Grants and Other Financial Assistance*, moneys received and disbursed under this program should be reported as revenues and expenses because the University has "administrative involvement" in these programs. Accordingly, for the 2005-06 fiscal year, the University began reporting revenues and expenses for this program. For comparable purposes, the Federal Grants and Contracts revenue and Scholarships and Fellowships expense in 2005 should be increased by \$4.5 million.
- 14 Other operating revenues include vending commissions, athletic recreation sports revenue and miscellaneous revenues.
- 15 State appropriations represent revenue received from the State of Florida based on FTE's.
- 16 Financial aid non-operating revenues are associated with the Pell, Bright Futures, FSAG and SEOG financial aid programs. These revenues are required to be classified as non-operating revenues (see full note disclosure in the June 30, 2005 audited financial statements).

- 17 Compensation benefits and compensation comprised of the following:

	Fiscal Year ended 6/30/2005	Fiscal Year ended 6/30/2006
Compensation and Employee Benefits:		
Permanent Salaries	\$ 181,037,091	\$ 186,999,850
Temporary Salaries	54,114,304	58,090,681
Social Security Matching	14,260,509	15,632,344
Retirement Benefits	16,352,783	18,796,934
Employee Benefits	391,137	407,319
Salary Assessments	16,595,284	18,737,610
Compensation and Employee Benefits total	\$ 282,751,108	\$ 298,664,738

- 18 Other operating expenses are comprised of charges coded to a miscellaneous account, bad debt expense for allowances recorded for uncollectible amounts, food product purchased, auxiliary overhead charges, rental of facilities, certain software licenses, athletic guarantees and equipment purchased below our capitalization threshold.

- 19 Contractual services is comprised of the following:

	As of 6/30/2005	As of 6/30/2006
Contractual Services:		
Subcontracts - Grants	\$ 4,841,341	\$ 9,514,446
Professional Services	10,608,747	7,799,254
Consulting Services	6,605,789	4,792,369
Contractual Services	2,764,687	1,750,838
Promotional and other Advertising	1,636,829	1,283,895
Legal Fees & Services	951,980	983,829
Construction Services	2,888,779	41,336
Information Tech. Services	94,262	498,186
Entertainment Services	159,425	267,071
Employment Advertising	135,595	176,926
Medical Services	127,940	82,412
Security Services	45,293	105,227
Other accounts less than \$50,000	119,470	150,815
Contractual Services Total	\$ 30,980,137	\$ 27,446,604

- 20 Travel expenditures including athletic team travel.
- 21 Capital appropriations are revenues recognized once the state authorizes spending on construction projects. The amount recorded as of June 30, 2006 primarily relates to the College of Law, Frost Art Museum, Graduate School of Business and other improvement projects (see attached schedule).
- 22 The operating loss shown on the Statement of Cash Flows excludes state appropriations and certain non-operating financial aid revenues as is required by GAAP which were reclassified for management reporting purposes on the Statement of Revenues, Expenses and Changes in Net Assets.

FLORIDA INTERNATIONAL UNIVERSITY (Excluding component units)
DUE FROM STATE, DEFERRED REVENUES AND CAPITAL APPROPRIATIONS
AS OF JUNE 30, 2006

Project Name	A Appropriation	B Authorized Encumbrance Cumulative	A-B Deferred Revenues	C Disbursement	A-C Due From State and other Funds	D Authorized Encumbrance Prior Year	B - D Current Year Revenues
Student Housing IV - Lakeview	31,985,691	31,985,691	0	31,985,691	0	31,985,691	0
College of Law	31,768,882	31,768,882	0	31,489,432	279,450	19,396,871	12,372,011
Graduate School of Business	21,475,823	21,275,823	200,000	15,519,754	5,956,069	10,615,000	10,660,823
Social Science Building	18,466,709	3,000,000	15,466,709	89,474	18,377,235	2,000,000	1,000,000
Molecular Biology, University Park	17,556,243	5,000,000	12,556,243	250,000	17,306,243	3,000,000	2,000,000
Utility, infrastructure and capital renovation, roofs	15,000,000	12,000,000	3,000,000	8,000,000	7,000,000	4,000,000	8,000,000
Frost Art Museum	12,528,251	12,528,251	0	10,554,139	1,974,112	650,422	11,877,829
Marine Biology	12,350,000	12,350,000	0	12,350,000	0	12,350,000	0
Remodeling, renovation, maintenance and repair, and site improvement	8,021,116	6,959,697	1,061,419	5,359,697	2,661,419	4,737,214	2,222,483
Graham Center Conference Addition	6,713,527	0	6,713,527	0	6,713,527	0	0
Recreation Center - Phase I	5,520,106	3,720,106	1,800,000	3,720,106	1,800,000	3,720,106	0
Central Utility Plant	3,134,555	3,134,555	0	3,134,555	0	3,134,555	0
Resident Student Dining Facility	3,050,000	0	3,050,000	0	3,050,000	0	0
Auxiliary Trust Fund Loan Repayment	2,800,000	2,800,000	0	2,800,000	0	0	2,800,000
Health and Sciences Building	1,550,000	1,550,000	0	1,504,067	45,933	1,100,000	450,000
Hospitality Management	733,948	733,948	0	533,948	200,000	0	733,948
Wolfsonian Museum Annex	303,031	303,031	0	303,031	0	0	303,031
Roz & Cal Kovens Conference Center	184,515	184,515	0	184,515	0	0	184,515
Marine Animal Rescue Facility	175,000	175,000	0	175,000	0	50,000	125,000
Parking Garage III and IV	0	0	0	0	0	0	0
Other projects	0	0	0	0	0	0	0
Subtotal	193,317,397	149,469,499	43,847,898	127,953,409	65,363,988	96,739,859	52,729,640
Non-Construction adjustment for Wolfsonian receivable/Deferred revenue related to C&G and Fall 06			6,409,648		58,440		0
Balance per Financial Statement			50,257,546		65,422,428		52,729,640

Steps of Construction Funding:

- A) Appropriation: Receive Appropriation authority from the State - Recognize Receivable as Due From State and increase in liabilities as Deferred Revenue.
- B) Request authority to spend: President submits request to spend encumbered funds for the project - Recognize revenue for the project and reduce deferred revenue amount.
- C) Drawdown funds: Request funds to be transferred from State to FIU bank account - Increase cash and reduce amount due from State.

