

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 2

DATE:

November 15, 2005

RECOMMENDATION

REPORT: INTERNAL AUDIT

ACTION REQUESTED

It is recommended that the Internal Auditor's activity report for the period October – November 2005 be received and placed on file.

STAFF SUMMARY

The report for the Physical Plant – Construction audit has been issued. The report includes findings and corresponding recommendations to improve controls. The recommendations have been discussed with the appropriate personnel. Management agrees with the recommendations and is proceeding with actions to implement the recommendations. Rehmann Robson is satisfied that management's responses will satisfy the intent of the recommendations.

Also attached is the report prepared by University management on the status of audit recommendations made from the previous Cash Receipts, Parking Department, Procurement Cards, Mail Services, Business Continuity Plan/Disaster Recovery Plan and Intercollegiate Athletics audits that were completed in September 2005. As noted in the report, management has agreed with the internal auditor's recommendations and has found that most of the recommendations have been fully implemented or are in progress.

An updated internal audit activity schedule for the period ending September 30, 2006 is included with the report.

FISCAL IMPLICATIONS

The expended resources for internal audit services provided by Rehmann Robson are within the approved budget limitations.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board Approval.

University Executive Officer

Date



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

Date: October 28, 2005

To: Mr. Steven Holda
Interim Director of Finance and Treasurer to the Board of Regents

From: Rehmann Robson

**Re: AUDIT REPORT
PHYSICAL PLANT – CONSTRUCTION**

Attached is the report for the internal audit review of the internal control process for physical plant construction through August 31, 2005. Responses from Physical Plant have been incorporated in the report.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of overriding controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the prevention or detection of errors. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time. Any questions, comments, or concerns that you may have relative to this report can be directed to Kirk Balcom at (517) 841-4876.

Your cooperation with this request and assistance and support provided during this audit is appreciated.

Attachment

cc: Board of Regents
Steven Holda
Daniel Cooper
Anthony Catner

Internal Audit Report
Physical Plant – Construction
October 28, 2005

Rehmann Robson has completed an audit of the new student center and McKenny renovation construction project. The purpose of the audit was to determine whether internal controls over physical plant construction are designed and operating effectively. The audit scope included a review of internal controls through August 31, 2005.

In our opinion, internal controls over physical plant construction are designed and operating effectively. University policies and physical plant project management personnel have established control procedures that address key risks affecting the construction process. In operation, these controls greatly reduce the risk of unauthorized transactions, asset misappropriation, and accounting misstatement.

In addition to assessing the design of controls, we have tested the operating effectiveness of key controls noting no significant weaknesses. Controls that were tested included proper authorization of contracts, change orders, and purchase orders, adherence to bid policies, verification of the accuracy of vendor invoices, and reconciliation to the general ledger. Below we have included a project summary that details the budgeted costs of each project, the contracted amounts, and the costs incurred to date. As noted, our testing of vendor invoices provides coverage over 98 percent of costs incurred to date.

Project Summary as of August 31, 2005

			<u>Incurred to Date</u>
\$45 Million	New Student Activity Center \$39.3 Million	Design Build Contractor \$33.7 Million	\$9.4 Million
		Owner's Cost \$5.6 Million	\$0.7 Million
	McKenny Renovation \$5.7 Million	Design Build Contractor \$5.47 Million	\$0.3 Million
		Owner's Cost \$0.25 Million	\$0.0 Million

			\$10.4 Million
Audited Invoices		10.2 Million	
Audit Coverage		98%	

A few recommendations to strengthen internal controls over the construction project are discussed below in order of significance, along with management's responses to those recommendations. Physical Plant immediately implemented all responses. We sincerely appreciated the excellent cooperation and assistance extended to us by the Physical Plant project management team and the Controller's office personnel during the internal audit.

