

UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Item for Information

Received by the
Regents
November 21, 2013

Subject: Report of University Internal Audits
July – September 2013

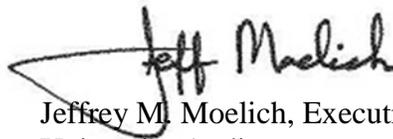
Attached is the report of activities completed by the Office of University Audits for the period **July – September 2013**.

Included in the report are a:

- Summary of each audit report issued during the period, including Management's Corrective Action Plans. These audits were presented at the Regents' Finance, Audit, and Investment committee meeting in July.
- Summary of each follow-up review memo issued during the period, including the actions completed by management. Follow-up reviews are designed to provide assurance that Management's Corrective Action Plans have been implemented, are working as intended, and are sustainable.
- Table of open audit issues as of **September 30, 2013**, including estimated completion dates.

If you have any questions or would like additional information, please contact me at 647-7500 or by e-mail at jmoelich@umich.edu.

Respectfully submitted,



Jeffrey M. Moelich, Executive Director
University Audits

University Audits
July – September 2013
Summary of Reports Issued

Original Reports

Office of Student Publications
Report issued July 18, 2013

2013-203

The mission of Student Publications at the University of Michigan is twofold, first to provide an educational experience for students in the area of mass communication, and second to serve as an effective media for student communications on the Ann Arbor campus. The student-managed publications include a daily newspaper, *The Michigan Daily*, an annual yearbook, *The Michiganensian*, a bimonthly humor magazine, *The Gargoyle*, and the Student Directory. The Office of Student Publications is located in the Stanford Lipsey Student Publications Building.

The Board for Student Publications (BSP) is considered an agency of the Board of Regents and, as such, has authority and control over all nontechnical newspapers, magazines, and other publications edited, managed, or promoted by students or student organizations. Although the BSP has authority and control over the publications, the students maintain editorial independence. With regard to editorial control, the BSP acts in an advisory capacity. The BSP consists of nine members appointed by the President of the University. Four members are University alumni and at least three are members of the University community. BSP members serve a three-year term and can serve no more than three consecutive terms. The editor-in-chief and business manager of each publication serve ex-officio on the BSP.

All publications are managed by students with limited oversight from professional staff. The professional staff supports students in their effort to create a high quality publication by providing guidance and helping to manage resources. Student Publications has experienced a significant decrease in advertising revenue primarily due to the steady shift in consumer preferences away from print media, specifically newspapers, toward electronic media. Advertising revenue has historically been the unit's main source of income. To be responsive to the shifting demand, professional staff has been downsized from eight full-time employees to one full-time and three part time employees over the last four years.

Purpose and Scope

The primary objective of this audit was to evaluate operational and administrative activities in the Office of Student Publications. University Audits reviewed policies, procedures, and internal controls to test compliance with University guidelines and other requirements. Interviews were conducted with key administrative and student management to understand the control structure. University Audits evaluated the adequacy of internal controls related to:

- Financial management
- Employment and payroll
- Revenue, cash handling, and deposits
- Financial aid

- Procurement and travel
- Inventory
- Development
- Security

Risk and Control Discussion

In an attempt to supplement the decrease in revenue, Student Publications is exploring other business opportunities. The department recently began selling graduation caps and gowns, tassels, class rings, and diploma frames. There has also been an attempt to promote and grow its online presence. These business ventures have been successful and have helped offset declining advertisement revenues, although it has not been enough to counteract the overall impact of the declining print media industry. While the reduction in workforce has helped to stabilize the deficit, it limits the ability to maintain a strong control environment, promote best practices in student operations, and provide effective oversight.

Student Publications has a quasi-endowment of over \$4 million. The financial position of the office and the security of the endowment have improved over the last five years as adjustments have been made, but long-term sustainability concerns remain. Advertising revenue has decreased by nearly half (\$500,000) over the last five years. Student Publications has hired a consulting firm, Advanced Manufacturing Group, to evaluate operational, financial, and revenue strategies for *The Michigan Daily* as well as how it synchronizes with *The Gargoyle*, *Michiganensian*, and the Student Directory. Advanced Manufacturing Group will review the mission, business plan strategies and tactics, and business structure, with a focus on identifying opportunities for sustainable profitability. The consulting activity will assist the publications with their attempts to identify additional revenue sources and strategies for sustainability.

Strategic Plan and Vision

Discussion: Student Publications does not have a documented strategic plan to address its operational deficit. The long-term focus is to ensure that the quasi-endowment is sustainable despite the decreased advertising revenue. While sustainability remains the focus, there is no documented strategic plan or vision to ensure success.

Recommendation: Leadership should work to identify a strategy to ensure sustainability and financial viability. When defining this strategy, student staffing structure and operations should be considered. The consulting project is a good opportunity to identify operational, financial, and revenue strategies to incorporate into a long-term vision for the unit.

Management Plan: A plan will be developed and implemented. The Board has engaged a consulting firm to review operations and make recommendations to achieve a sustainable business model. The Board met with the consultants and is in the process of developing such a model. This will be followed by the development of an implementation plan. The Board has established a sub-committee to work with the General Manager.

External Bank Account/Student Payments

Discussion: Student Publications maintains an external bank account. This account is used to reimburse student employees for travel and purchases, and to provide refund checks to customers. Standard Practice Guide (SPG) Section 601.30, *Payments/Reimbursements to Students for Non-Employment Purposes*, outlines procedures for reimbursing student employees through the Concur Travel and Expense System. The SPG also requires all conference registration fees and travel incurred for furtherance of the student's own education experience to be reported to the Office of Financial Aid (OFA).

Recommendation:

1. Process reimbursements to student employees through Concur.
2. Consult with OFA to ensure appropriate communicate of all conference registration fees and travel conducted by students to OFA. Determine whether use of the student payment request form is necessary.
3. Issue customer refunds through M-Pathways rather than through the external bank account.
4. Consider closing the external bank account.

Management Plan:

1. All future student-employee reimbursements will be processed in Concur. Management will consult with Payroll and Accounts Payable to address any concerns with processing student payments through Concur.
2. A Google document will be created to maintain a current record of all student travel. This document will be shared with OFA on a regular basis.
3. All future customer refund checks will be processed through the University's M-Pathways system.
4. After the above actions have been successfully implemented, the external checking account will be closed.

Documented Policies and Procedures

Discussion: Documented policies and procedures are either outdated or nonexistent for some functions. Currently, the General Manager is the only full time employee who has ultimate responsibility for day-to-day operations. In the case of the General Manager's absence, the knowledge gap would make it difficult to resume regular operations. The student-managed operations would also benefit from documenting procedures, especially since student staff changes annually.

Recommendation: Student Publications should document policies and procedures to support consistent performance of fundamental processes in a way that meets the organization's needs. Documenting procedures improves efficiency of operations as it promotes simple tasks being done consistently and complex tasks being improved and made simpler. Maintaining documentation for procedures is essential to mitigate the potential risk associated with loss of institutional knowledge as students transition. Some student operations processes are already documented. Continuing these efforts would be beneficial for future student management.

Management Plan: The professional staff will document policies and procedures during the next fiscal year. Given the transition of students on an annual basis, support from professional management will be necessary to document student operations policies and procedures. The professional staff will remind student management to create documentation and will work with them to document policies and procedures relevant to their operations throughout the year.

Training

Discussion: There is no process to ensure that professional or student staff have taken and completed University required training through My LINC (Learning & Information Center):

- Depositor Training (TME101 Depository Certification) – Individuals preparing or allocating deposited funds are required to become certified to make deposits. Staff must complete the training course at least every two years. If an individual completes the depositor training, they are not required to complete the cash handling training.
- Cash Handling Training (TME103 Treasury Management – Cash Handling) – Individuals who handle cash or non-cash valuables but do not prepare deposits, are required to successfully complete the training course.
- Merchant Training (TME102 Merchant Certification) – All individuals handling credit card information at any point in a transaction should complete the online merchant certification course. These individuals are required to complete the course annually.
- Concur Approver Training – Concur approver training should be completed on an annual basis by all staff members who approve expense reports in the Concur Travel and Expense Management System.

Recommendation: All professional and student staff should complete applicable training courses. It is recommended that completion of the training for students be incorporated as part of the onboarding process. Oversight reports are available to confirm the completion of training for department employees.

Management Plan:

- The General Manager, Accountant, and Student Cashiers will complete the depositor training class in the first week of September each year.
- Cash handling training will be completed by all individuals without depositing responsibilities that handle cash or cash equivalents. Account Executives will complete training during the onboarding process beginning with summer of this year.
- All *Michigan Daily* Business Staff and Student Cashiers will complete the merchant training certification.
- The General Manager will complete the Concur approver training each summer.

Accounting System

Discussion: The Office of Student Publications uses QuickBooks accounting software to maintain financial information. At the end of each month, financials are reconciled between QuickBooks and M-Pathways. Therefore, M-Pathways financials may not accurately reflect the department's financial position at any given moment. There has been resistance to moving toward M-

Pathways due to the specific reporting functionality that exists in QuickBooks. The use of M-Pathways financials would provide the department with more opportunities to leverage reporting tools. There is also a concern related to the security of QuickBooks as financial information can be changed in prior closed accounting periods. This concern would be remediated with the implementation of M-Pathways financials.

Recommendation: Continue to work with Financial Operations to identify opportunities to improve financial reporting and use of M-Pathways. Consult with Information and Technology Services to define the reporting needs not currently available in M-Pathways. Discontinue the use of QuickBooks as a shadow system and maintain financial information on M-Pathways financials. Increased use of Real-Time Financials and other University tools would help improve the control environment and the level of oversight provided to the student operations.

Management Plan: Student Publications will continue to use QuickBooks as a parallel reporting system. Discontinuing the use of QuickBooks as a shadow system has been explored, in depth, by a team from Financial Operations and Student Publications. The functionality in QuickBooks allows reporting to a level of detail that is necessary to manage operations autonomously. This type of reporting does not currently exist in M-Pathways. Although Student Publications will maintain the use of QuickBooks, we will continue to identify opportunities to use and leverage the University system.

Auditor's Note: As the reporting functionality in M-Pathways may not currently provide the level of detail used to manage Student Publications operations, management has decided to accept the risk of using QuickBooks as a parallel system. As a compensating control regarding security, prior closed accounting periods are password protected in QuickBooks. As noted, Student Publications will continue to seek opportunities to leverage University systems.

IT Services

Discussion: Student Publications receives desktop support services from the School of Information computing staff. The charges for this service are paid for via journal entry.

Recommendation: Work with the School of Information to establish a plan for transitioning desktop support services to Information and Technology Services.

Management Plan: Meetings have been held with ITS to initiate this transition. Responsibilities will be transferred from the School of Information to ITS after December 2013.

Recharge Rates

Discussion: Internal recharge rates have not been properly approved by the Office of Financial Analysis and external rates have not been reviewed by central administrative units, including the Tax Department.

Recommendation: Coordinate with the Office of Financial Analysis to get actual internal recharge rates approved. Work with the Tax Department to review the appropriateness of the rates

charged to external customers. Student Publications should investigate the management of tax risks as well as possible tax benefits.

Management Plan: Internal recharge rates will be submitted for approval with the spring/summer *Michigan Daily* rate card. External rates will be communicated to the Tax Department.

Internal Control Certification and Gap Analysis

Discussion: The unit has not completed a gap analysis and has not certified via the Internal Controls certification process. Review of the gap analysis tool would help the department to identify control gaps and areas for improvement.