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: FIU FOUNDATION REPORT

PROPOSED COMMITTEE ACTION:

None. Discussion Item.

STATEMENTS

- A. FIU FOUNDATION, INC. – PRELIMINARY FINANCIAL STATEMENTS RECAP THROUGH PERIOD ENDED JUNE 30, 2006
 - B. FIU FOUNDATION, INC. – PRELIMINARY FINANCIAL STATEMENTS RECAP THROUGH PERIOD ENDED JULY 31, 2006
-

EXHIBITS/SUPPORTING DOCUMENTS:

- A. FIU FOUNDATION, INC. - PRELIMINARY FINANCIAL STATEMENTS RECAP THROUGH PERIOD ENDED JUNE 30, 2006
- B. FIU FOUNDATION, INC. – PRELIMINARY FINANCIAL STATEMENTS RECAP THROUGH PERIOD ENDED JULY 31, 2006

FACILITATOR/PRESENTER:

- ALEXANDER ZYNE

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Florida International University Foundation, Inc.

Preliminary Financial Statements Recap Through Period Ended June 30, 2006

(In Thousands of Dollars)

	2005-06 12-month <u>Actuals</u>	2005-06 12-month <u>Budget</u>	<u>Variance</u>		2005-06 Annual <u>Budget</u>	2004-05 Total Year <u>Actuals</u>
RECEIPTS:						
<u>Contributions:</u>						
University-Wide Scholarships/Programs	\$331	\$270	\$61		\$270	\$272
Endowments	\$4,417	\$3,100	\$1,317	[1]	\$3,100	\$9,467
Building Funds	\$3,817	\$2,500	\$1,317	[2]	\$2,500	\$2,542
Colleges, Schools, Centers	\$4,026	\$3,500	\$526		\$3,500	\$3,971
Athletics Operations	\$632	\$997	(\$365)	[3]	\$997	\$690
Alumni Membership	\$158	\$185	(\$27)	[4]	\$185	\$144
Annual Fund	\$319	\$380	(\$61)	*	\$380	\$345
TOTAL CONTRIBUTIONS	\$13,700	\$10,932	\$2,768		\$10,932	\$17,431
<u>Other Revenues:</u>						
MARC Building - Rental Income	\$1,584	\$1,575	\$9		\$1,575	\$1,671
Investment Returns	\$8,825	\$7,000	\$1,825	[5]	\$7,000	\$8,376
Administrative Fee	\$1,815	\$0	\$1,815	[6]	\$0	\$826
TOTAL RECEIPTS	\$25,924	\$19,507	\$6,417		\$19,507	\$28,304
EXPENSES:						
<u>Operational</u>						
Annual Fund	\$351	\$380	\$29	*	\$380	\$360
Administrative Operating Fund	\$1,038	\$1,188	\$150	*	\$1,188	\$871
Total Operational Expenses	\$1,389	\$1,568	\$179		\$1,568	\$1,231
<u>University Programs</u>						
University-Wide Scholarships/Programs	\$380	\$280	(\$100)	[7]	\$280	\$296
Building Funds	\$3,373	\$3,317	(\$56)		\$3,317	\$445
Colleges, Schools, Centers	\$5,369	\$5,000	(\$369)		\$5,000	\$4,857
MARC Building	\$872	\$775	(\$97)	[8]	\$775	\$757
Athletics	\$934	\$735	(\$199)	[9]	\$735	\$994
Alumni Programs	\$183	\$200	\$17	[4]	\$200	\$118
General Reserve	\$19	\$55	\$36	*	\$55	\$20
Administrative Fee	\$1,815	\$0	(\$1,815)	[6]	\$0	\$826
Total University Program Expenses	\$12,945	\$10,362	(\$2,583)		\$10,362	\$8,313
TOTAL EXPENSES	\$14,334	\$11,930	(\$2,404)		\$11,930	\$9,544
Excess of Receipts over Expenses	\$11,590	\$7,577	\$4,013		\$7,577	\$18,760

NOTES:

- [1] In addition to numerous new endowed gifts established in the Foundation, a large pledge payment due in June of last fiscal year was received in the current fiscal year.
- [2] Advancement had a successful year, specifically with the Business Building and Art Museum.
- [3] \$200,000 expected from the Coca-Cola contract for Athletics operations was redirected to the Football Stadium (building fund). In addition, Miccosukee did not renew its multi-year pledge of \$150,000 per year.
- [4] Revenue from two affinity agreements should not have been budgeted for deposit in the Foundation. These revenues were instead deposited into a university auxiliary account, and expenses corresponding to those funds were incurred from that university auxiliary account.
- [5] Upon the recommendation of Consulting Services Group, a 7% investment gain was budgeted for fiscal year 2005-06.
- [6] The Administrative Fee charged to each endowment on June 30, 2006 is reflected as revenue to the Administrative Reserve.
- [7] Additional scholarships were awarded using previous year balances and revenues from unexpected/new gifts.
- [8] Unanticipated MARC building repairs (i.e. roof leak) caused expenses to exceed the budgeted amount.
- [9] Due to a decrease in E&G funding, several Athletics expenses were paid using Foundation funds.

* Detail provided on following page.