Finding 1

For the New Student Center the design build contractor incurs general conditions expenses which have a budget of \$2.4 million. Roughly 70 percent of these expenses are salaries and benefits paid to the contractor's staff. These salaries have not been reviewed for reasonableness nor have the construction staff charging the project been approved. For example, accounting staff have charged the project roughly \$5,000 per month which could be deemed unreasonable. The Associate Vice President Business & Finance - Facilities informed us that he has been concerned about the validity of general conditions charges and has requested details of all charges but the design build contractor has not complied. The audit clause in the design build contract states that records shall be available to the University as may be reasonably required.

Risk

Any over billings detected during the project that have the potential to bring the project costs under, or keep it under the maximum guaranteed price, are recoverable. Without verifying the general conditions detailed support from the design build contractor a potential over billing may not be detected and subsequently recovered.

Recommendation

Verify the reasonableness of rates charged in general conditions and approve all contractor's staff that may charge the project.

Management's Response

We agree with the findings. Physical Plant has not been able to obtain detailed information from contractor and has requested an audit be engaged.

Finding 2

Six out of eight invoices from the design build contractor for the McKenny renovation totaling \$258,000 have been only summary invoices with no detail of hours and rates supporting them. Two such invoices did have detailed support for verification by the project team.

Risk

Any over billings detected during the project that have the potential to bring the project costs under, or keep it under the maximum guaranteed price, are recoverable. Without verifying the detailed support from the design build contractor a potential over billing may not be detected and subsequently recovered.

Recommendation

Detailed support including rates and hours should be obtained and verified by the project team.

Management's Response

Physical Plant has obtained from the contractor appropriate backup for the invoices and reviewed and signed the backup.

Finding 3

The owner's cost budget for the new student center is \$5.6 million. Contractor invoices for these costs are reviewed and signed verifying that the contracted services were received. Hourly rates or markups charged do not get verified to the contracts. One of the owner's cost contract invoices tested included hourly rates that were not included in the rate schedules attached to the contracts. Also one owner's cost contract invoices included markups to subcontractor costs and business expenses that are not allowed per contract.

Risk

While the billing rates are reasonable based on other rates in the contract, there is some risk that over billings could occur within owner's cost contracts. Also markups charged could become significant over the term of the project if they continue to be charged on subcontractor costs.

Recommendation

Rates and markups on invoices should be verified to the contract and the contractors notified of any discrepancies. If rates are appropriate, contract changes to the rate schedules should be prepared and approved.

Management's Response

Physical Plant agrees with this recommendation and has begun verifying rates and markups on invoices. Contractors will be notified of discrepancies.

Finding 4

One owner's cost contract for landscape architecture and civil engineering had an original not-to-exceed price of \$116,000. The contract had billing sections within the total cost where the contractor could not exceed the budget such as schematic design, design development, construction documents, and construction administration. Due to an increase in construction costs of the new student center, a contract change order was approved for a new contract price of \$265,000. The change order did not include new spending limits within the billing sections as were included in the original contract.

Risk

There is some risk the contractor spends more time than anticipated on the various billing sections and is allowed to bill over the expected amount.

Recommendation

Obtain a contract change order that defines the not-to-exceed amounts for the various billing sections of the contract.

Management's Response

Physical Plant agrees with this recommendation. Physical Plant reviews all work requested and receives detailed cost estimates prior to authorizing any work.

Finding 5

The design build contractor bidding process had a very detailed selection process carried out. The final selection matrix with award criteria for the project was not retained to support the decision.

Risk

Contracts may be executed with contractors that have not been selected based on appropriate criteria such as low cost, project design, project schedule, and qualifications.

Recommendation

The decision to execute a contract with each contractor should be properly supported with bid documentation that is retained.

Management's Response

A final matrix was completed and misplaced in the files. Physical Plant will take better care filing the matrix in the future.

* * * * *

7.