Recommendation: A gap analysis should be reviewed and completed to identify control gaps. Once completed, the gap analysis should be reviewed with the Student Publications Finance Committee. Ultimately, the Chair of the Board should certify the internal controls through the Annual Unit Internal Controls Certification Process. Student Publications should contact and coordinate with the Office of Internal Controls to initiate the process.

Management Plan: Student Publications will initiate the Internal Controls certification process with the Office of Internal Controls and complete a gap analysis. The results will be reviewed by the Finance Committee of the Board and then certified by the Co-chairs.

Procurement Contracts

Discussion: Historically, Student Publications has not formally established strategic contracts with its major vendors through Procurement Services. They are currently in the process of establishing contracts with all relevant vendors. Establishing contracts through Procurement would likely achieve cost savings for the department. Contract Administrators in Procurement Services assist the vendor process by monitoring performance standards and compliance requirements, as well as addressing contract questions and issues.

Recommendation: Purchase Orders for amounts over \$5,000 require competitive bidding and must be requisitioned through Procurement Services. Work with Procurement to establish contracts with all relevant vendors, including non-competitive purchase awards.

Management Plan: Student Publications will establish strategic contracts with its major vendors through Procurement Services.

Imprest Cash Fund

Discussion: The department manages a change fund, which originated with money from their own account. The change fund is used regularly to make change for customer sales. This change fund was not formally established through Accounts Payable.

Recommendation: Change funds should be advanced to the department from University funds and should not be established with departmental funds. Coordinate with Accounts Payable to

formally establish an imprest cash fund. Review Standard Practice Guide (SPG) Section 501.02-1, *Imprest Cash Fund*, for best practices and guidance on management of change funds and other imprest cash funds.

Management Plan: An imprest cash fund will be established with Accounts Payable for use as a change fund.

Facility Access

Discussion: Access to the building after hours is managed with an access control panel requiring a six-digit security code. The security code is shared with over two-hundred student employees over the course of the year.

Recommendation: Student Publications should contact the Key Office within Plant Operations to discuss alternatives for improving building security.

Management Plan: Student Publications placed a work order with Plant Operations to replace the lock. The access control pad will be replaced with an MCard reader. Access will be controlled by the General Manager.

Travel Approval and Tracking

Discussion: Approval for travel is managed by students. The professional staff are not included in the approval process and do not track travel. When returning, students are reimbursed with checks directly from the external bank account managed by the department. Professional staff must approve reimbursements to students after travel in order for them to be processed. There have been some issues with students traveling before receiving proper approval. More oversight from the professional staff would likely reduce the chance of inappropriate travel.

Recommendation: Professional staff should be informed of all travel conducted by students and the travel should be tracked. Consider including professional staff as part of the approval process for travel.

Management Plan: A Google document will be created and maintained to track all travel that is preapproved by either publication or professional management.

Conflict of Interest/Commitment

Discussion: The process for employees to disclose potential or existing conflicts is completed upon hire. There is not an annual process to review the conflict policy and any possible updated expectations from the University. The absence of an annual attestation process does not allow employees or management to revisit existing conflicts to ensure they are appropriately managed.

Recommendation: Implement an annual conflict of interest/commitment attestation process for professional employees.

Management Plan: The University’s website regarding conflicts of interest will be reviewed by all professional staff employees during the last week of December each year and compliance statements signed thereafter.

Summary

The nature of the declining print media industry has been identified as the likely cause of the decrease in advertising revenue that Student Publications has experienced over the last few years. This decrease in revenue has driven efforts to identify additional sources for revenue. While these efforts have been successful, Student Publications would greatly benefit from a long-term strategic plan to address sustainability of the unit, its endowment, and the educational experience offered to students. Given the limited professional staff and unique nature of Student Publications, maintaining well-documented procedures is essential to on-going success and continuity of operations. Training on University policies and best practices will assist students to have a better understanding of how to handle cash and manage sales. Updating documented procedures and training practices will help to improve compliance and the control environment.

A formal follow-up to assess progress toward implementation of mitigating action plans will be conducted in the third quarter of fiscal year 2014.

School of Natural Resources and the Environment
Report issued September 6, 2013

2013-210

The School of Natural Resources and Environment (SNRE or the School) began in 1903 as the Department of Forestry. In 1950, it became the School of Natural Resources, and changed to the School of Natural Resources and Environment in 1992.



Its mission is to “contribute to the protection of the Earth’s resources and the achievement of a sustainable society.” Through research, outreach, and teaching, SNRE aims to develop innovative and effective stewards of the environment.

SNRE is led by a dean and two associate deans, and due to its strong commitment to faculty governance, a variety of committees assist in leadership and crafting policy for the School. The current Dean was appointed in January 2012 after joining the University of Michigan in September 2011. Many SNRE administrative functions are centralized in the Business Office. For example, two grants administrators support the majority of faculty with assistance in grant proposal writing, budget preparation, and reconciling monthly activity.

The School offers two master’s degrees, two PhD degrees, and three graduate certificate programs. Dual degree options are available via collaborations with the Ross School of Business,

the Taubman College of Architecture and Urban Planning, and the College of Engineering. SNRE also offers an undergraduate program, Program in the Environment (PITE), through a partnership with the College of Literature, Science, and the Arts. Many PITE graduates subsequently enroll in SNRE for their master's or doctoral degrees.

SNRE hosts several centers, some of which are shared with other University units. These include the Center for Sustainable Systems, the Cooperative Institute for Limnology and Ecosystems Research (CILER), Michigan Sea Grant, the Erb Institute for Global Sustainable Enterprise (co-managed with the Ross Business School), and the Graham Environmental Sustainability Institute (which has a dual reporting relationship with the Office of the Provost). In addition, some SNRE faculty have collected their body of research or collaborations as SNRE centers of excellence.

There are three SNRE field stations located in Michigan, which are accessible to the general public and used by U-M researchers and students as "hands on" sites for research projects and field courses. A view of the wetlands area of Saginaw Forest, an 80-acre property located in Saginaw, MI, is seen at left.

SNRE is housed in the Dana Building, which completed significant renovations in 2004 and has been declared "the greenest academic building on campus" thanks to features such as solar panels, green landscaping, and water conservation techniques. These features helped SNRE earn a Gold LEED¹ rating from the U.S. Green Building Council.

Purpose and Scope

The purpose of the audit was to review the adequacy of management controls over the School's activities. These included:

- *Financial activities*, such as appropriate use of discretionary accounts, timely and complete financial reconciliations, compliance with procurement policies, and coordination of development functions.
- *Academic and research functions*, such as admissions procedures in the Office of Academic Programs, coordination with the Rackham Graduate School, compliance with grant management policies, oversight for laboratory safety, and upkeep of the SNRE field stations. Coordination between SNRE and the centers was also reviewed.
- *Employment procedures*, such as compliance with payroll policies, adequacy of conflict of interest reporting, and management of temporary employees.

Although coordination between the centers and SNRE was reviewed, operations of the individual centers were not included. Some larger SNRE centers, such as CILER, are in the process of their own individual audits. Since fiscal management of PITE is performed in LSA, it was not reviewed.

¹ The U.S. Green Building Council uses the Leadership in Energy and Environmental Design, or LEED, rating to award constructions that promote high performance, energy-efficiency, and sustainable structures.

Risk and Control Discussion

Center/Institute Oversight

Discussion: There are no documented procedures to clarify roles and responsibilities between SNRE and the centers. This occasionally causes disruptions to standard processes, such as when employee hiring or terminations in the centers are not reported in a timely manner to the SNRE Human Resources (HR) Office.

The Business Office prepares the Office of Internal Controls' annual internal controls certification and corresponding documents on behalf of the entire school. The centers are not included in this process with the exception of Michigan Sea Grant (MSG). MSG has a cash collection operation for a publication they issue, and they are required to complete the Cash Handling component of the internal controls documents. This is the only section they receive, and the other centers are not given the documents. SNRE can have more assurance that the certification accurately reflects the complete School by sharing and discussing the documents with the centers to include areas relevant to their operations, such as P-Cards.

Control Recommendation: Formalize procedures for monitoring SNRE centers. Clarify roles, solidify expectations, and document accountability. Specifically include HR responsibilities, along with other events that require notifications between SNRE and a center (e.g., changes to a significant sponsored project). Documented procedures or a memorandum of understanding (MOU) can clearly identify these responsibilities and help assure administrators that duties are neither being duplicated nor inadvertently omitted.

Share the full internal controls documents with the centers. Consider highlighting key sections to be completed by the centers, but ensure the centers have access to the complete document so processes unknown to SNRE can be disclosed when necessary.

Management Plan: MOUs outlining human resources responsibilities have been established with Michigan Sea Grant and CILER and signed by representatives from both units. Similar MOUs will be established with the Erb and Graham Institutes this summer. Process documentation for Concur expense reports have been created by SNRE in preparation for the internal controls certifications (research procedures are already standardized for all SNRE faculty, including those who hold joint positions in an SNRE center). All four centers (Michigan Sea Grant, CILER, Erb, and Graham) will participate in the upcoming annual internal controls certification under oversight of SNRE. Additional documentation or process flows will be created if necessary for the internal control certifications. These documents will be shared with the center administrators and serve as a document of understanding regarding the key responsibilities of each unit.

Effort Certification

Discussion: Effort reporting is a federally required compliance process for researchers to certify time spent on various research or administrative tasks. At U-M, the Cost Reimbursement Office requires effort certification to be performed annually for faculty. A significant number of SNRE employees have not certified their time from fiscal years 2011 or 2012. Many of these are terminated employees but some are still employed by SNRE.

The escalation procedure for noncompliant faculty is not a written policy. The HR Office needs to be more proactive in forwarding situations of noncompliance to the Associate Dean of Research or, subsequently, to the Dean, for assistance in resolution. For terminated employees who failed to complete certification prior to leaving, the Cost Reimbursement Office permits a knowledgeable employee to certify on their behalf.

Control Recommendation: Document the escalation procedure for effort certification, ensure it is communicated to all faculty, and empower the HR Office to implement the procedure. Ensure the procedure includes supervisors who fail to confirm effort certifications are completed prior to employee terminations as well as those who fail to notify the HR Office of terminations in a timely manner. Timely notification is critical to this process, as it is easier to have an employee certify effort before their last day.

Management Plan: The procedure for noncompliant faculty and staff is now documented. Two reminder emails will be sent to noncompliant faculty after the certification deadline has passed. The Research Associate Dean will be notified of noncompliant faculty if the second reminder email does not correct the situation. At that point, the faculty will not be permitted to have any additional research proposals approved until compliance is achieved. As needed effort certification and recertifications will be monitored regularly and resolved within a one-month period.

Auditor's Note: The new process was reviewed and is sufficient to address the risk identified. During follow-up, we will verify that the escalation process worked to enforce compliance with effort reporting deadlines.

Admission Documentation

Discussion: SNRE is organized into seven different fields of study. These include, among others, Landscape Architecture, Sustainable Systems, Conservation Ecology, and Environmental Justice. Each field of study may set their own admissions criteria for students applying to their program. A faculty committee within each field of study evaluates applicants with the assistance of SNRE's Office of Academic Programs (OAP). OAP uses the criteria provided by the fields of study to conduct a preliminary assessment of the candidates. The admissions criteria can change slightly from year to year, but the criteria are not retained as part of an admissions documentation process. Maintaining these records would permit leadership to review criteria trends to ensure that internal standards continue to result in high quality students. They would also allow SNRE to defend admissions decisions for candidates who have a real or perceived conflict of interest or grievance.