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
June 30, 2006

<i>Fund/Manager/Inception Date</i>	Market Value	% Allocation	Target Allocation	Current Month (05/05-06/06)	Trailing 3 Months (03/05-06/06)	Calendar YTD 2006 (12/05-06/06)	Fiscal YTD (06/05-06/06)	Trailing 3 Year (06/03-06/06)	Trailing 5 Year (06/01-06/06)	Since Inception
Total Fund (6/30/00)	\$112,157,649	100.0%	100.0%	8.0%	-0.9%	3.0%	8.6%	10.6%	5.7%	3.1%
Total Fund Composite				9.3%	-0.8%	3.6%	8.0%	10.0%	5.5%	3.5%
+/- Benchmark				0.4%	0.1%	0.6%	0.6%	0.7%	0.2%	0.6%
Total Equity Accounts (6/30/00)	\$55,527,353	49.5%	50.0%	8.0%	-1.8%	4.0%	12.2%	16.9%	6.1%	1.9%
Total Equity Composite				9.4%	-1.7%	6.7%	14.4%	16.8%	5.8%	0.3%
+/- Benchmark				0.4%	-0.1%	-2.7%	-2.2%	0.2%	0.7%	1.6%
Total Fixed Income Accounts (6/30/00)	\$29,522,548	26.3%	25.0%	0.2%	0.3%	0.3%	1.2%	2.8%	5.5%	5.9%
Total Fixed Income Composite				0.1%	0.6%	0.8%	1.6%	2.3%	4.8%	5.8%
+/- Benchmark				0.1%	0.1%	-0.5%	-0.4%	0.5%	0.6%	0.1%
Total Alternative Investments (3/1/02)	\$27,107,748	24.2%	25.0%	-0.3%	-0.1%	4.1%	9.9%	8.5%	N/A	8.0%
Total Alternative Composite				0.2%	-0.5%	0.3%	2.0%	5.6%	N/A	4.8%
+/- Benchmark				-0.5%	0.4%	3.8%	7.9%	-2.6%	n/a	3.2%
Domestic Equity Managed Accounts										
Atlanta Sunoff Large Cap Growth (3/1/06)	\$10,466,135	9.3%	12.5%	0.3%	-3.3%	N/A	N/A	N/A	N/A	-2.1%
Russell 1000 Growth Index				-0.4%	-3.9%	-0.9%	6.1%	8.4%	-0.8%	-2.5%
+/- Benchmark				0.6%	0.6%	n/a	n/a	n/a	n/a	0.4%
Armstrong Shaw Large Cap Value (6/1/01)	\$13,154,043	11.7%	12.5%	0.2%	-0.6%	1.9%	3.4%	12.2%	3.3%	3.2%
Russell 1000 Value				0.6%	0.6%	6.6%	12.1%	15.2%	6.9%	6.3%
+/- Benchmark				-0.4%	-1.2%	-4.7%	-8.8%	-3.0%	-3.6%	-3.1%
Advisory Research Small Cap Value (6/1/01)	\$11,170,681	10.0%	7.5%	0.4%	-1.3%	7.9%	12.9%	24.8%	16.7%	17.2%
Russell 2000 Value				1.2%	-2.7%	10.4%	14.6%	21.0%	13.1%	13.7%
+/- Benchmark				-0.8%	1.4%	-2.5%	-1.7%	3.8%	3.7%	3.5%
IronBridge Small Cap Core Equity (12/2/03)	\$7,679,343	6.8%	7.5%	-0.4%	-4.7%	5.7%	13.4%	N/A	N/A	11.1%
Russell 2000 Small Cap Index				0.6%	-5.0%	8.2%	14.6%	18.7%	8.5%	12.3%
+/- Benchmark				-0.8%	0.4%	-2.5%	-1.2%	n/a	n/a	-1.2%
International Equity Managed Accounts										
Julius Baer International Equity Fund (12/2/03)	\$6,869,583	6.1%	5.0%	-1.3%	-1.1%	11.8%	31.2%	N/A	N/A	21.3%
MSCI EAFE Index				0.0%	0.9%	10.5%	27.1%	26.4%	10.4%	20.2%
+/- Benchmark				1.4%	-2.0%	1.3%	4.2%	n/a	n/a	1.1%
ING International Value A (6/1/01)	\$6,187,567	5.5%	5.0%	-0.1%	0.5%	10.7%	27.7%	26.0%	11.4%	10.6%
MSCI EAFE Index				0.0%	0.9%	10.3%	27.1%	24.4%	10.4%	9.4%
+/- Benchmark				-0.1%	0.5%	0.2%	0.6%	1.6%	0.9%	1.2%
Core Fixed Income Managed Accounts										
Seneca Enhanced Core Fixed (6/1/01)	\$8,848,389	7.9%	10.0%	0.1%	0.1%	-0.4%	-0.1%	2.7%	5.4%	5.1%
Lehman Brothers Aggregate Index				0.2%	-0.1%	-0.7%	-0.8%	2.1%	5.0%	5.0%
+/- Benchmark				-0.1%	0.1%	0.3%	0.7%	0.6%	0.4%	0.2%
Hillswick Asset Management (6/1/01)	\$4,687,070	4.2%	10.0%	0.2%	-1.0%	-3.1%	-4.1%	1.4%	5.6%	5.4%
Lehman Brothers Aggregate Index				0.2%	-0.1%	-0.7%	-0.8%	2.1%	5.0%	5.0%
+/- Benchmark				0.0%	-1.0%	-2.4%	-3.2%	0.7%	0.6%	0.4%
Alternative Investments										
Austin Capital All Seasons Fund (3/1/02)	\$7,755,554	6.9%	7.5%	-0.8%	-2.8%	3.0%	9.1%	6.9%	N/A	5.6%
S&P 500 Index				0.1%	-1.4%	2.7%	8.6%	11.2%	2.3%	5.1%
+/- Benchmark				-0.9%	0.6%	0.3%	0.5%	-4.3%	n/a	0.5%
Crystal Associates Topix Fund (5/1/02)	\$10,025,122	8.9%	10.0%	-0.2%	0.1%	2.9%	8.6%	8.8%	N/A	9.5%
Lehman Brothers Aggregate Index				0.2%	-0.1%	-0.7%	-0.8%	2.1%	5.0%	4.2%
+/- Benchmark				-0.5%	0.1%	-3.6%	9.4%	6.7%	n/a	5.3%
Ironwood Partners (03/01/04)	\$7,851,784	7.0%	7.5%	0.2%	1.7%	6.5%	12.0%	N/A	N/A	8.3%
Lehman Brothers Aggregate Index				0.2%	-0.1%	-0.7%	-0.8%	2.1%	5.0%	0.8%
+/- Benchmark				0.0%	1.8%	7.2%	12.8%	n/a	n/a	7.5%
Ironwood Partners (NDM Gift) (08/01/05)	\$1,375,288	1.2%	N/A	0.2%	1.7%	6.5%	N/A	N/A	N/A	10.8%
Lehman Brothers Aggregate Index				0.2%	-0.1%	-0.7%	-0.8%	2.1%	5.0%	2.1%
+/- Benchmark				0.0%	1.8%	7.2%	n/a	n/a	n/a	7.9%
DTC Private Equity (\$5 Million Commitment)	\$100,000	0.1%	N/A							
Common Fund & Gift Annuity Accounts										
Common Fund Short Term Bond (6/1/85)	\$1,242,524	1.1%	N/A	0.2%	1.4%	2.8%	4.7%	2.8%	2.8%	5.4%
90 Day T-Bills				0.4%	1.2%	2.2%	4.0%	2.3%	2.2%	4.8%
+/- Benchmark				-0.2%	0.2%	0.6%	0.8%	0.5%	0.6%	0.6%
SunTrust Balanced Annuity Account (10/22/03)	\$617,336	0.6%	N/A	-1.7%	-2.8%	1.0%	3.4%	N/A	N/A	5.8%
70% Lehman Aggregate / 30% S&P 500				0.2%	-0.5%	0.3%	2.0%	N/A	N/A	5.0%
+/- Benchmark				-1.8%	-2.3%	0.6%	1.4%	n/a	n/a	0.8%
State of Florida Treasurer Fund (4/1/03)	\$14,127,229	12.6%	5.0%	0.3%	0.8%	1.8%	3.5%	3.4%	N/A	1.5%
90 day T-bill				0.4%	1.2%	2.2%	4.0%	2.3%	2.2%	2.2%
+/- Benchmark				-0.1%	-0.4%	0.4%	-0.4%	1.7%	n/a	1.7%
Total Common Fund & Annuity	\$15,987,089									