Eastern Michigan University Internal Audit Schedule
Rehmann Robson

For Period Ending September 30, 2006

Internal Audit	Completed or Start Date	Budget Hours	Actual Hours
Physical Plant - Construction	Completed Oct 2005	100	98
Conflict of Interest	Nov 2005	32	0
Information Systems - General Controls and Application Controls Review	Nov 2005	120	0
Dining Services	Feb 2006	120	0
Financial Aid	Feb 2006	60	0
Payroll	Apr 2006	120	0
Benefit Administration	May 2006	120	0
Equipment Inventory	Jun 2006	40	0
Catering and Conferences	Jun 2006	60	0
Tuition and Fees	Jul 2006	120	0
Regulatory/Compliance	Aug 2006	100	0
Vending Operations	Aug 2006	24	0
Sarbanes-Oxley	Oct 2005	184	10
Planning, Risk Analysis, and Administration	Oct 2005	100	12
Special Projects		60	0
- Audit Design Build Contractor Related to Construction Audit	Oct 2005	40	0
Contingencies	Oct 2005	100	0
Total Hours		<u><u>1,500</u></u>	<u><u>120</u></u>
Contracted Rate Per Hour		\$80	\$80
Total Fees		<u><u>\$120,000</u></u>	<u><u>\$9,600</u></u>

STATUS OF AUDIT RECOMMENDATIONS

November 15, 2005

Cash Receipts
Parking Department
Procurement Cards
Mail Services
Business Continuity Plan/Disaster Recovery Plan
Intercollegiate Athletics

Prepared by
Vice President for Business and Finance Office

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INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: CASH RECEIPTS

Date Completed: **JULY 19, 2005**

Cashier's Office – No Recommendations

Accounting Department – No Recommendations

Quirk Theatre

Recommendation:

We recommend that the individual reviewing the monthly reconciliation sign-off and date the documentation noting approval.

Management's Response:

We have noted your recommendation and have implemented the recommendation with the June 2005 activity report.

Implementation Status:

The monthly reconciliation has been signed-off and dated starting with the June 2005 Monthly Budget Activity Report. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 24, 2005

Audit recommendations verified by: _____

Todd Ohmer

Interim Assistant to the VP for Business and Finance

INTERNAL AUDIT RECOMMENDATION STATUS

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AUDIT PERFORMED: PARKING DEPARTMENT

Date Completed: JULY 19, 2005

Recommendation:

We recommend that the existing procedure of completing the booth cash checkout log be reinforced with the booth cash operators. In order to help accomplish this, the Parking Department employee who verifies the booth cash checkout sheet should also verify that the booth cash operator has correctly completed the log.

Management's Response:

We agree. We will re-emphasize the existing procedures regarding the booth cash checkout sheets.

Implementation Status:

The Parking Department Supervisor has reiterated to the booth cash operators to make sure that they always complete the checkout log, thoroughly. A Parking Department employee is also monitoring this log to make sure it is filled out completely and accurately. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend that a greater emphasis be given to the procedures which require the verification of the booth cash checkout sheets. In order to help comply with these procedures the Parking Department supervisor should review these sheets at the end of each day to ensure they are being verified and completed.

Management's Response:

We agree. We will re-emphasize the existing procedures regarding the booth cash checkout sheets.

Implementation Status:

The Parking Department Supervisor has reiterated to the staff and to the night time attendants that they must verify the totals given by the booth cash operators on the checkout sheets. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend that all drop box payments be entered as a separate batch and logged into the drop box log regardless of the number of payments.

Management's Response:

We agree. We will implement the procedure to enter a separate batch of drop box payments regardless of the number of payments received.

Implementation Status:

The Parking Department Supervisor has reinforced with the staff that all drop box payments will be entered in a separate batch and not intermixed with the next day's daily activity. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend further emphasis of the current procedure of citations being paid in accordance with the citation fee schedule. If a citation is not going to be paid in accordance with the University procedure, the reason and signature of the parking clerk should be documented on the citation, and periodically the Parking Department supervisor should sign and review these citations to ensure appropriateness.

Management's Response:

We agree. We will re-emphasize the existing procedures regarding citations. All citations not paid in accordance with the procedures will be periodically reviewed by the Parking Department Supervisor to ensure appropriateness.