In addition, some internal processes in the OAP are not documented. Written procedures are beneficial as job aids for new or temporary employees and make sure processes are performed consistently and with proper controls. These include the Peace Corps Fellowship admissions process and the procedure for students requesting emergency loans (these are coordinated with multiple other departments, such the Division of Student Affairs and the Office of Financial Aid).

Control Recommendation: Maintain a record of the admissions criteria for each field of study. A member of OAP participates in admissions decisions each year during the admit meetings termed “Batch Day.” Direct the OAP staff to document that year’s admit process, including a record of which faculty participated in the discussion and the criteria that the field of study originally gave OAP during the preliminary assessments. Retain these files according to University record retention policies. Document internal OAP processes.

Management Plan: Admissions requirements as outlined during Batch Day have been documented for each field of study and will be retained. The documentation includes notes on both objective and subjective criteria used to evaluate student candidates and both faculty and OAP participants.

SNRE Oversight for Lab Safety

Discussion: University Audits obtained and examined all recent laboratory safety reviews completed by the Department of Occupational Safety and Environmental Health (OSEH). Repeated observations across multiple labs, as well as repeated observations over multiple years for the same lab, suggest lab staff could benefit from training, templates for documentation, or other support by the Associate Dean for Research and/or Business Office staff.

Control Recommendation: A monitoring process whereby the Associate Dean for Research and/or Business Office staff receive copies of the inspections and perform their own follow-up review would help ensure OSEH observations are addressed promptly and reduce repeated observations year-over-year. Specifically review any items that require additional funding or involve facility limitations for risk versus cost analysis and document accordingly.

Management Plan: A process for reviewing OSEH Lab Safety reports has been documented and implemented. The OSEH representative will be requested to forward copies of all completed lab inspections to both the principal investigator (PI) of the lab and the SNRE Business Office. The lab PI (or their designated staff member) will forward corrective measures to both the Administrative Director and the Research Associate Dean. Reports will be reviewed to identify patterns or similarities that suggest where templates, training, or other support could be provided.

Auditor’s Note: The final process was reviewed and will satisfactorily address this risk. During follow-up, we will review any OSEH inspections for SNRE lab spaces and verify the process worked as intended.

Documented Processes

Discussion: Staff procedures need to be documented for the following areas: Development, the Teaching and Inspiring Environmental Stewardship (TIES) program, and the Research Support staff.

- Staff procedures are not documented in the Development area. At the time of the review, both the Director and an administrative position in the unit was vacant, leaving only one individual to perform Development functions with significant support from the

Business Office. The remaining employee also relied heavily on assistance from other Development units, but having documented procedures for her position would have aided her transition and facilitated smoother processing of gifts.

- SNRE's TIES program is designed to educate the community about environmental principles using the Dana Building as a classroom. The program is open to the community, but schoolchildren between the fourth and twelfth grades are the most frequent attendees. SNRE student docents conduct tours with groups of students throughout the building. There are no documented safety or emergency procedures for the TIES program. In addition, background checks are not performed on the student docents. The U-M Summer Safety Oversight Group recommends background checks for any U-M person who will be supervising or assisting in the supervision of minors.
- SNRE's Business Office has two grant administrators who support the majority of research projects in the School. These administrators assist faculty with grant proposal writing, budget preparation, and also perform monthly reconciliations on grant activities. Faculty are divided between the two administrators, who perform nearly identical services. This has made it efficient for the administrators to cover for each other during past leaves of absence. It also makes it critical that pertinent information is accessible to both administrators. Currently, some critical information, such as documented faculty approval for purchases, is stored in one of the administrator's e-mail account.

Control Recommendation: Document internal procedures for the Development area. A Director has recently been appointed, and newly implemented procedures should be documented. Verify that job descriptions are updated with the key responsibilities for each individual.

Develop safety and emergency procedures for the TIES program. Consider using procedures from other units such as the museums under the College of Literature, Science, and the Arts as a starting point. Work with the Division of Public Safety and Security to perform background checks for the student docents.

Management Plan: SNRE Development staff have been hired and are working effectively. A procedures manual for this area is in process, based on existing manuals and documents the staff brought from former U-M Development positions. A docent safety protocol has been established for the TIES program, including emergency procedures, adult supervision ratio guidelines, and hiking safety reminders. Procedures for the grant administrators have been established and implemented. Key documents for grants are stored on shared file servers with established naming protocols.

Auditor's Note: Final documentation was reviewed and minor modifications were suggested. During follow-up, we will verify procedures are following the documented processes consistently.

Summary

SNRE procedures observed during the audit demonstrate a strong commitment to fiscal responsibilities. The Business Office staff have helped support smooth transitions through the former, interim, and new deans. Create more formal oversight support for SNRE centers by documenting support responsibilities and expectations as well as requiring internal controls certifications to enable more consistent and efficient communications between SNRE and its centers. Strengthen the existing effort certification process and oversight for lab safety to benefit SNRE's researchers and faculty and uphold the University's compliance standards. Finally, document internal procedures for Development and the Office of Academic Programs to increase consistency and transparency. University Audits will perform a follow-up assessment of management's corrective actions during the fourth quarter of fiscal year 2014.

University of Michigan – Dearborn College of Arts, Sciences, and Letters
Report issued September 30, 2013

2013-204

The College of Arts, Sciences, and Letters (CASL) is the largest of the four schools on the UM-Dearborn campus. For fiscal year 2012, approximately half of all UM-Dearborn students pursued CASL degrees and CASL was UM-Dearborn's largest tuition generator, providing approximately two-thirds of the campus budget.

Academically, CASL provides a wide-range of opportunities for students. CASL is home to six departments offering 6 graduate programs and 34 undergraduate majors. Five of the undergraduate majors, as well as five minors, are offered through CASL's interdisciplinary college-wide programs and one undergraduate major is offered through CASL Online's web-based classrooms. In addition to the graduate and undergraduate programs, CASL has a number of cutting-edge programs available for student participation including Inside Out, which brings CASL students together with incarcerated men at Detroit's Ryan Correctional Facility to study as peers within the prison, and SOAR, which provides a wide range of support for non-traditionally aged individuals experiencing socioeconomic challenges. Furthermore, CASL provides students with "real world" experience through internship and cooperative learning opportunities.

CASL also supports four research centers that produce scholarly works, sponsor lectures, workshops, and symposia, and engage in projects relevant to the Dearborn and metropolitan Detroit communities.

1. The Center for Arab American Studies supports research and activities on issues related to Arab Americans, Arab immigrants, and the global Arab community.
2. The Center for Armenian Research (ARC) is the only university-based center for research on Armenia and Armenians in the United States. ARC owns an extensive archival collection used by scholars and researchers worldwide.
3. The Center for Mathematics Education offers professional development opportunities for current teachers through onsite graduate credit courses. The Center also partners with school districts to provide practical teaching experiences to UM-Dearborn undergraduates.

4. The Center for the Study of Religion and Society provides a focus for discussions on ethical standards and the cultural orientations that have been fostered by various religions.

Each CASL department is led by a faculty chair and each discipline is led by a discipline chair reporting to a faculty chair. The Associate Dean of Technology and Program Assessment and Development serves as the chair for all college-wide programs and is responsible for CASL graduate programs, internships and cooperative education, SOAR, and CASL Online. The Associate Dean of Curriculum Development and Undergraduate Research and Experiential Learning is responsible for course scheduling, the Office of Records and Advising, student grievances, and undergraduate research.

Each department is responsible for unit-level financial activities including financial reconciliations, payroll approval, expense report approvals, and budget-to-actual analysis, as well as, entering into, tracking, and monitoring agreements with third-parties, tracking faculty reassigned time, and managing internship and co-operative learning opportunities. The Dean's Office reviews all expense reports, monitors financial activity including payroll, journal entries, and budget-to-actuals. Centrally there are also a Records and Advising Office and an Internship and Co-Op Education Office that report to the Associate Deans.

Purpose and Scope

University Audits evaluated the adequacy and effectiveness of controls governing the following CASL processes:

- Financial oversight including procurement, reconciliations, cash handling, gifts and endowments, and the use of shadow systems
- Faculty reassigned time including applicable policies, calculation, and tracking
- Records and advising including the consistency of procedures between the Records and Advising Office and department faculty advisors, training of faculty advisors, and accuracy of graduation worksheets
- Safety of minors in CASL programs or in CASL facilities
- Employment controls including conflict of interest/conflict of commitment and student temporary employee eligibility
- Agreements with third parties including entering into, tracking, and monitoring compliance with these agreements
- Student grievance process
- Procurement including a review of P-Card expenses, travel and business hosting expenses, POs, and non-POs for appropriateness and compliance with University policy
- Awareness of the compliance hotline

The scope of this audit included college-wide processes in the Dean's Office, two departments (Natural Sciences and Behavioral Sciences), and the Armenian Research Center. Opportunities to strengthen internal controls are noted.

Risk and Control Discussion

Financial Oversight

Financial oversight in CASL is highly decentralized and internal controls in the departments and center reviewed vary. While there is a Financial Manager in the Dean's Office, the department and center administrators do not report to the Financial Manager (directly or dotted-line), which limits the effectiveness of her oversight.

Procurement: Procurement processes are not consistent with CASL and University guidelines in the following important ways.

- Several Concur expense reports were approved without the receipts being reviewed by the department approver. CASL's Financial Manager is aware that department reviews are not thorough and because of this, a detailed review of all expense reports is also conducted by the Dean's Office resulting in a duplication of effort.
- Appropriate approval of P-Card applications is not always obtained as required by CASL policy.

Cash Handling: Cash handling processes are not consistent with CASL policies and University guidelines in the following significant ways.

- Faculty who handle cash do not receive cash handling training creating risk and noncompliance with policy. For example, a faculty member conducted a seminar for which they personally accepted cash for the registration fee. The faculty deposited the cash received to a personal bank account and wrote checks to CASL for the monies. After a full reconciliation, \$80 was unaccounted for.
- In both departments reviewed, a record of cash received is not maintained and receipts for cash received are not given.
- In one department reviewed, copies of checks received are made prior to deposit at the UM-Dearborn Cashier's Office. These copies contain sensitive information including names, addresses, account numbers, and signatures.
- There is inappropriate segregation of duties as personnel who receive funds also deposit funds and reconcile transactions.

Reconciliations: Reconciliations are not completed as required by University guidelines.

- Statements of Activity (SOA) reconciliations were not completed on time by one department reviewed because the person responsible for completing the reconciliations was on extended leave and the responsibility was not reassigned.
- There is inappropriate segregation of duties as reconciliations are completed by department staff that also complete POs, Non-POs, and have P-Cards. There is an inappropriate segregation of duties in the payroll process including time approvers reconciling the Gross Pay Register (GPR).
- Neither the SOA nor the GPR reconciliations in the departments tested were reviewed at a high level by management for accuracy, timely completion, and appropriate follow-up of reconciling items.

Shadow Systems: Two CASL departments (Behavioral Sciences and Graduate Studies) use Quicken to maintain department financial records and create financial reports. Each month, University system generated data is manually entered into Quicken, which is inefficient and may result in incorrectly keyed data being relied upon to make financial decisions by the department. The Behavioral Sciences staff were unaware of the University system capabilities, including eReconciliation and unit-defined commitments, which would meet their needs and make their reliance on Quicken obsolete. There has not been an effort by CASL or UM-Dearborn's Financial Services to train department staff on the use of these tools.