Florida International University Foundation, Inc.

Preliminary Financial Statements Recap

Through Period Ended July 31, 2006

(In Thousands of Dollars)

	2006-07 1-month <u>Actuals</u>	2006-07 1-month <u>Budget</u>	<u>Variance</u>		2006-07 Annual <u>Budget</u>	2005-06 1-month <u>Actuals</u>	2005-06 Total Year <u>Actuals</u>
RECEIPTS:							
<u>Contributions:</u>							
University-Wide Scholarships/Programs	\$7	\$122	(\$115)	[1]	\$200	\$313	\$331
Endowments	\$33	\$23	\$10		\$18,440	\$7	\$4,417
Building Funds	\$85	\$7	\$78	[2]	\$11,350	\$2	\$3,817
Colleges, Schools, Centers	\$807	\$800	\$7		\$3,700	\$823	\$4,026
Athletics Operations	\$14	\$44	(\$30)	[3]	\$670	\$164	\$632
Alumni Membership	\$13	\$4	\$9		\$140	\$5	\$158
Annual Fund	\$21	\$22	(\$1)	*	\$445	\$9	\$319
TOTAL CONTRIBUTIONS	\$980	\$1,022	(\$42)		\$34,945	\$1,323	\$13,700
<u>Other Revenues:</u>							
MARC Building - Rental Income	\$79	\$394	(\$315)	[4]	\$1,575	\$109	\$1,584
Estimated Investment Returns	(\$115)	\$630	(\$745)	[5]	\$8,050	\$2,711	\$8,825
Administrative Fee	\$0	\$0	\$0		\$0	\$0	\$1,815
TOTAL RECEIPTS	\$944	\$2,046	(\$1,102)		\$44,570	\$4,143	\$25,924
EXPENSES:							
<u>Operational</u>							
Annual Fund	\$128	\$165	\$37	*	\$320	\$5	\$351
Administrative Operating Fund	\$189	\$200	\$11	*	\$1,565	\$104	\$1,038
Total Operational Expenses	\$317	\$365	\$48		\$1,885	\$109	\$1,389
<u>University Programs</u>							
University-Wide Scholarships/Programs	\$0	\$157	\$157	[6]	\$350	\$79	\$380
Building Funds	\$260	\$260	\$0		\$3,545	\$0	\$3,373
Colleges, Schools, Centers	\$92	\$100	\$8		\$5,700	\$46	\$5,369
MARC Building	\$17	\$30	\$13		\$840	\$2	\$872
Athletics	\$2	\$10	\$8		\$315	\$1	\$934
Alumni Programs	\$1	\$2	\$1		\$140	\$2	\$183
General Reserve	\$0	\$3	\$3	*	\$40	\$3	\$19
Administrative Fee	\$0	\$0	\$0		\$0	\$0	\$1,815
Total University Program Expenses	\$372	\$562	\$190		\$10,930	\$133	\$12,945
TOTAL EXPENSES	\$689	\$927	\$238		\$12,815	\$242	\$14,334
Excess of Receipts over Expenses	\$255	\$1,119	(\$864)		\$31,755	\$3,901	\$11,590

NOTES:

- [1] The \$98,000 from the Ziff annuity was expected in July but received in August. In addition, a \$20,000 pledge payment also expected in July will not come in until September.
- [2] A \$50,000 pledge payment for the College of Law that was expected in December was received in July, and a \$10,000 pledge payment was also received toward a new gift for Engineering Construction Management.
- [3] Pledge payments expected in July were received in August.
- [4] Rent from various departments that lease space in the MARC building was expected in July but was received in August.
- [5] Upon the recommendation of Consulting Services Group, a 7% investment gain was budgeted for fiscal year 2006-07.
- [6] Scholarships are still being processed and are expected to be awarded by September.

* Detail provided on following page.