Implementation Status:

There are infrequent situations when the Parking Department will allow citations to be paid not in accordance with the fee schedule. It has been reinforced with the staff that when these incidents do occur, they need to document the reason and either sign or initial the citation. The Parking Department Supervisor is reviewing all citations that are not paid in accordance with the citation schedule. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend the procedure requiring the Parking Department employee who voids a citation to sign their name or badge number, date, and note the reason code on the voided citation is further emphasized. In addition, we recommend the Parking Department supervisor review all voided citations to ensure proper support and reasoning is included.

Management's Response:

We agree. We will re-emphasize the existing procedures regarding voided citations.

Implementation Status:

The Parking Department has reiterated to the staff that they need to sign, date and give the reason code on all voided citation. The Parking Department Supervisor also reviews all voided citations to ensure proper support and reasoning is included. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend both sets of master keys be kept in the Parking Department office and a meter key log be maintained so it is known who has the keys at all times.

Management's Response:

We agree. We will keep both sets of meter keys in the Parking Department office and maintain a meter log.

Implementation Status:

It has been reiterated to the Parking Department of the importance of maintaining a meter key log. Both sets of keys are kept in the Parking Department and a new meter key log has been created. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Recommendation:

We recommend the individual who reviews and reconciles the monthly third party collection detail and summary report sign and date the report noting their review and reconciliation.

Management's Response:

We agree. We will implement a procedure to require the individual who reviews and reconciles the monthly third party collection detail and summary report to sign and date the report noting the review and reconciliation.

Implementation Status:

The third party collection detail and summary report is being signed and dated by the reviewer. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 14, 2005

Audit recommendations verified by:

Todd Ohmer

Interim Assistant to the VP for Business and Finance

INTERNAL AUDIT RECOMMENDATION STATUS

13.

AUDIT PERFORMED: PROCUREMENT CARDS

Date Completed: JUNE 16, 2005

Recommendation:

We recommend that guidelines be implemented to assist in the determination of whether follow up should be performed based on the results of procurement card audits.

Management's Response:

Agreed. We will develop written standards to determine which purchase card audits require a follow up audit.

Implementation Status: The Purchasing Department has implemented guidelines to assist them in determining who should have a follow-up review in the next year to ensure that the issues found in the original audit have been corrected. The criteria used for these follow-up reviews are such things as missing receipts, policy violations, and repeat offenses that may have been found in the original audit. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require supervisors to document the review of the cardholder statements for the employees in their departments at least on a monthly basis and document this review on a standard form.

Management's Response:

Agreed. We have previously made this recommendation to the Vice President of Business and Finance, but it was not adopted. Presently, all supervisors are given electronic access to view purchases made by their employees, without the requirement that written documentation that reviews have been conducted. The Purchasing Department will recommend that written documentation of supervisor approval of monthly employee charges be a requirement.

Implementation Status:

The Purchasing Department has revised their purchasing policy to require supervisors to document the review of the cardholders statements for the employees in their department on a monthly basis. The updated policy is waiting final approval from the University's S.O.C. The recommendation by the internal auditors is supported by Management. Pending approval from the S.O.C., the recommendation will be implemented.

Verification Date: October 28, 2005

14.
Recommendation:

We recommend that guidelines be amended to require receipts showing the detail of the charges for meals and entertainment expenses so the University can better monitor the people present and ensure the no-alcohol policy is not being violated.

Management's Response:

Agreed. We have previously made the recommendation of requiring detailed meal receipts to the Vice President of Business and Finance, but it was not adopted. The Purchasing Department will recommend that detailed meal receipts be required in addition to business purpose and those in attendance.

Implementation Status:

The Purchasing Department has revised their purchasing policy to require receipts showing the detail of the charges for meals and entertainment expenses. The updated policy is waiting final approval from the University's S.O.C. The recommendation by the internal auditors is supported by Management. Pending approval from the S.O.C., the recommendation will be implemented.

Verification Date: October 28, 2005

Recommendation:

We recommend the Vice President's signature be obtained on the application before the Procurement Card is issued, according to University policy.