Documented Procedures: There is a lack of documented financial procedures for CASL operations including department-level procurement, cash handling, and SOA and GPR reconciliations. Documented procedures promote consistent practices and efficiency, and provide employees a point of reference for decision making and training.

Internal Controls Certification and Gap Analyses: Many of the control weaknesses noted above should have been identified in the internal control gap analysis and certification process, which for fiscal year 2012 was completed by the Dean's office and the departments and centers. This suggests either a lack of understanding of or lack of attention to internal controls.

Recommendation: Financial activities including department reconciliations, cash depositing, P-Card issuance and cancellation, and payroll should be centralized under the Financial Manager in the Dean's Office. The Dean's Office should provide department chairs with monthly high-level financial reports for review. This would decrease the instances of inappropriate segregation of duties in small department offices and make sure administrators have the appropriate experience, training, and support necessary to carry out their responsibilities. Additionally, this centralization would create efficiencies and reduce the duplication of effort that is current practice while still providing department chairs with the necessary information to make informed financial decisions.

In addition, we also recommend the following:

- Procurement: The Financial Manager should provide periodic reminders of University expense report approval requirements to approvers and select a small sample of recently approved expense reports on a monthly basis and using the "audit trail" function in Concur, verify receipts were appropriately reviewed. Approvers who continue to be noncompliant should be reported to the Dean. In addition, all department chairs should be reminded of the P-Card approval process.
- Cash Handling: Faculty should receive periodic reminders of the University's cash handling policies including required training for all cash handlers. Cash handling procedures should be documented for all programs receiving cash. Cash handling practices should include the internal controls identified in Standard Practice Guide (SPG) Section 519.03. The cash depositing function should be centralized in the Dean's Office to ensure appropriate segregation of duties.

Management Plan: CASL will work with both Financial Services and Human Resources to develop an optimal configuration for a centralized financial structure for the college as well as a realistic timeline for implementation (e.g., the movement or hiring of needed personnel, the degree to which a shared services model can be leveraged) to facilitate more centralized activities (cash handling, requisitions, payroll reconciliations, non-POs, budget-to-actual reporting) under the CASL Financial Manager and to clarify reporting structures within the current college/departmental and program structures.

In the specific areas noted above CASL will undertake the following actions:

- Procurement: Department Chairs have been trained on how to open and review receipts included with Concur expense reports. They have also been informed that Concur tracks their review and approval of Concur expense reports to ensure compliance. All P-Card applications are now directed to the CASL Financial Manager for review and approval. The CASL Financial Manager will also select a sample of ten Concur reports (comprised of travel, P-Card, and out-of-pocket reimbursements) each month to determine compliance and report the results to the Dean.
- Cash Handling: It is CASL's practice that faculty members not handle cash. While reorganization is occurring, department chairs will be reminded that faculty should not receive cash from students, donors, or third party organizations. Faculty may handle gift cards for human subjects after taking TME 103. Department administrators and other CASL staff handling cash will be asked to retake the TME 103 course before December 2013.
- Reconciliations: Departmental administrators and other staff handling financial reconciliations have been notified that they must be using payroll registers, SOAs, M-Reports, e-Reconciliation, and Unit Defined Commitments to reconcile payroll and any other expenditure in their departments. CASL will develop a policy to address the reallocation of responsibilities for reconciliation for staff on leave of absence or when a staff position is vacant. Department chairs, administrators, and other staff with timekeeping duties will be reminded that timekeeping and payroll reconciliation responsibilities must be separated.

Shadow Systems: Shadow system use should be stopped and department and center administrative staff should receive training in the use and benefits of eReconciliation for the completion of monthly reconciliations and unit defined commitments for capturing encumbrances. Training should include a discussion of report formatting options to ensure departments are able to create reports that meet unit needs.

Management Plan: An email to the department chairs, associate deans, and CASL supervisory staff went out on September 4, 2013, mandating that the use of shadow financial systems be ended this fiscal year and that e-Reconciliation, SOAs, payroll registers, M-Reports, Unit Defined Commitments, and other University-approved financial instruments be employed, as rapidly as permitted, by all units in the college. Training will be provided as needed. Currently, account balances and payroll registers are distributed from the M-Pathways systems, via Business Objects reports originating from the CASL Financial Manager, insuring

that all department administrators have the requisite information to reconcile departmental expenditures. In line with the consolidation initiatives noted above, CASL will work with Financial Services and the college's department chairs to refine these reports and transition units to M-Reports and Unit Defined Commitments so that all units in CASL are apprised of their financial position. Additional training will be provided to all CASL departments, with specific attention given to areas that have not achieved compliance with M-Reports, e-Reconciliation and Unit Defined Commitments by December 2013 with full compliance across CASL achieved by June 30, 2014.

Documented Procedures: Procedures for recurring tasks including procurement, cash handling, and SOA and GPR reconciliations should be documented, including at the department-level where necessary. These procedures should be reviewed by the Financial Manager for completeness. In addition, the Financial Manager should provide periodic reminders to faculty of cash handling policies. Faculty that may handle cash should obtain their cash handling certification.

Management Plan: Written procedures for all CASL level business processes are currently documented on CASL's webpage for staff and faculty business resources. The college has only a small number of restrictions to the University's Travel and Hosting policy (SPG Section 507.10-1) and otherwise complies fully with the SPG and the new Tech Tools SPG. These are also noted on the webpage. All CASL departments and programs should be following the same procedures for all business processes. Because of this, we have not required individual departments to complete their own set of internal controls or written procedures, as this would be redundant and result in an additional layer of procedures requiring review/oversight. In the coming academic year, the CASL Dean's Office will develop training for department chairs and department administrators to educate them on the importance of function of internal controls and documented department procedures. The CASL Dean's Office will work with Human Resources to identify staff training on writing department and program-level procedures. Procedure documentation needs will be addressed when the centralization of financial procedures are recommended in CASL.

Internal Controls Certification and Gap Analyses: The Financial Manager should implement a robust process for verifying the accuracy of information received by the departments and used to complete CASL's internal controls certification and gap analyses. This may include individual meetings with department chairs or department administrative staff to walk through the applicable processes used in their department and verifying the appropriateness of the procedures in place. The amount of time necessary to complete this project would be minimized if centralization of CASL-wide financial activities in the Dean's Office occurred.

Management Plan: For those tasks not centralized in the CASL Dean's Office, departmental personnel and leadership will be trained by the CASL Financial Manager and Financial Services on process/responsibility. Once training is complete, the responses listed on the sub-certification document (yes/partially/no) should accurately reflect the actual standing of the

department. Training of all new chairs in the area of internal controls will be integrated into new training modules (to be developed by Human Resources) for new college chairs.

Conflict of Interest and Commitment

Faculty are not complying with the annual Conflict of Interest and Commitment (COI/COC) disclosure requirement outlined in the UM-Dearborn COI/COC policy. For the 2011-2012 academic year, there were chairs and an associate dean, in addition to numerous faculty members that did not complete their annual disclosure. The Dean did not follow up on these outstanding attestations. While staff members are not required to attest annually, they are required to notify their Dean if a conflict of interest or commitment exists and document the conflict via the web-based system. There was not a single attestation completed by CASL staff members in that time period.

Recommendation: Implement and document a process to confirm that all faculty members have properly disclosed potential conflicts through the web-based reporting system. The process should include timelines and follow-up procedures for faculty that do not comply. All potential conflicts that are disclosed should either have a properly approved management plan or have clear documentation as to why the disclosure was determined not to be a conflict. CASL should maintain supporting documentation of management's evaluation of all disclosed potential conflicts.

To help ensure that staff members are also thoughtfully considering all potential conflicts that may exist, CASL should consider revising their COI/COC policy to require staff to sign an annual disclosure statement, either attesting they have no potential conflicts or disclosing potential conflicts that exist. This will also increase accountability. For ease of tracking, consider tying completion of the COI/COC attestations to the annual performance review process.

Management Plan: On an annual basis, the CASL Dean will request from UM-Dearborn's Office of Research and Sponsored Programs (ORSP) a report showing noncompliant faculty. This information will be shared with the faculty member's department chairs. The documented potential conflicts will be tied to the collection of annual reports. Faculty failing to disclose using the M-Inform system will not be considered for salary merit considerations to ensure accountability of disclosures.

Safety of Minors at CASL

CASL engages with minors on campus both through their own programs (e.g., Geosciences Institute for Research and Education) and external programs that use CASL resources (e.g., Yes Foundation). There is not a process in place to verify that safety precautions for minors participating in CASL and external programs are being monitored appropriately. For example, permission slips and emergency contact information are not obtained from students before they arrive on campus. Additionally, there are not agreements in place with the external organizations outlining responsibility for the minors while they are on campus, or a suitable student-to-chaperone ratio.

Recommendation: A process for bringing minors to CASL should be centralized in the Dean's Office. The process should include the creation of a standard agreement that outlines CASL's and the external organization's responsibilities for (1) providing suitable student-to-chaperone ratios, (2) obtaining permission slips and emergency contact forms. These agreements should be reviewed and approved by the U-M Office of General Counsel.

In addition, CASL should develop guidelines that, at a minimum, address the following: (1) background checks for all UM-Dearborn faculty and staff that will be in contact with the students, (2) reporting protocol for abuse, neglect, or injuries involving minors, (3) medication management (e.g., record retention of sensitive health information), (4) emergency protocols (e.g., maintaining medical information and emergency contact information near minors at all times), (5) missing child protocol, and (6) insurance requirements for minors, programs, and the external organization.

Management Plan: The CASL Dean's office will complete an inventory of all contracts/programs involving minors on campus as soon as reasonably possible. There are currently no such programs running and none are currently scheduled for the Winter 2014 academic term. Programs or departments wishing to bring minors on campus will be directed to meet with the Assistant to the Chancellor for Inclusion to address the six points outlined in the audit recommendations. If the Assistant to the Chancellor for Inclusion is not satisfied with the procedures proposed by the program or department, the program will not be held. CASL will ensure that any new programs created are vetted and approved by the Assistant to the Chancellor for Inclusion. CASL will also implement the U-M campus-wide Minors on Campus policy, currently in final stages of development by a Blue Ribbon Committee in Ann Arbor, before June 30, 2014, or when the new policy is made available to the campus community.

Agreements with Third Parties

CASL is highly decentralized and historically no one person has owned the contracting process. As a result, there is no process in place to (1) identify relationships requiring a formal agreement, (2) ensure agreements are reviewed and signed by the appropriate parties, including the Office of General Counsel when necessary (3) track and maintain agreements that have been entered into, and (4) ensure compliance with the terms is achieved.

Contracts are not always created when they should be (e.g., there is no contract between CASL and Ecumenical Theological Seminary (ETS) for which CASL provides tuition discounts for ETS students). Not all contracts have been reviewed and approved by the Office of the General Counsel (e.g., Center for Mathematics Education agreements with local school districts for continuing education) and many have not been reviewed by the Office of the General Counsel in years although the contract is renewed annually (e.g., articulation agreements with community colleges that detail the courses CASL will accept from community college transfer students to meet the graduation requirements of specific CASL programs). Additionally, there are some relationships that are not fully formalized in an agreement. For example, the Yes Foundation brings middle school students to campus for several weeks each summer and UM-Dearborn provides faculty and facilities for their programs. Although facility rental agreements are in place,

the responsibility for the students when on campus is not documented and parental permission slips are not obtained by UM-Dearborn.