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
July 31, 2006

<i>Fund/Manager/Inception Date</i>	Market Value	% Allocation	Target Allocation	Current Month (06/06-07/06)	Trailing 3 Months (04/06-07/06)	Calendar YTD 2006 (12/05-07/06)	Fiscal YTD (06/06-07/06)	Trailing 1 Year (07/05-07/06)	Trailing 3 Year (07/03-07/06)	Trailing 5 Year (07/01-07/06)	Since Inception
Total Fund (6/30/00)	\$111,841,924	100.0%	100.0%	-0.1%	-2.1%	2.9%	-0.1%	5.8%	10.4%	5.7%	3.0%
Total Fund Composite				0.41%	-1.4%	4.0%	0.4%	6.1%	10.0%	5.7%	4.7%
+/- Benchmark				-0.5%	-1.0%	-1.0%	-0.5%	-0.3%	0.4%	0.0%	1.3%
Total Equity Accounts (6/30/00)	\$55,275,415	49.4%	50.0%	-0.6%	-4.4%	3.8%	-0.5%	6.4%	15.5%	6.4%	1.8%
Total Equity Composite				-0.5%	-3.7%	6.4%	-0.3%	8.3%	15.5%	6.3%	-0.9%
+/- Benchmark				-0.2%	-0.7%	-0.0%	-0.2%	3.0%	0.1%	0.1%	2.7%
Total Fixed Income Accounts (6/30/00)	\$29,529,406	26.4%	25.0%	0.8%	1.1%	1.1%	0.8%	2.3%	3.9%	5.1%	5.9%
Total Fixed Income Composite				0.9%	1.3%	1.7%	0.9%	2.8%	3.5%	4.6%	5.6%
+/- Benchmark				-0.1%	-0.2%	-0.6%	-0.1%	-0.5%	0.4%	0.5%	0.7%
Total Alternative Investments (3/1/02)	\$27,057,103	24.2%	25.0%	-0.3%	-0.6%	3.8%	-0.3%	7.8%	8.4%	N/A	7.7%
Total Alternative Composite				1.1%	0.8%	1.4%	1.1%	2.6%	6.3%	N/A	4.3%
+/- Benchmark				7.0%	2.0%	2.4%	-1.4%	5.2%	2.1%	n/a	3.1%
Domestic Equity Managed Accounts											
Atlanta Sornoff Large Cap Growth (3/1/06)	\$10,355,461	9.3%	12.5%	-1.1%	-5.1%	N/A	-1.1%	N/A	N/A	N/A	-3.2%
Russell 1000 Growth Index				-1.9%	-5.6%	-2.8%	-1.0%	-0.8%	6.8%	-0.6%	-4.3%
+/- Benchmark				0.8%	0.5%	n/a	0.9%	n/a	n/a	n/a	1.2%
Armstrong Shaw Large Cap Value (6/1/01)	\$13,314,912	11.9%	12.5%	3.2%	-1.0%	3.1%	1.2%	2.2%	11.7%	3.8%	3.4%
Russell 1000 Value				2.4%	0.5%	9.2%	2.4%	11.6%	16.1%	7.5%	6.7%
+/- Benchmark				-1.2%	-1.5%	-6.0%	-1.2%	-0.4%	-4.4%	-3.6%	-3.3%
Advisory Research Small Cap Value (6/1/01)	\$10,886,247	9.7%	7.5%	-2.5%	-5.2%	5.2%	-2.5%	4.4%	21.1%	15.7%	16.3%
Russell 2000 Value				-1.4%	-4.3%	8.9%	-1.4%	6.9%	18.5%	13.3%	13.2%
+/- Benchmark				-1.2%	-0.9%	-3.7%	-1.2%	-2.0%	-4.6%	-2.4%	-6.1%
IronBridge Small Cap Core Equity (12/2/03)	\$7,486,223	6.7%	7.5%	-2.8%	-7.8%	2.8%	-2.8%	2.3%	N/A	N/A	9.6%
Russell 2000 Small Cap Index				-3.3%	-8.1%	4.7%	-3.3%	4.2%	15.1%	9.0%	10.5%
+/- Benchmark				0.5%	0.3%	-1.9%	0.5%	-2.0%	n/a	n/a	-0.9%
International Equity Managed Accounts											
Julius Baer International Equity Fund (12/2/03)	\$7,007,485	6.3%	5.0%	3.0%	-4.0%	14.0%	2.0%	28.1%	N/A	N/A	23.4%
MSCI EAFE Index				1.0%	-2.8%	11.6%	1.0%	24.5%	23.9%	11.1%	19.9%
+/- Benchmark				7.0%	1.2%	2.4%	1.0%	3.6%	n/a	n/a	3.5%
ING International Value A (6/1/01)	\$6,225,087	5.6%	5.0%	0.6%	-4.1%	11.4%	0.6%	23.1%	24.2%	12.0%	10.3%
MSCI EAFE Index				1.0%	-2.8%	11.6%	1.0%	24.5%	23.9%	11.1%	9.4%
+/- Benchmark				-0.4%	1.7%	-0.2%	-0.4%	-1.4%	0.3%	0.9%	1.1%
Core Fixed Income Managed Accounts											
Seneca Enhanced Core Fixed (6/1/01)	\$8,938,638	8.0%	10.0%	1.0%	1.1%	0.8%	1.0%	1.6%	3.8%	5.0%	5.3%
Lehman Brothers Aggregate Index				1.4%	1.5%	0.8%	1.4%	1.5%	3.7%	4.8%	5.2%
+/- Benchmark				-0.4%	-0.2%	0.0%	-0.4%	0.1%	0.1%	0.2%	0.1%
Hillwick Asset Management (6/1/01)	\$4,773,167	4.3%	10.0%	1.8%	2.0%	-1.5%	1.8%	-0.4%	3.6%	5.2%	5.7%
Lehman Brothers Aggregate Index				1.4%	1.5%	0.8%	1.4%	1.5%	3.7%	4.8%	5.2%
+/- Benchmark				0.5%	0.5%	-2.3%	0.5%	-0.9%	-0.1%	0.4%	0.5%
Alternative Investments											
Austin Capital All Seasons Fund (3/1/02)	\$7,643,098	6.8%	7.6%	-1.8%	-4.7%	1.5%	-1.5%	5.3%	6.4%	N/A	5.1%
S&P 500 Index				0.6%	-2.2%	-1.3%	0.6%	5.4%	10.8%	2.8%	5.3%
+/- Benchmark				-2.4%	-2.6%	2.8%	-2.1%	0.2%	-4.4%	n/a	0.0%
Crystal Associates Topaz Fund (3/1/02)	\$10,030,025	9.0%	10.0%	0.1%	-0.9%	2.9%	0.1%	7.5%	8.9%	N/A	9.3%
Lehman Brothers Aggregate Index				1.4%	1.5%	0.8%	1.4%	1.5%	3.7%	4.8%	4.3%
+/- Benchmark				-1.3%	-2.4%	2.1%	-1.3%	-0.6%	5.2%	n/a	-5.0%
Ironwood Partners (03/01/04)	\$7,883,191	7.0%	7.5%	0.4%	0.2%	-6.9%	0.4%	10.6%	N/A	N/A	8.2%
Lehman Brothers Aggregate Index				1.4%	1.5%	0.8%	1.4%	1.5%	3.7%	4.8%	0.2%
+/- Benchmark				1.0%	-1.2%	-6.3%	-1.0%	0.2%	n/a	n/a	7.5%
Ironwood Partners (NDM Gift) (08/01/05)	\$1,380,789	1.2%	N/A	0.4%	0.2%	-6.9%	0.4%	10.5%	N/A	N/A	10.5%
Lehman Brothers Aggregate Index				1.4%	1.5%	0.8%	1.4%	1.5%	3.7%	4.8%	2.6%
+/- Benchmark				-1.0%	-1.3%	-6.3%	-1.0%	0.0%	n/a	n/a	7.6%
DTC Private Equity (\$5 Million Commitment)	\$100,000	0.1%	N/A								
Common Fund & Gift Annuity Accounts											
Common Fund Short Term Bond (6/1/85)	\$1,326,937	1.2%	N/A	0.5%	3.2%	3.5%	0.5%	5.1%	3.0%	2.8%	5.4%
90 Day T-Bills				0.4%	1.2%	2.6%	0.4%	4.1%	2.4%	2.2%	4.8%
+/- Benchmark				0.1%	0.0%	0.7%	0.1%	-0.9%	-0.6%	0.6%	0.6%
SunTrust Balanced Annuity Account (01/22/03)	\$618,940	0.6%	N/A	0.3%	-3.3%	1.2%	0.3%	2.1%	N/A	N/A	5.7%
70% Lehman Aggregate / 30% S&P 500				1.1%	0.4%	1.5%	1.1%	2.7%	N/A	N/A	5.3%
+/- Benchmark				-0.9%	-3.7%	-1.2%	-0.9%	-0.5%	n/a	n/a	0.5%
State of Florida Treasurer Fund (4/1/03)	\$13,871,724	12.4%	5.0%	0.3%	0.9%	2.1%	0.3%	3.5%	3.4%	N/A	3.5%
90 day T-bill				0.4%	1.2%	2.6%	0.4%	4.1%	2.4%	2.2%	2.3%
+/- Benchmark				-0.1%	-0.3%	-0.5%	-0.1%	-0.6%	1.0%	n/a	1.2%
Total Common Fund & Annuity	\$15,817,600										