Management's Response:

Agreed. Based on this finding, we conducted a review of all cardholder applications, to ensure that we had the appropriate signatures. We found 2 others, out of approximately 550, that were missing Vice Presidential signatures. All cardholders now have the appropriate signatures.

Implementation Status: University Policy requires a Vice President's signature on the purchasing card application before the card will be issued. In the follow-up testing, all of the applications that were checked had the appropriate signature. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 28, 2005

Audit recommendations verified by:

Todd Ohmer
Interim Assistant to the VP for Business and Finance

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INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: MAIL SERVICES

DATE COMPLETED: JUNE 21, 2005

Recommendation:

We recommend that the policies and procedures for Mail Services be formalized to ensure a clear understanding of the responsibilities of the department.

Management's Response:

We agree. We will develop written policies and procedures for Mail Services.

Implementation Status:

The Mail Services Department is in the process of formalizing their department's policies and procedures. The recommendation by the internal auditors is supported by Management and is in the process of being implemented.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require that a Postage Request Slip accompany every bundle of mail to improve the accuracy of the expense allocations.

Management's Response:

We agree. We will no longer process mail received from University departments without a Postage Request Slip. This will be addressed in the written procedures.

Implementation Status:

The Mail Services Department no longer accepts mail from University departments without a postage request slip. If mail is delivered without a slip, it is sent back to the department. This is to ensure that the departments are charged accurately for their mail delivery. An email was sent out to the University community to remind them of the importance of sending in a postage request slip with their mail. It has also been mentioned in EMU Today. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require a review of the invoices or reports and the expense allocation worksheets to ensure that the totals agree before processing.

Management's Response:

We agree. We will ensure that all expense allocation worksheets are balanced with associated invoices or reports.

16.

Implementation Status:

The recommendation by the internal auditors is supported by Management; however, the same findings were evident during the follow-up review. Further follow-up is necessary.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require a timely posting of the monthly journal entries.

Management's Response:

We agree. This will be addressed in the written procedures. All necessary entries were made prior to fiscal year end. As noted in the audit comment, the elimination of a position in Mail Services has had a negative impact on the operation. The eliminated position is directly related to several of these findings. We will correct the noted findings and continue to do our best with the limited staff available to the department.

Implementation Status:

The recommendation by the internal auditors is supported by Management; however, the same findings were evident during the follow-up review. Further follow-up is necessary.

Verification Date: October 28, 2005

Audit recommendations verified by:

Todd Ohmer

Interim Assistant to the VP for Business and Finance

INTERNAL AUDIT RECOMMENDATION STATUS

AUDIT PERFORMED: BUSINESS CONTINUITY PLAN/DISASTER RECOVERY PLAN

Date Completed: JULY 30, 2005

Recommendation – Business Continuity Plan

The University should consider creating a University-wide risk analysis. This risk analysis should include the risks identified at a department or business function level. This analysis should be validated by the impacted stake holders.

Management's Response:

University-wide risk analysis identified at a department or business function level could recognize and validate the recovery impact necessary in order to support a University Business Continuity Plan.

Implementation Status: Nothing has been implemented.

Recommendation – Business Continuity Plan

The University should consider creating an impact analysis to document and define recovery time objectives. The creation should be based on the validated risk analysis.

Management's Response:

A University-wide impact analysis that documents and defines recovery time objectives would assist departments or business functions in determining the appropriate recovery mechanism necessary.

Implementation Status: Nothing has been implemented.

Recommendation – Business Continuity Plan

Risks not covered by the ERP and/or the DRP should be identified, documented, and either planned for or document the acceptance of the risk.

Management's Response:

Identifying risks at any level is important in order to adequately address recovery methods to be used.

Implementation Status: Nothing has been implemented.

Recommendation – Disaster Recovery Plan

The University should consider using the recovery time objectives to develop University-wide and departmental Disaster Recovery Plans. Those plans should reflect the independence and interdependence that today's technology dictates.

Management's Response:

A comprehensive Disaster Recovery Plan requires the results of individual departmental or business function level risk analysis and recovery time objectives in order to accurately define the recovery impact of technology.