Recommendation: All contracts should be reviewed by the Office of the General Counsel and then approved in compliance with the SPG Section 601.24, *Delegation of Authority*. A central method of tracking agreements should be created and monitoring compliance with agreement terms should be completed regularly by the Dean's Office. A review of all relationships with third parties should be conducted by the Dean's Office to ensure all external relationships are known and agreements are in place when they are required. CASL staff and faculty should be educated on the new process and their responsibilities to inform the Dean's Office of any new relationships.

Management Plan: CASL will undertake an inventory of all contracts and have them reviewed first by the Assistant to the Vice Chancellor for Business Affairs, and, when deemed necessary, by the U-M Office of General Counsel. The inventory will be updated when new contracts are approved and will be reviewed annually by the CASL Dean. The College will also educate departmental staff and faculty on the proper contract procedures.

Faculty Course Releases and Stipends

Faculty can accrue hours towards a course release or a stipend by taking on leadership roles that require sustained effort and heavy responsibility, such as thesis supervision and independent study supervision. For example, a faculty member completing 36 hours of supervision of student independent study work may request a course release equivalent to a 3-credit hour course or they may opt to receive a stipend (each course release is equivalent to a \$3,500 stipend). There is no limit to the number of hours that can be accrued by a single faculty member. In the previous three years there has been an increasing amount of course release time taken and/or stipends paid out. There were 38 faculty members with course releases granted or stipends paid out in all three years reviewed.

Year	Total Course Release	Total Stipend
2009-2010	142 courses	\$47,951
2010-2011	150 courses	\$53,606
2011-2012	118 courses	\$100,465

Policies

1. There are five CASL-wide policies addressing faculty course releases for various scenarios: thesis supervision, independent study course supervision, student teacher supervision, stipends, and assistant professor course releases. However, there are course releases given for circumstances not governed by a policy including for higher administrative appointments such as Associate Deans, Associate Provost, and department chairs. There is also a lack of well-defined criteria for course release accruals for discipline chairs, program chairs, and internship directors. Finally, course releases for grant buyouts and overloads are not addressed in existing policies.

2. In January 2012, CASL's Executive Committee formed a subcommittee to review whether the policies were being applied consistently and fairly across the college. However, as of May 2013, the subcommittee's recommendations had not been implemented.
3. Few of the existing course release policies include a periodic review requirement and for those that do, it is unclear when the last review and update occurred.

Calculation and Tracking

Each department is responsible for calculating and tracking accrued course release hours; however, there is no consistency between departments in how or whether accrued release hours are calculated and tracked. For example, one department does not track independent study courses taught and therefore does not know their total departmental liability and only become aware of individual liability when a course release is requested.

Banked Time

There are several faculty members with a significant number of accrued course release hours creating a potential liability should these balances have to be paid out. For example, a single faculty member has accrued 829 hours of course release time for independent study supervision, the equivalent of course release time for 23 courses.

Duplication of Effort

In 2010, UM-Dearborn Human Resources conducted a review and analysis of course releases noting course release hours were being accrued by faculty for tasks that could be completed by staff (e.g., internship coordination and lab coordination). The report specifically noted that two staff in CASL Co-op are responsible for internship coordination and faculty also accrue course release time for managing internships in various disciplines. The recommendations of the report were never addressed and through testing; we identified the following course releases and stipends paid for faculty internship directors:

Year	Total Course Release for faculty internship directors	Total Stipend
2009-2010	4	\$6,000
2010-2011	3	\$6,000
2011-2012	4	\$14,000

Additionally, we identified four course releases in 2009-2010, one course release in 2010-2011, and five course releases in 2011-2012 for faculty lab coordinators.

Recommendation: Policies should be reviewed for applicability and accuracy given the current state of the College, including documenting how or whether significant accrued course release time will be compensated. In addition, policies should be updated to address the accrual of course release time for administrative appointments including discipline chairs, program chairs, and internship directors. Policies addressing the appropriate use of and approval for grant buyouts of courses and course releases for overloads should be created, documented, and shared with departments.

An expectation for the calculation and tracking of accrued course release time should be documented and disseminated to the individual departments to ensure consistency of course release time calculations throughout the College.

The Dean should identify areas in which faculty are performing administrative duties that can be completed by staff or that result in a duplication of effort. The dean should work with faculty to transition these tasks to the appropriate areas in the Dean's Office (e.g., Cooperative Education). Additionally, faculty should not accrue course release time for administrative duties, such as lab coordination, course scheduling, and internship coordination, if tasks could be assigned to CASL staff.

Management Plan: The Director of Human Resources and the Director of Financial Services are working with the CASL Dean and the Financial Manager to develop a plan to establish consistent and coherent compensation and appointment structure for department administrative leads. CASL has assembled an inventory of non-teaching/non-research administrative activities for which stipends or release time are currently awarded. The CASL Dean will review this inventory with the CASL Business Manager for completeness. The Dean, the CASL Executive Committee, the Financial Manager, and Business Administrator will together develop recommendations identifying which administrative tasks may be reassigned to staff members and determine if compensation adjustments for recommended changes are warranted.

Records and Advising

Curriculum Changes: Changes to the CASL curriculum are made by the Curriculum Committee. Graduation worksheets detail the classes required for a student to graduate from each discipline and are updated by the Records and Advising Office (R&A) based on changes made by the Curriculum Committee. The final Curriculum Committee meeting, where changes to graduation requirements for Fall incoming freshman are finalized, often occurs near or after Fall registration begins. Because graduation worksheets have not been updated to reflect these changes, there are times when students may receive inaccurate graduation requirements due to late changes being made to these worksheets.

Graduation Worksheets: Graduation worksheets are available on both the R&A website and on individual discipline websites. The worksheets on the discipline websites are outdated. If faculty advisors or students relied on the outdated worksheets, they would have inaccurate graduation requirements. Reliance on these worksheets may hinder the student from graduating on time.

Faculty Advising

There is no coordination between faculty advisors and the R&A Office. Freshmen and seniors are required to meet with an R&A advisor and 13 majors require students to meet with faculty advisors annually. Faculty advisors may not always be aware of the graduation requirements on record with the R&A Office. In addition, the R&A Office does not receive documentation of discussions between faculty advisors and students, so there is no way to verify the student is

receiving accurate information. Documentation is especially important for settling student grievances related to their belief they received inaccurate graduation information. This recently occurred and because the meeting in question was with an R&A advisor, documentation was maintained supporting CASL's understanding that the student misheard or incorrectly remembered the information they were given during an advising session in 2010.

The R&A Office does not provide any training to faculty advisors. At the December 12, 2012, CASL Administrative Council meeting, the R&A Director extended an invitation to both discipline and college-wide program faculty to attend the R&A monthly staff meetings to learn more about the services R&A provides. However, as of June 15, 2013, no faculty had attended.

Recommendation: Changes made by the Curriculum Committee to graduation requirements should be received by the R&A Office prior to the beginning of the enrollment period so graduation worksheets can be updated before registration or, if received late, the implementation of the changes should be postponed to the following year. As an alternative, the R&A Director could be included as a non-voting member of the Curriculum Committee, which would give her timely information regarding changes to graduation requirements.

The graduation worksheets on individual discipline websites should be removed and replaced with links to the R&A website, which should house the official record of graduation requirements, thus ensuring the most current graduation worksheet is used.

Faculty advisors should be required to maintain adequate documentation of student advising sessions. Copies of this documentation should be provided to the R&A Office so student interactions with advisors are maintained in a single location. Faculty should receive training on these new requirements, as well as information regarding the services provided by the R&A Office.

Management Plan: A representative from CASL Advising and Records has been appointed as a non-voting member of the CASL Curriculum Committee. The new University Curriculum and Degree Committee will establish deadlines for curricular change/approval to ensure adequate time to adjust advising. Chairs have been asked to ensure that faculty advisors only employ advising sheets found on CASL Advising and Records website (the new CASL degree audit system will also mitigate some of this problem). Plan to be established for sharing of advising information between faculty and CASL advisors.

Roles and Responsibilities

There is significant unplanned and planned turnover in CASL leadership positions including the dean and the rotation of associate deans, department chairs, and sub-discipline chairs. However, there are not documented policies, procedures, and expectations for the associate deans, department chairs, and sub-discipline chairs, and there is not training provided specific to the job responsibilities (e.g., how to perform financial oversight responsibilities for chairs). This has resulted in changing enforcement of policies (e.g., the rigor with which grade changes are

reviewed and approved has increased under the current associate dean) as each dean, associate dean, and department chair, has their own way of interpreting and implementing policies. Documented policies, procedures, and expectations at the leadership level would help with consistency of enforcement and tone at the top regardless of who is in a leadership role.

Recommendation: Detailed job responsibilities should be documented for all leadership positions. For each responsibility, documented policies and procedures should be created to help with consistency through turnovers. The Dean should communicate his expectations for each roll and performance should be reviewed periodically to ensure these expectations are being met.

Management Plan: As part of the process to make the appointment of faculty administrators more transparent, CASL, working with Academic Human Resources, will develop a written set of roles and responsibilities for administrative duties and tasks, which will be reviewed and approved by the CASL Administrative Council and the Provost. These duties and tasks will be communicated in position advertisements and to candidates upon appointment to their position. The roles and responsibilities will also be evaluated during annual performance reviews and the results taken into consideration during merit distributions.

Summary

Financial oversight in CASL is highly decentralized among the six departments, and adherence to CASL and University financial policies and procedures differs between departments. To improve oversight, provide adequate segregation of duties, and streamline processes, key financial activities should be centralized under the Financial Manager in the Dean's Office.

CASL's decentralized structure has also contributed to a lack of clarity concerning responsibilities for non-academic tasks. For example, responsibility for creating, documenting, disseminating, and enforcing a process that verifies appropriate information and parental approvals have been received prior to minors visiting campus has not been assigned. Further, third-party agreements are not appropriately reviewed, approved, and monitored for compliance with the terms of the agreement. Assignment of responsibility for these tasks and the creation of and adherence to appropriate procedures can help manage the risk associated with these processes.

Course releases and course release accruals have gone largely unchecked by CASL leadership and for the 2011-2012 academic year, faculty were granted 118 course releases and over \$100,000 in stipends. Course releases by their nature take faculty talent and expertise out of the classroom and, as such, it is imperative the course release process undergo a robust review for completeness and continued applicability by CASL leadership. Additionally, there are a number of opportunities for tasks, for which faculty are currently receiving course releases, to be centralized under the Dean's Office (e.g., internship coordination in CASL Co-op) or assigned to departmental staff (e.g., lab coordination). This may be especially helpful given the ongoing budget constraints facing the college.

Finally, there has been a general lack of oversight in COI/COC reporting and course release policies and processes. While at a high level the dean is ultimately responsible for these two areas, the responsibility for verifying the completeness and accuracy of COI/COC reporting should be assigned to someone within the Dean's Office with the Dean being responsible for communicating the importance of accurate reporting and following up on all exceptions. The Dean will also have to take a leadership role with regards to course release policies and procedures ensuring that policies are complete, periodically reviewed for appropriateness, updated as necessary, and continue to meet the needs of faculty and CASL.

CASL management has committed to appropriate corrective actions to address all issues contained in the report. A formal follow-up to the outstanding issues will be conducted during fourth quarter of fiscal year 2014.

University of Michigan – Dearborn – Office of Financial Aid
Report issued September 30, 2013

2013-201

The UM-Dearborn Office of Financial Aid (OFA) is part of UM-Dearborn's Enrollment Management and Student Life (EMSL) department. OFA is responsible for helping approximately 10,000 students per year manage college affordability through loans, grants, and scholarships offered from various federal, state, or private sources.