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

28 SEPTEMBER 2006

SUBJECT: TREASURY REPORT

PROPOSED COMMITTEE ACTION:

None. Discussion Item.

EXHIBITS/SUPPORTING DOCUMENTS:

- UNIVERSITY INVESTMENT
COMMITTEE REPORT

FACILITATOR/PRESENTER:

- ALEXANDER ZYNE

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BOARD OF TRUSTEES
TREASURY REPORT
 SEPTEMBER 28 & 29, 2006

University Investment Committee Meeting

The University Investment Committee meeting was held on September 7, 2006 to evaluate the last quarter performance for the university operating fund. The meeting topics included manager contract execution and funding, performance results for fiscal year end and flash report for July, State Treasury investment yields and other State Treasury investment opportunities, rebalancing and future meetings.

Investment Management/Index Contract and Funding Execution:
(Exhibit A)

Investment Grade Core	Weiss, Peck & Greer	April 1, 2006
High Yield	Black Rock	April 1, 2006
Small Cap Core U.S. Equity	Lotsoff Capital Management	April 1, 2006
International Equities	The Boston Company	April 1, 2006
Hedge Fund (Fund of Funds-)	Aetos Capital, LLC	May 1, 2006
REIT'S	Urdang Securities Mgt.	June 1, 2006
Large Cap Equities (Index)	Northern Trust	June 7, 2006
TIPS (Index)	Northern Trust	June 7, 2006

The following ***Exhibit B*** depicts the estimated pool of investments which have been segregated by investment class as detailed and approved in the Investment Policy Statement on June 29, 2005. The determination of the amount to invest with external managers (\$60 mil.) was based on cash balance information through February of 2006. Rebalancing will be reviewed every quarter and will be executed to meet policy allocation asset guidelines as shown on ***Exhibit C***.