Implementation Status: Nothing has been implemented.

Recommendation – Disaster Recovery Plan

Where it is appropriate, the University-wide plan could reference departmental plans.

Management's Response:

Individual departmental contribution to the University-wide Disaster Recovery Plan is crucial for accuracy and the proper integration of a comprehensive enterprise-wide plan.

Implementation Status: Nothing has been implemented.

Recommendation – Disaster Recovery Plan

Where it is appropriate, the departmental plans need to reference the University and/or ICT DRP.

Management's Response:

Departmental plans are necessary for ICT's DR-plan to incorporate and orchestrate the appropriate technology necessary to facilitate departmental recovery requirements.

Implementation Status: Nothing has been implemented.

Recommendation – Disaster Recovery Plan

Where the recovery time objectives dictate, appropriate investment in redundant infrastructure components may be needed.

Management's Response:

In an institution as large as EMU, recovery time objectives often dictate redundant infrastructure components in order to adequately recover mission critical systems in a timely manner.

Implementation Status: Nothing has been implemented.

Recommendation – Disaster Recovery Plan

Disaster recovery tests should be performed periodically and the results reported to the Board of Regents.

Management's Response:

Departmental and University-wide testing are important to the integrity of the DR plan (the ICT DR-plan currently includes regular hardware and software testing between vendors and ICT personnel).

Implementation Status: Nothing has been implemented.

Recommendation – Emergency Response Plan

The University may want to consider removing the Business Continuity Planning section from the ERP, since the business functions are more departmental and building based.

Management's Response:

The current University environment is conducive to individual business function and departmental based planning.

Implementation Status: Nothing has been implemented.

Audit recommendations verified by:

Todd Ohmer

Interim Assistant to the VP for Business and Finance

INTERNAL AUDIT RECOMMENDATION STATUS

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AUDIT PERFORMED: INTERCOLLEGIATE ATHLETICS

Date Completed: AUGUST 23, 2005

Recommendation:

We recommend that Intercollegiate Athletics (IA) follow University policy and have contracts and agreements approved by EMU Legal Affairs Office prior to being signed by the (Interim) Athletics Director and prior to being performed. And we recommend that only the (Interim) Athletics Director be able to sign contracts for IA.

Management's Response:

The prior Athletics Director made decisions and signed contracts. The current Interim Athletics Director will follow University policy regarding approval from EMU Legal Affairs Office for all potential contracts that involve the University. All contracts are reviewed by the Associate Athletics Director for administration to secure proper review with the Legal Affairs office. The (Interim) A.D. will have final signatory approval. In addition, staff will be instructed to approve all contracts with the (Interim) A.D.

Implementation Status:

All contracts and agreements are reviewed by the Associate Athletic Director for Administration and are forwarded to the Legal Affairs office for review before they are signed by the (interim) Athletic Director. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that the department implement a requirement that a Corporate Sponsor receipts log include the date a check was received by the Athletics Department. In addition, we recommend that all other miscellaneous revenue receipts also be logged, in some manner, to ensure that timeliness of deposits made can be reviewed by a supervisor. In addition, IA should consider requesting that corporate sponsor and other checks be sent directly to the Cashier's Office with proper reporting of receipts back to IA.

Management's Response:

We agree. We have implemented the addition of date received information on our corporate sponsor receipts log and will develop an additional log for miscellaneous receipts. IA will request that corporate sponsor and other checks be sent directly to the Cashier's Office. The Cashier's Office commits to reporting to IA.

Implementation Status:

The Intercollegiate Athletic department has included the column "date received" on the Corporate Sponsor Receipts log. They also log all other miscellaneous revenue receipts to ensure the timeliness of deposits. They have also indicated on the corporate sponsorship

invoices that all checks should be sent directly to the Cashier's office. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that all sports utilize IA's "Camp Deposit & Reconciliation Sheet" for the receipting of camp revenue.

Management's Response:

We agree. We will review with all sports teams the procedure to adequately document camp revenue with the "Camp Deposit & Reconciliation Sheet".