Since 2004, there have been five OFA directors, with three serving in interim capacity (one of whom was subsequently hired into a permanent position). Lack of leadership stability and depth of financial aid expertise during this period hindered the department's ability to improve processes and develop a sustainable vision for the future of OFA. The current director was hired in July 2011 and significant improvements are in progress. UM-Dearborn and EMSL leadership requested a review of this office.

Purpose and Scope

University Audits evaluated the adequacy of internal controls related to:

- Award distribution
- Financial aid reporting
- Employee management
- Information technology
- Office management
- Communication with students
- Coordination with other units

Risk and Control Discussion

Peer Review Recommendations

Discussion: The UM-Ann Arbor Office of Financial Aid performed a peer review of UM-Dearborn OFA during the summer of 2012. The peer review was intended to identify concerns and give management recommendations to make necessary corrections or changes in procedures to correct errors and change processes. The review was heavily focused on financial aid compliance.

Several concerns were identified, including lack of staff training and financial aid compliance in the areas of award packaging and IT support. Although some items in the peer review have been addressed, many items, including some in critical areas, require additional action.

Recommendation: Establish action responses to the peer review as a high priority. Consider dividing the peer review items into components and assigning individual pieces to the associate directors. Determine target completion dates, and establishing a process to monitor progress and completion.

Management Plan: The peer review contained ten areas of concern. Correction of 4 of the 10 areas of concern are in progress. Some areas have been assigned to OFA staff, such as strengthening award notification procedures. Some remaining concerns involve additional decision makers for implementation, such as the Cashier's Office (for cash handling) or Department of Public Safety (for updating Clery Act reportable locations). Those conversations are active. Other items, such as staff training, are being corrected by addressing recommendations elsewhere in this report.

Fund Reconciliation

Discussion: OFA and Financial Services lack a process to effectively communicate, coordinate, and manage the reconciliation of fund balances. Specifically, a process to consistently resolve reconciliation discrepancies is not in place. The process in the past was to write-off unresolved items after a period of time. There are currently unresolved items that have been carried forward over the years and have not been addressed. Some of these items are student-specific financial aid funding that should have been disbursed to the specified students.

Recommendation: Coordinate with Financial Services to develop a comprehensive process to reconcile fund balances at least monthly. Identify all funds and confirm proper coverage. Identify all unresolved discrepancies and determine how they should be managed. Create and document a process for timely reconciliation of fund accounts and resolving discrepancies in a reasonable period. Include which individual is responsible for these tasks.

Management Plan: OFA, in coordination with Financial Services, will create a comprehensive reconciliation process. A Financial Services accounting staff member will temporarily work in OFA to facilitate creation of procedures from both a financial aid (Banner) and accounting (PeopleSoft) perspective and determine staff responsibilities. OFA will work to identify specific federal requirements, which may differ from general fund requirements. Efficiencies in M-Pathways will be used for the reconciliation process when possible. Any required training for M-Pathways will be completed by reconcilers. Procedural documentation will be created and maintained within both units.

Banner Award Testing

Discussion: Financial aid at UM-Dearborn is administered via the Banner Student Information System, which includes a database of student records and information maintained by OFA. Rule sets are created and built into the system for each type of aid. These rule sets determine the award parameters set in Banner. The process to verify that rule sets are accurate is not well defined. In addition, documentation is not retained to evidence testing, review and approval of changes to the rule sets.

Further, although changes made to the rules by OFA employees are reviewed by the Associate Director, changes made by the Associate Director are not reviewed. Additionally, the verification completed by the Associate Director is not evidenced and documented.

Recommendation: Document changes to award rules in Banner and maintain documentation according to normal office record retention schedules. Document the review and approval. Changes to the rules by the Associate Director should be reviewed and approved by a higher administrative authority. As necessary, validate the accuracy of existing rule sets.

Management Plan: OFA tests all rules; however, documentation has not been maintained as the output from Banner is often lengthy. A process will be developed to maintain samples of testing completed as rules are modified and testing is performed. Verification and approval by the Associate Director will be documented. Changes made by the Associate Director will be reviewed, approved, and documented by the Director.

Business Continuity

Discussion: Instances were noted where key financial aid documentation was accessible only to a single OFA employee, rather than in a location accessible to other OFA staff. This presents a business continuity concern if the employee is not available.

- The Associate Director is responsible for the majority of required internal and external reporting. This includes reporting to both the Ann Arbor and Dearborn campuses, as well as reporting to the federal and state governments. The reporting schedule is maintained on the Associate Director's electronic calendar. Further, she is the only employee with knowledge of how to prepare the reports.
- Some units, such as Admissions and the College of Engineering and Computer Science, offer departmental scholarship awards. Awardees are selected by the unit but the award must be applied to the student's account by an OFA employee. Campus units send lists of awardees to a specific senior counselor, who updates each student's account with aid information. The supporting documentation for the award is maintained in the counselor's email storage.

Recommendation:

- Maintain a full schedule of reporting requirements in a location accessible to multiple OFA staff, possibly the shared drive. Include other relevant information, such as due dates, recipients, report structure, steps for report preparation, and samples of reports.

- Contact Imaging Services and/or Information Technology Services (ITS) to discuss viable options for data storage.

Management Plan: OFA has a general yearly calendar that will be modified, reviewed with the entire staff to ensure all major reporting and events have been included, and made available on the general office drive. In addition, OFA will create procedures for all annual reports that will also be located on the general office drive. We are currently investigating and considering implementation of web based software to maintain policy and procedure documentation that would remediate this problem.

A shared OFA email account has been created for units to submit scholarship information. Multiple OFA staff have access to this account. A new template has been created for all U-M Dearborn units to send scholarship information in a consistent manner. An accompanying Dearborn Administrative Guide (*Payments to Students for non-Employment Purposes, DAG #501.2-3*), with specific procedures, has been finalized and been presented to the UM-Dearborn Purchasing User's Group.

Documenting Policies and Procedures

Discussion: It is difficult to locate relevant and up-to-date policies and procedures, and policies for some functions have not been documented or lack complete documentation. The current Director has made an effort to document some important procedures, such as the Return to Title IV process, but a complete manual does not exist. As examples, incomplete or missing documentation was noted for the following functions:

- Financial aid policies – packaging policy, monitoring procedures for over-awarded students, evaluation and verification of eligibility for financial aid, systems testing and functionality
- FERPA (Family Educational Rights and Privacy Act) – awareness of information that can be released to students and interested parties (e.g., parents and guardians)
- General office policies – cash management, confidentiality, coordination with other units and other general office policies

Recommendation: Create a complete policy and procedure manual to aid in maintaining financial aid compliance, improve departmental efficiency, and assist employees in executing their job responsibilities. Require each staff member to document procedures for the processes for which they have responsibility. Once completed, the manual should be reviewed and updated on a regular basis. All updates should be reviewed and approved by a manager. Maintain routine office procedures in a single central location. Implement a more efficient method to store financial aid procedures that are updated annually.

Management Plan: This area has been an ongoing work in progress over the past year. We will address the suggested procedures immediately with a target date of March 2014. This issue was an identified area of concern in the peer review. The Standard Practice Guide (SPG) will be used as guidance for the general office policies. FERPA procedures will be written with the assistance of the Registrar. The packaging policies will be made more comprehensive as the current format

is vague. A consistent template will be used to ensure policies are dated and any applicable federal regulations are referenced. A temporary electronic storage location will be established. We are currently investigating and considering implementation of web based software to maintain policy and procedure documentation. Updating policies will be a continuous work in progress. As policies are documented, they will be distributed and discussed at staff meetings.

OFA Workload Assessment

Discussion: Some departmental tasks appear fragmented across multiple employees. Some employees have duties that appear overly burdensome and others have responsibilities that may not be suitable for their position.

Recommendation: Coordinate with UM-Dearborn Human Resources (HR) to conduct an organizational review/workload assessment of the office. In the review, include evaluation of roles, responsibilities, and job descriptions to identify opportunities to shift assignments to gain efficiency. This is critical since employees are assigned such varying duties, even within the same job title. Documenting job descriptions provides management with a detailed list of responsibilities to include in job postings, when necessary. An assessment of current workload would also aid the Director in determining how best to structure additional positions that have not yet been created or posted.

Management Plan: OFA will continue to work with HR on the assessment of each team member's responsibilities as well as improvements to the OFA organization chart. OFA and HR have been meeting on a regular basis to work on these concerns. It is anticipated a new organization chart will be implemented by the end of October and the workload assessment by the end of fiscal year 2014.

Employee Training

Discussion: Relevant training has not been completed by all staff and in some cases has been refused. Training is necessary to provide employees with knowledge to complete their job tasks effectively and efficiently. The new Director has placed a priority on staff training with the goal of each staff member attending at least one training session per year. In some cases, there has been resistance. Concerns related to training were identified during the peer review conducted in 2012.

Recommendation: Relevant training must be enforced so that the department maintains compliance with federal guidelines and regulations and University policy. Consult with HR and EMSL to explore options for enforcing training expectations. To aid in the process:

- Standardize, document, and share department-specific training goals for employees based on job position and category.
- Use the "annual plan and goal setting" section in the performance evaluation to document applicable department and employee-specific training goals based on job position and category. Develop metrics to complement the review of competencies in the annual review and further detail job-specific expectations and standards.
- Hold employees accountable for failing to meet previous goals or established metrics.

Management Plan: Specific training goals have been developed for each OFA employee and incorporated as part of each employee's annual goals. Annual performance evaluations will reflect participation and progress of required training. Annual training not completed will result in disciplinary action. The Director has identified regularly offered trainings for the upcoming year to schedule training for all staff based skillsets and preferences. Trainings include local and regional offerings as well as online webinars.

Auditor's Note: University Audits will test implementation of this process as part of the follow-up review.

Concentration of Duties

Discussion: The Enrollment Services (ES) counter is managed by the Registrar's Office, and is designed to offer a "one-stop shop" for students with questions related to enrollment, financial aid, and their student account. An OFA employee works two days each week at ES. To perform the enrollment-related duties of this position, the OFA employee has access to verify student enrollment. This gives the employee the ability to both verify student enrollment or attendance and administer student financial aid. It is possible that a student could be inaccurately verified as attending classes and therefore, receive aid for which they are ineligible.

Recommendation: OFA employees working at ES should not have the ability to administer student financial aid. Consider adjusting work assignments so the employee is either a full-time ES or OFA employee. If this is not a viable option, develop and implement a mitigating control to monitor the employee's student account activities. An example of a mitigating control would be to work with ITS to prepare a list of student accounts that the employee has accessed and what changes were made. Management would then review the report to confirm that the employee's actions were acceptable.

Management Plan: The role of the OFA employee working at ES and the access they have been granted will be reviewed as part of the OFA workload assessment. OFA and ITS will establish a quarterly audit process to ensure access is appropriately utilized.

Conflicts of Interest or Commitment

Discussion: There is no annual process for staff members to review the policy on conflict of interest and conflict of commitment (COI/COC). This does not allow a regular opportunity for employees or management to discuss potential conflicts or revisit existing conflicts to confirm they are suitably managed.

Recommendation: Implement an annual COI/COC process, using a standard attestation form for each employee to review and sign. Link the attestation to a routine annual event for consistency, such as performance reviews. The process should direct employees to read and be familiar with SPG Section 201.65-1, *Conflicts of Interest and Conflicts of Commitment*. Potential and actual conflicts should be documented and discussed with management. Management action plans should be created to address any identified conflicts. These plans should be signed by the

employee and their supervisor. Employees should further indicate if they have no current conflicts, based on their understanding of the SPG.