(Exhibit B)

Management Group	Asset Class	Percent	Funding (Millions)
Florida State Treasury	Fixed Income	40.0%	\$ 40.0
Northern Trust (Custodian) (P)	TIPS	6.0%	\$ 6.0
Weiss, Peck & Greer	Fixed Income	24.0%	\$ 24.0
BlackRock	High Yield	6.0%	\$ 6.0
Aetos Capital	Hedge Funds	6.0%	\$ 6.0
Urdang Securities Mgmt	REIT's	6.0%	\$ 6.0
Lotsoff Capital Mgmt	Small Cap Equities	2.0%	\$ 2.0
Boston Company	International Equities	3.0%	\$ 3.0
Northern Trust (Custodian) (P)	Large Cap Equities	7.0%	\$ 7.0
Total.....		100.0%	\$ 100.0

Asset Allocation Target Policy

Exhibit C

	Target Allocation
Cash Equivalents (Working Capital)*	16%
Short - Int. Fixed Income (Working Capital)*	24%
Fixed Income (Inv. Grade)	24%
TIPS	6%
High Yield	6%
<u>Total Fixed Income</u>	76%
<u>Absolute Return</u>	6%
<u>REITS</u>	6%
U.S. Equity	9%
International Equity	3%
<u>Total Equity</u>	12%
<u>Total Allocation.....</u>	100%

Working Capital Pool*

	<u>Target (%)</u>
Cash Equivalents	40
Short Term Fixed Income	60

Investment Return Performance June 30, 2006

The following table (*Exhibit D*) depicts the ending quarter and fiscal year end June 30 performance. Please note although we were fully funded by June 30th, our investments with external managers have just begun as shown above on *Exhibit A*.

Exhibit D

	\$'000	% Comp	Total Comb Pool Policy %	Month %	Quarter %	YTD %	Fiscal YTD Beg. 6/30 %	1 Year %	3 Years %	5 Years %	Inception %
Total Combined Pool (3/31/06)	149,924	100%	100%	0.3	0.6	--	--	--	--	--	0.6
<i>Policy Index</i>				<i>0.5</i>	<i>0.4</i>	--	--	--	--	--	<i>0.4</i>
Strategic Capital Pool (3/31/06)	49,935	33.3%	50.0%	0.2	-0.3	--	--	--	--	--	-0.3
<i>Policy Index</i>				<i>0.7</i>	<i>-0.1</i>	--	--	--	--	--	<i>-0.1</i>
Reserve Pool (3/31/06)	9,989	6.7%	10.0%	0.2	-0.3	--	--	--	--	--	-0.3
<i>Policy Index</i>				<i>0.7</i>	<i>-0.1</i>	--	--	--	--	--	<i>-0.1</i>
Working Capital Pool w/ monthly yields (6/30/99)*	90,000	60.0%	40.0%	0.3	1.0	2.0	3.7	3.7	3.4	4.1	4.6
<i>91-Day Treasury Bill</i>				<i>0.4</i>	<i>1.2</i>	<i>2.2</i>	<i>4.0</i>	<i>4.0</i>	<i>2.4</i>	<i>2.3</i>	<i>3.2</i>
Working Capital Pool actual returns (3/31/06)				0.3	1.0	--	--	--	--	--	1.0
<i>91-Day Treasury Bill</i>				<i>0.4</i>	<i>1.2</i>	--	--	--	--	--	<i>1.6</i>
Fixed Income Composite (3/31/06)	35,979	24.0%	36.0%	0.1	-0.1	--	--	--	--	--	-0.1
<i>Policy Index</i>				<i>0.1</i>	<i>0.1</i>	--	--	--	--	--	<i>0.1</i>
Weiss, Peck & Greer (3/31/06)	23,952	16.0%	24.0%	0.1	-0.2	--	--	--	--	--	-0.2
<i>Lehman Aggregate</i>				<i>0.2</i>	<i>-0.1</i>	--	--	--	--	--	<i>-0.1</i>
BlackRock HY Bond (3/31/06)	6,025	4.0%	6.0%	-0.3	0.4	--	--	--	--	--	0.4
<i>ML High Yield Master II</i>				<i>-0.4</i>	<i>0.2</i>	--	--	--	--	--	<i>0.2</i>
Northern Trust TIPS (6/30/06)	6,002	4.0%	6.0%	--	--	--	--	--	--	--	--
<i>Lehman U.S. TIPS</i>				<i>0.3</i>	<i>0.5</i>	--	--	--	--	--	<i>--</i>
Absolute Return Composite (3/31/06)	5,964	4.0%	6.0%	0.1	-0.6	--	--	--	--	--	-0.6
<i>CPI + 3.25%</i>				<i>0.5</i>	<i>2.4</i>	--	--	--	--	--	<i>2.4</i>
Aetos Alternatives Mgmt. (3/31/06)	5,964	4.0%	--	0.1	-0.6	--	--	--	--	--	-0.6
<i>CPI + 3.25%</i>				<i>0.5</i>	<i>2.4</i>	--	--	--	--	--	<i>2.4</i>
Real Estate Composite (6/30/06)	6,080	4.1%	6.0%	--	--	--	--	--	--	--	--
<i>NAREIT</i>				--	--	--	--	--	--	--	--
Urdang REIT (6/30/06)	6,080	4.1%	--	--	--	--	--	--	--	--	--
<i>NAREIT</i>				<i>5.0</i>	<i>-1.1</i>	--	--	--	--	--	<i>--</i>
Domestic Equity Composite (3/31/06)	8,861	5.9%	9.0%	0.1	-7.2	--	--	--	--	--	-7.2
<i>Wilshire 5000</i>				<i>0.2</i>	<i>-2.0</i>	--	--	--	--	--	<i>-2.0</i>
Northern Trust S&P 500 (6/30/06)	7,045	4.7%	--	--	--	--	--	--	--	--	--
<i>S&P 500</i>				<i>0.1</i>	<i>-1.4</i>	--	--	--	--	--	<i>--</i>
Lotsoff Small Cap (3/31/06)	1,816	1.2%	--	-2.1	-9.2	--	--	--	--	--	-9.2
<i>Russell 2000</i>				<i>0.6</i>	<i>-5.0</i>	--	--	--	--	--	<i>-5.0</i>
International Equity Composite (3/31/06)	3,042	2.0%	3.0%	-0.5	0.6	--	--	--	--	--	0.6
<i>MSCI EAFE Index (N)</i>				<i>0.0</i>	<i>0.7</i>	--	--	--	--	--	<i>0.7</i>
The Boston Company (3/31/06)	3,042	2.0%	--	-0.5	0.6	--	--	--	--	--	0.6
<i>MSCI EAFE Index (N)</i>				<i>0.0</i>	<i>0.7</i>	--	--	--	--	--	<i>0.7</i>

Investment Return Performance July 31, 2006

The following table (*Exhibit E*) depicts the first month of the new fiscal year July 31st performance.