Implementation Status:

All coaches that have sport camps have been notified to fill out the sports camp registration list thoroughly for every camp they teach. During our review, one coach had the sports camp registration sent back to them by the Associate Athletic Director of Administration because it was not complete. The coach is in the process of correcting the list. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that the procurement card be utilized for current purchases when appropriate so that the expense can be recorded in the proper month.

Management's Response:

We agree. We will instruct staff to utilize the procurement cards according to policy.

Implementation Status:

Procurement cards have been made available to nearly every coach. This will help in making sure that current purchases get expensed in the proper month. The coaches/staff have been informed of the University's policy on Purchasing Card usage. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that staff follow University policy regarding \$100 limit on "non-travel" expense reimbursement and submission of Requisitions prior to purchase.

Management's Response:

We agree. We will instruct staff to follow University policy regarding Requisitions and \$100 limit for non-travel reimbursements.

Implementation Status:

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It has been reiterated, with both email and face-to-face communication, to the coaches/staff of the University's policy limit of \$100 for non-travel reimbursements. In reviewing, we were not able to find a single example of this occurring in FY06. The recommendation by the internal auditors is supported by the Management has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that all expenses follow proper procedure regarding proper overtime coding and recording of payroll by staff and timely submission of invoices for advances and invoices to be paid through Accounts Payable. We recommend that management remind coaches that travel advances should not be commingled with personal funds. In addition, we recommend that any insurance reimbursement expected, or other miscellaneous receipts, be tracked by I.A. for proper coding of eventual receipt.

Management's Response:

We agree and will follow proper procedures.

Implementation Status:

I.A. has followed proper procedure regarding correct overtime coding of payroll. I.A. has indicated numerous times to the coaches of the need to complete the employee advance information in a timely manner. At the time of the review, only one coach had a significant outstanding advance. They are currently making arrangements to complete this issue. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Recommendation:

We recommend that all expenses follow proper procedure regarding requisition request prior to incurring expense (including expenses from other EMU departments) and timely submission of expenses.

Management's Response:


We agree. We will follow proper procedure regarding requisitions and timely submission of expenses.

Implementation Status:

I.A. will follow proper procedure regarding requisitions and timely submission of expenses. The recommendation by the internal auditors is supported by Management and has been implemented.

Verification Date: October 26, 2005

Audit recommendations verified by:



Todd Ohmer
Interim Assistant to the VP for Business and Finance

Open Items

The following audit findings require additional follow-up. This follow-up will take place in the next month to insure that Management's response is being adhered too. The results of this second follow-up will be addressed at the January board meeting.

AUDIT PERFORMED: MAIL SERVICES

DATE COMPLETED: JUNE 21, 2005

Recommendation:

We recommend that the policies and procedures for Mail Services be formalized to ensure a clear understanding of the responsibilities of the department.

Management's Response:

We agree. We will develop written policies and procedures for Mail Services.

Implementation Status:

The Mail Services Department is in the process of formalizing their department's policies and procedures. The recommendation by the internal auditors is supported by Management and is in the process of being implemented.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require a review of the invoices or reports and the expense allocation worksheets to ensure that the totals agree before processing.

Management's Response:

We agree. We will ensure that all expense allocation worksheets are balanced with associated invoices or reports.

Implementation Status:

The recommendation by the internal auditors is supported by Management; however, the same findings were evident during the follow-up review. Further follow-up is necessary.

Verification Date: October 28, 2005

Recommendation:

We recommend that guidelines be implemented to require a timely posting of the monthly journal entries.

Management's Response:

We agree. This will be addressed in the written procedures. All necessary entries were made prior to fiscal year end. As noted in the audit comment, the elimination of a position in Mail Services has had a negative impact on the operation. The eliminated position is directly related to several of these findings. We will correct the noted findings and continue to do our best with the limited staff available to the department.

Implementation Status:

The recommendation by the internal auditors is supported by Management; however, the same findings were evident during the follow-up review. Further follow-up is necessary.

Verification Date: October 28, 2005