Management Plan: All OFA staff are currently required to sign an “Employee Integrity Statement” that references conflicts of interest and commitment. This process will be strengthened and completed on an annual basis. The Dearborn campus is in the process of implementing an annual campus-wide procedure for conflict of interest and commitment. OFA will create a more in-depth statement for staff to sign annually with the performance review and also use the campus-wide process once in place.

Summary

The OFA Director is dedicated to creating a strong control environment, and OFA employees were helpful and transparent during the audit. Although substantial efforts to improve processes and compliance have occurred in recent years, opportunities to strengthen financial aid procedures and departmental effectiveness still exist. Time spent addressing these items will lead to significant gains in long-term productivity. The corrective actions recommended in this report will require a commensurate level of support and coordination with EMSL and HR. Business Affairs and EMSL have expressed full support for the OFA Director to address these recommendations.

Lack of significant progress in operational efficiency or continuous improvement of employee work procedures and assignments has resulted in an office that has largely operated the same for the past ten years. Given the changes that have occurred in federal regulations and other requirements over this period, OFA is at higher risk of noncompliance. Issues with financial aid compliance at any of U-M’s three campuses affect the compliance of the U-M system as a whole. These concerns also have the potential to negatively impact current student satisfaction and future enrollment.

An official follow-up to the outstanding issues will be conducted during the fourth quarter of fiscal year 2014.

Follow-up Reviews

Michigan Academic Computing Center (MACC)	2012-807
Original report issued February 10, 2012	First follow-up report issued May 23, 2013
	Second follow-up report issued September 6, 2013

University Audits issued the MACC Data Center Review report on August 23, 2012. The audit noted opportunities to improve facility security in the areas of user access, video monitoring, and incident response. The first follow-up review noted that some progress had been made towards addressing issues identified in the report. A second follow-up was conducted ahead of schedule at management’s request to assess progress toward addressing the remaining open issues. The MACC Data Center Operations have implemented the recommended changes, standardized

policies and procedures across all ITS datacenters, and have made plans to further improve the effectiveness of physical security controls. **This audit is closed.**

The following summary of each audit observation describes the corrective actions taken by management:

- **Role Based Access Approval Process:** University Audits recommended that the process for physical access to the MACC should be standardized and thoroughly documented. Requests for access should be tracked using a ticketing system and paper request forms should be stored and organized for easy retrieval.

Management has standardized the process that grants personnel to access the MACC. They have completed and published policies that govern access. Improvements to the access approval process have been achieved by using the ITS service management and ticketing system.

- **User Access Removal:** University Audits recommended that management strengthen and document the quarterly user account audit process to better address dormancy, employment termination, employee transfer to an unrelated unit, or change in job role. The agreement with MACC tenants should require units to inform MACC Operations when an employee transitions out of a role that required access to the MACC.

Management has developed a process to purge dormant accounts and included verbiage in the access policy to inform tenants of these requirements. The access policy includes documentation of the quarterly audit process. The policy has been approved by the appropriate personnel and the process is now live. The number of accounts that granted access to the MACC has been reduced by 50%.

- **Video Monitoring:** University Audits recommended that security camera feeds from the MACC be sent to a network operations center to facilitate monitoring. These feeds should be monitored on a schedule no less frequent than other ITS administrative datacenters. Management should also identify critical systems in order to ensure those systems are monitored with security cameras.

A project to install a new IP based camera system in all ITS computing centers is in progress and near completion. The project allows for 24/7/365 monitoring by operations staff.

Management has developed and published policies and procedures for governing video monitoring in all ITS managed data centers. Identification of critical ITS systems will be addressed by the IT Security Disaster Recovery/Business Continuity Planning service.

- **Door Alarm Response:** University Audits recommended that management work with the vendor to remediate the issue(s) causing false alert entries in the door alert logs. Management should also determine the appropriate notification procedure when the northeast egress alarm is triggered. A process of reviewing the alert logs, once the false alert entry issue has been resolved, should also be developed.

Management has reduced the false door alert entries by 80%. They have also implemented a procedure to review and respond to alerts. Management stated that they

are continuing to improve the procedures to reduce door alerts. A security camera is now monitoring the northeast egress door 24/7/365, which compensates for the risk of the lacking door alert.

- **Incident Response Procedure:** University Audits recommended that management develop an incident response procedure and educate personnel once the procedure has been developed.

Management has adopted the ITS incident management process and standardized the process across all centrally managed ITS datacenters.

UM-Flint Business Continuity	2011-303
Original report issued August 12, 2011	First follow-up report issued March 30, 2012
	Second follow-up report issued December 11, 2012
	Third follow-up report issued September 23, 2013

University Audits issued the UM-Flint Business Continuity audit report on August 12, 2011. The report contained four action items. University Audits recommended development and implementation of a Business Impact Analysis (BIA), revision of existing continuity of operations planning templates, a process change whereby process owners work closely with UM-Flint Information Technology Services to develop disaster recovery plans, and completion of continuity of operations testing. We conducted follow-up procedures and determined that certain corrective actions are not yet complete. **The audit remains open.**

UM-Flint has revised a business continuity plan (BCP) template to better serve the environment in Flint. They have also developed milestones and projected target dates for each step:

- September – December 2013: Pilot the revised BCP template among small select group of departments
- January 2014: Make final edits and updates to BCP template
- February – August 2014: Distribute final BCP template working through Executive Officers and their direct reports; team members will assist units to properly complete the new template
- July – August 2014: Meet with Executive Officers and direct reports to review completed BCPs and identify priority critical functions for each respective Executive Officer area
- September – October 2014: Continuity planning team members, with the input from Executive Officers, will meet and sort out priority critical functions for the campus
- November 2014: Summary report of activities to document the process

University Audits will conduct a follow-up during the third quarter of fiscal year 2014 to assess progress made in achieving the indicated milestones and target dates.

U-M Hospitals and Health Centers Valet Parking	2012-107-2
Original report issued March 27, 2012	First follow-up report issued December 21, 2012
	Second follow-up report issued September 23, 2013

The U-M Hospitals and Health Centers Valet Parking audit report was issued on March 27, 2012. A follow up review and memo was issued December 21, 2012. At that time, all audit issues were addressed with the exception of the daily cash reconciliation process.

A second follow up review was conducted to determine the status of corrective action. Effective May 1, 2013, Valet Services contracted with a new third party vendor, Curbside Hospitality, Inc., to provide valet parking services. Improvements were made to the daily reconciliation process by expanding the shift report to fully document and track each overnight stay and valet tickets that did not pay on entry. In addition, a control was added to the cash out procedure through which a manager or supervisor verifies each shift report and cash count for accuracy before the cashier leaves their shift. All audit findings have been addressed. **This audit is closed.**

School of Nursing - Office of the Dean	2012-209
Original report issued November 21, 2012	Follow-up report issued September 23, 2013

University Audits completed an audit of the School of Nursing Office of the Dean and issued an audit report on November 21, 2012. The report identified opportunities to improve Clinical Site Affiliation Agreements and the International Travel/Global Outreach program. A follow-up review has been completed to determine that these items have been satisfactorily. **This audit is closed.**

- **Clinical Site Affiliation Agreements:** Clinical practice is an integral component of the University of Michigan School of Nursing (UMSN) mission and encompasses a significant portion of the student’s educational curriculum. The audit identified that most of the UMSN affiliation agreements were open-ended without a contract end date, and older agreements did not cover important areas such as; confidentiality of client/patient information, confidentiality of student records, criminal background checks or drug screening, and proof of current immunization or nursing student physical exam requirements. Since the audit, UMSN worked with Office of General Counsel to develop a two-year plan to renew all clinical site affiliation agreements using an updated contract template. All of the sites scheduled to be renewed during the first year have been contacted, and 47% of the sites have completed the contract renewal process.
- **International Travel/Global Outreach:** UMSN strives to provide students a global experience and knowledge of population health management. Fiscal year 2012 was the first year UMSN awarded Global Outreach scholarship funds to students for international travel. Management asked University Audits to review the program in its early

development stage for process improvement recommendations. UMSN has developed procedures to address:

- Disbursal of Office of Global Outreach (OGO) Scholarship Funds,
- Ensuring OGO Scholarship recipients are registered with the Travel Registry,
- Developing a post-travel follow-up process that documents use of funds and validation that travel objectives were met,
- Addressing both individual and group travel to update documents in the travel process and procedures to include guidance on pre-departure essentials.

Medical Center Information Technology Data Center and Arbor Lakes North Campus Data Center Original report issued April 26, 2013	2012-307 Follow-up report issued September 22, 2013
---	--

University Audits conducted a review of Medical Center Information Technology (MCIT) managed data centers and issued the audit report in April 2013. The report recommended MCIT develop a continuity of operations plan (COOP) that identifies the critical functions of the data centers and the key personnel. This plan should address data center recovery and continuity strategies to maintain critical functions, and disaster recovery procedures used to restore IT infrastructure systems that support critical functions of the data center. **This audit remains open.**

In response to the audit recommendations, MCIT Infrastructure and Systems Operations staff coordinated meetings with key personnel and departments throughout the University in order to develop a cohesive COOP. Current work includes:

- Identification of a framework or tool to assist in creating and managing documentation
- Development and approval of policies
- Negotiation of a contract for an emergency communication system
- Designation of secure and accessible storage for continuity plans
- Reorganization of database structures to match service levels
- Development of a real-time dashboard showing the status of MCIT Systems (MiOps)
- Development of Failure Mode and Effect Analysis with associated contact list for identified symptoms

University Audits participated in certain of the meetings, and has examined the documentation produced and the MiOps system. Based upon our involvement, it appears that MCIT efforts to-date are producing a well-crafted, comprehensive COOP. We will continue to monitor MCIT's efforts at defining a comprehensive COOP. This is an ongoing process. We plan to conduct further follow-up procedures during the third quarter of fiscal year 2014.

Residential Dining Services Original report issued November 21, 2012	2012-216 Follow-up report issued September 27, 2013
---	--

University Audits issued a report for the Residential Dining Services (RDS) audit in November 2012. A follow-up review was recently conducted to assess progress toward addressing audit

recommendations including strategic planning, financial management and oversight, employment practices, and training and development. Significant progress has been made in many areas, though some require additional or ongoing efforts. A second follow-up will take place in the third quarter of fiscal year 2014. The status of the items from the audit report is noted below.

Strategic Planning, Implementation, and Evaluation – Closed

Substantial work has been done to improve the RDS strategy:

- Housing leadership has made efforts to solidify expectations surrounding the RDS Director position. Expectations will be further developed with future restructuring efforts.
- A comprehensive vision for RDS has been developed.
- A benchmarking study to review employment structure was completed. Job descriptions have been evaluated and rewritten for many positions. Some positions were appropriately reclassified.

Financial Management and Oversight – Open

- Management teams are rotated among different units in hopes of identifying best practices for key processes that can be more widely adopted. Although the process is underway, best practices have yet to be documented for use by all food service operations.
- Food and labor costs have been identified as key metrics. Although some reports are produced and shared with management, they do not capture food costs on a weekly basis, as necessary for more effective management. In hopes of retrieving more relevant and timely data, RDS is in the process of investigating new CBORD (Food Service Management System) system functionality.
- A financial management training plan has not yet been developed. As key metrics are developed and improved upon, necessary training will be identified and implemented.
- Specific CBORD system functionality has been identified as a possibility for inventory tracking and monitoring. This CBORD product allows recording of inventory counts directly on a pocket-sized palm-top computer. The data is then transferred to a database for use in an inventory management system. Implementation of this product will likely be late fiscal year 2014.