Exhibit E

	\$'000	% Comp	Total Comb Pool Policy %	Month %	YTD %	Fiscal YTD Beg. 6/30 %	1 Year %	3 Years %	5 Years %	Inception %
Total Combined Pool (3/31/06)	147,666	100%	100%	0.7	--	0.7	--	--	--	1.3
<i>Policy Index</i>				0.9	--	0.9	--	--	--	1.3
Strategic Capital Pool (3/31/06)	50,553	34.2%	50.0%	1.2	--	1.2	--	--	--	1.0
<i>Policy Index</i>				1.3	--	1.3	--	--	--	1.1
Reserve Pool (3/31/06)	10,113	6.8%	10.0%	1.2	--	1.2	--	--	--	1.0
<i>Policy Index</i>				1.3	--	1.3	--	--	--	1.1
Working Capital Pool w/ monthly yields (6/30/99)*	87,000	58.9%	40.0%	0.3	2.3	0.3	3.7	3.5	4.1	4.6
<i>91-Day Treasury Bill</i>				0.4	2.6	0.4	4.2	2.5	2.3	3.2
Working Capital Pool actual returns (3/31/06)				0.3	--	--	--	--	--	1.6
<i>91-Day Treasury Bill</i>				0.4	--	--	--	--	--	2.0
Fixed Income Composite (3/31/06)	36,527	24.7%	36.0%	1.5	--	1.5	--	--	--	1.4
<i>Policy Index</i>				1.4	--	1.4	--	--	--	1.4
Weiss, Peck & Greer (3/31/06)	24,275	16.4%	24.0%	1.4	--	1.4	--	--	--	1.2
<i>Lehman Aggregate</i>				1.4	--	1.4	--	--	--	1.3
BlackRock HY Bond (3/31/06)	6,087	4.1%	6.0%	1.0	--	1.0	--	--	--	1.4
<i>ML High Yield Master II</i>				1.1	--	1.1	--	--	--	1.3
Northern Trust TIPS (6/30/06)	6,165	4.2%	6.0%	2.7	--	2.7	--	--	--	2.7
<i>Lehman U.S. TIPS</i>				1.6	--	1.6	--	--	--	1.6
Absolute Return Composite (3/31/06)	5,985	4.1%	6.0%	0.3	--	0.3	--	--	--	-0.3
<i>CPI + 3.25%</i>				0.6	--	0.6	--	--	--	1.8
Aetos Alternatives Mgmt. (3/31/06)	5,985	4.1%	--	0.3	--	0.3	--	--	--	-0.3
<i>CPI + 3.25%</i>				0.6	--	0.6	--	--	--	1.8
Real Estate Composite (6/30/06)	6,304	4.3%	6.0%	3.7	--	3.7	--	--	--	3.7
<i>NAREIT</i>				3.0	--	3.0	--	--	--	3.0
Urdang REIT (6/30/06)	6,304	4.3%	--	3.7	--	3.7	--	--	--	3.7
<i>NAREIT</i>				3.0	--	3.0	--	--	--	3.0
Domestic Equity Composite (3/31/06)	8,777	5.9%	9.0%	-1.0	--	-1.0	--	--	--	-8.1
<i>Wilshire 5000</i>				-0.1	--	-0.1	--	--	--	-2.1
Northern Trust S&P 500 (6/30/06)	7,088	4.8%	--	0.6	--	0.6	--	--	--	0.6
<i>S&P 500</i>				0.6	--	0.6	--	--	--	0.6
Lotsoff Small Cap (3/31/06)	1,689	1.1%	--	-7.0	--	-7.0	--	--	--	-15.6
<i>Russell 2000</i>				-3.3	--	-3.3	--	--	--	-8.1
International Equity Composite (3/31/06)	3,074	2.1%	3.0%	1.1	--	1.1	--	--	--	1.7
<i>MSCI EAFE Index (N)</i>				1.0	--	1.0	--	--	--	1.7
The Boston Company (3/31/06)	3,074	2.1%	--	1.1	--	1.1	--	--	--	1.7
<i>MSCI EAFE Index (N)</i>				1.0	--	1.0	--	--	--	1.7

In addition to the performance review, Brian Wszolek from the University Cash Management office presented another State Treasury Investment vehicle. This investment is short-term in nature, overnight liquidity and of high quality investments. This investment is administered through the State Board of Administration. The primary investments are Treasury bonds, notes and commercial paper with a current average maturity of 27 days (Maximum is 90 days). The committee has approved the allocation within the working capital pool to invest up to 40% as provided in the Investment Policy Statement. The direction provided is a gradual monthly transfer until the maximum is reached. The following *Exhibit E* provides the yields on SBA and for comparison purposes the SPIA (State Treasury Special Purpose Investment Accounts). SPIA is currently what we invest in for working capital.

(Exhibit F)

Month	SPIA	SBA
07/04	3.56%	1.42%
08/04	3.63%	1.54%
09/04	4.04%	1.70%
10/04	3.31%	1.82%
11/04	3.28%	1.97%
12/04	3.77%	2.19%
01/05	3.64%	2.33%
02/05	4.36%	2.54%
03/05	2.35%	2.63%
04/05	3.64%	2.83%
05/05	3.75%	2.96%
06/05	4.29%	3.07%

Month	SPIA	SBA
07/05	3.58%	3.26%
08/05	3.22%	3.45%
09/05	4.77%	3.79%
10/05	2.65%	3.77%
11/05	3.00%	3.98%
12/05	4.24%	4.23%
01/06	4.23%	4.37%
02/06	3.88%	4.56%
03/06	3.46%	4.65%
04/06	3.40%	4.85%
05/06	3.38%	5.03%
06/06	3.95%	5.17%
07/06	4.29%	5.35%

The next meeting of the University Investment Committee will be held in November to review investment performance for the first quarter (ending September 30) of the fiscal year.

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