Employment Practices – Closed

- Benchmarking studies to review employment structure have been completed. Analysis of the leadership structure in the larger units will also be completed. A review and analysis of staffing patterns is in process to determine appropriate structure and balance between permanent and student staff.

CBORD Training and Development

- The CBORD Purchasing module is in the process of being piloted at the Hill Dining Center. If all goes well, the Purchasing module will be installed in other dining units. Effective use of the module will improve inventory management. **Closed**
- Although a CBORD training plan has yet to be developed, training opportunities have been expanded. Management attended the CBORD conference, and an onsite training week was held where specialists were available for guidance and questions. As additional CBORD modules are implemented, RDS will continue to expand training opportunities. **Open**

Safety and Security – Closed

- Dining leadership is in the process of developing a standardized HACCP (Hazard Analysis and Critical Control Points) plan. Additionally, a HACCP plan is being developed and tailored to each dining unit since they differ in their operations. Dining leadership and unit managers meet regularly to discuss development and implementation of HACCP standards. Occupational Safety and Environmental Health (OSEH) has been consulted to assist with plan effectiveness and implementation efficiencies.
- Dining leadership regularly works with OSEH to monitor food safety. RDS appears to have a positive and open working relationship with OSEH personnel. RDS is working with OSEH to establish a recharge rate to be used for specific OSEH resources.
- Emergency communication procedures are documented for Housing and RDS. The procedures are comprehensive and include a joint effort between Housing Security and RDS leadership to confirm that all individuals are informed during an emergency. Furthermore, individual units have procedures to follow in case of an emergency.
- Efforts to improve security around loading docks and storage areas are ongoing. As dining halls are being renovated and rebuilt, ways to improve security around loading docks and storage have been identified and implemented.

Plant Operations Information Management and Reporting	2011-102
Original report issued December 22, 2011	First follow-up report issued June 28, 2012
	Second follow-up issued April 9, 2013
	Third follow-up report issued September 27, 2013

The original report for the Plant Operations Information Management and Reporting audit was issued on December 22, 2011, and follow-up reviews were completed in June 2012 and April 2013. During February 2013, Plant Operation’s proprietary and centrally maintained system, the Facilities Maintenance System (FMS) was upgraded to incorporate AiM IQ, which is an enhancement to Plant Operations software. After the initial upgrade, reporting functionality was not operating as intended and required vendor involvement. As a result, implementation of certain corrective actions from the audit report was delayed. During this follow-up review, University Audits verified all corrective action plans are fully operational and working effectively. We also confirmed the reporting functionality was restored in September 2013. **This audit is closed.**

- **Reporting and Data Analysis:** During the original audit, Plant IT identified 400 reports that were used across the department. To streamline reporting, the inventory of reports was reviewed by the Information Strategy Committee and a determination was made for each report to 1) make it available in the upgraded system as a pre-set or queried report, 2) consolidate with other reports, or 3) delete the report. On at least an annual basis, the report listing will be reviewed and decisions will be made by the Information Strategy Committee regarding the necessity and source of the reports.
- **System Management and Procedures:** A standardized, online form was created and is now used by departments to complete questions about systems used that could be considered supplemental or shadow systems. Information from the online form automatically populates an inventory spreadsheet of all of these systems, which is evaluated by the Information Strategy Committee for inclusion in FMS. Review and integration of the complete list is a multi-year effort that is dependent on staff resources and IT priorities each fiscal year. This practice is supported by a new data policy that was approved by the Executive Director, Plant Operations.
- **Utilities Billing:** Contacts in both Plant Operations and Procurement were identified to work with DTE Energy to transition to electronic invoices to streamline billing for Plant. The collaboration will be overseen by the Administrative Director, Office of the Associate Vice President for Facilities and Operations.

Open Audits Follow-up Table

As of September 30, 2013

Audit Title	Report Date	Issues	Expected Completion
University of Michigan– Flint Educational Opportunity Initiatives 2010–211	2/18/2011	Strategic oversight and guidance; campus support and collaboration; budget and financial management; staff management; event management; business continuity; documentation of policy and procedure	First Follow-up April 2012 _____ Second Follow-up April 2013 _____ November 2013
Division of Student Affairs Recreational Sports – Club Sports 2010–816	3/2/2011	Sponsored student organizations; guidance; financial management; practice, game, and fitness space; medical support; property	First Follow-up October 2011 _____ Second Follow-up April 2013 _____ December 2013
Financial Considerations for International Activity 2011–101	6/30/2011	Coordination of effort; documented policies and procedures; currency exchange; cash purchases; international bank accounts	September 2013
UM–Flint Business Continuity 2011–303	8/12/2011	BCP standards template	First Follow-up March 2012 _____ Second Follow-up December 2012 _____ Third Follow-up September 2013 _____ 4th 2014

Audit Title	Report Date	Issues	Expected Completion
C.S. Mott Children's Hospital and Von Voigtlander Women's Hospital - Telecommunication Closets 2012-313	1/31/2012	Communication cabling layout; room signage; locking cabinets and doors; environmental temperature; inventory process; ownership; access controls; security camera monitoring; access monitoring controls; servers in the communication rooms	October 2013
e-Verify 2011-302	2/20/2012	Contract information; identification of employees; document retention; e-Verify notice requirements; subcontract language; e-Verify System user access	November 2013
University of Michigan Flint Office of the Provost 2012-204	4/17/2012	Strategic plan funding model and procedure; organizational structure and resources; policy and procedure manual; delegation of authority; management oversight; gift fund management;	First Follow-up April 26, 2013 <hr/> November 2013
Information and Technology Services DNS - Domain Name Service 2012-301	5/2/2012	Recursion on authoritative name servers; recursion; authenticated zone transfers; DNS architecture documentation; host operating system; performance metrics; server access	First Follow-up April 2013 <hr/> December 2013

Audit Title	Report Date	Issues	Expected Completion
UMHHC Community Health Services-Community Programs and Services 2012-214	6/28/2012	Monitoring loan activity; cash handling practices; credit card controls; interpreter services program; monitoring accommodations activity; training and performance evaluations for hospital volunteers; annual certification of internal controls and gap analysis	First follow-up April 2012 <hr/> October 2013
UM-Dearborn College of Engineering and Computer Science 2012-302	6/29/2012	Financial oversight; documented policies and procedures; conflict of interest and commitment; training and facility safety; contracts, grants, and agreements; asset management; gift handling and monitoring; Engineering professional development; incident response plan; key logs; vulnerability scans; configuration control policy; disaster recovery plans of IT; data security procedures	October 2013
Transportation Research Institute 2012-502	9/13/2012	Standardized project management; compliance with University guidelines; fiscal responsibilities; monitoring and budget reporting; information technology controls; documented procedures and expectations	October 2013
UMHHC Wireless Medical Devices 2012-315	10/29/2012	Wireless connection security; inclusion of MCIT in the procurement process	October 2013

Audit Title	Report Date	Issues	Expected Completion
Residential Dining Service 2012-216	11/21/2012	Financial management and oversight; CBORD training	First follow-up issued September 2013 <hr/> March 2014
University of Michigan Health System Friends Gift Shops 2012-818	11/21/12	Cash handling processes; inventory management practices; financial monitoring and reporting practices; timekeeping and scheduling processes; procurement practices	October 2013
Travel and Expense Management System 2012-103	11/27/2012	Central Monitoring; unit reporting; training and customer service; data validation; expense report auditing	December 2013
MCommunity Enterprise Directory and Identity Management System 2012-310	1/11/2013	MCommunity server security; service agreements, identity management policy; server access; password hub; test environment; security information and event management; SIEM security	November 2013
Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies 2012-222	1/22/2013	Cash handling; management oversight;	First Follow-up June 2013 <hr/> October 2013

Audit Title	Report Date	Issues	Expected Completion
Office of the Vice President for Global Communications and Strategic Initiatives 2012-211	1/30/2013	Procurement management; oversight; document retention; delegation of authority; A/R reconciliation; imprest cash; conflict of interest/commitment; temporary staff appointments; timekeeping	October 2013
Law School 2012-208	2/04/2013	Disclosure of Conflicts; Fund Establishment; Event Reconciliation; Administrative and Staffing Efficiencies; Procurement Compliance; Clinic Administration; Gift and Cash Handling; International Travel Registry; VandaCard Dispenser Form	October 2013
School of Information 2012-215	3/22/2013	Development office procedures; faculty appointments; continuity of operations; RECON; travel registry; Concur approval	December 2013
Detroit Center 2012-814	4/8/2013	General control environment; financial monitoring and oversight; funding model; space management/reservation system; procurement, travel, and hosting; continuity of operations planning; asset management	October 2013
Payment Card Industry Data Security Standards 2013-310	4/11/2013	Security Unit Liaison PCI-DSS training; self-assessment process; required vulnerability scans; volunteer PCI training; Matthaei Botanical Gardens parking meter firewall; anti-virus; vendor defaults	November 2013

Audit Title	Report Date	Issues	Expected Completion
University Unions 2012-201	4/25/2013	Supplemental systems; imprest cash funds; payroll processes – AFSCME overtime record keeping; documented procedures; credit card merchant processes	December 2013
Medical School Department of Family Medicine 2013-211	4/25/2013	JEPP program; physician compensation model; procurement practices;	December 2013
Medical Center Information Technology and Arbor Lakes/North Campus Data Centers 2012-307	4/26/2013	MCIT Managed Data Centers lack a comprehensive continuity of operations plan	COOP Meetings June 2013 ————— September 2013 Next update scheduled for March 2014
College of Literature, Science, and the Arts Kelsey Museum of Archaeology 2012-201	4/26/2013	Museum store purpose and objective; inventory management, pricing and security; cash handling; use of a cash register; change fund; security staff; security training; physical access control; international travel planning	March 2014
Molecular and Behavioral Neuroscience Institute 2012-211	5/15/2013	Long-term financial viability; business practices; billing and lab safety and security; information technology management;	December 2013
Knight-Wallace Fellows Program 2013-202	6/18/2013	Procurement; time and pay; administrative processes	December 2013

Audit Title	Report Date	Issues	Expected Completion
Frankel Center for Judaic Studies 2013-219	6/20/2013	Expense reporting; cash handling; international travel registry; conflicts of interest/conflicts of commitment; administrative procedures	December 2013
Office of Student Publications 2013-203	7/18/2013	Strategic Plan and Vision; External Bank Account/Student payments; Documented Policies and Procedures; training; accounting system; IT services; recharge rates; Internal Controls certification and Gap analysis; procurement contracts; imprest cash fund; facility access; travel approval and tracking; COI/COC	March 2014
School of Natural Resources and the Environment 2012-210	9/06/2013	Center/institute oversight; effort certification; admissions documentation; lab safety; documented processes	April 2014
UM-Dearborn College of Arts, Sciences, and Letters 2013-204	9/30/2013	Financial oversight; conflicts of interest/conflicts of commitment; safety of minors; agreements with third parties; faculty course releases and stipends; records and advising; roles and responsibilities;	June 2014

Audit Title	Report Date	Issues	Expected Completion
UM-Dearborn Office of Financial Aid 2013-201	9/30/2013	Peer review recommendations; fund reconciliation; Banner award testing; business continuity; documented policies and procedures; OFA workload assignment; employee training; concentration of duties; conflicts of interest or commitment;	June 2014