

THE UNIVERSITY OF MICHIGAN

REGENTS COMMUNICATION

Item for Information

Received by the Regents

April 21, 2006

Subject: Report of University Internal Audits  
October 2005 – February 2006

Background:

This is the report of the Office of University Audits activities for the period **October 1, 2005 through February 28, 2006**. The summaries of audits contained in this report were previously reported to members of the Regents' Finance, Audit and Investment Committee and included in discussions at Committee meetings.

Included in this report:

- Summaries of each audit report issued during the period, including Management's Plan to enhance specific control processes discussed with the audit client and presented in the report.
- Summaries of follow-up review reports issued during the period, including the actions taken by Management. Follow-up reviews are designed to give assurance that Management's Plan for corrective action has been implemented and controls are working appropriately.
- A report on the status of follow-up reviews as of **February 28, 2006**.

If you have any questions or would like additional information, please contact me at 647-7500 or by e-mail at [cseff@umich.edu](mailto:cseff@umich.edu).

Respectively submitted,



Carol F. Senneff, Executive Director  
University Audits

April 2006

**ORIGINAL REPORTS**

**Campus**

**School of Art & Design Financial and IT Controls**  
Issued October 24, 2005

#2005-211, 311

The purpose of this audit was to ensure that the School of Art & Design has adequate administrative internal control systems in the following areas:

- Financial performance
- Procurement
- Leased property
- Payroll
- Gift receipts
- Cash Handling

Control Issues:

- Payroll Practices -- At times, supervisors were returning payroll time reports to employees after they approved the hours for payment. Allowing a staff member access to their approved time report increases the risk that they may make unauthorized changes.

Payroll documentation for temporary employees was retained for the current and past year and then purged. University policy requires a retention period of current fiscal year plus the seven preceding fiscal years.

**Management Plan** – The Staff Council will be informed that all managers must hand deliver approved timesheets to the Finance Office timekeeper. All time documents will be retained in accordance with University record retention policy.

- Billing and Cash Handling – In the Illustrative Fieldwork Program, the same person has responsibility for billing students for travel expenses and for collecting the payments.

**Management Plan** – The person who creates the student bills will no longer collect payments. Participating students will remit payments directly to the Finance Office.

- Back-up and Recovery Plan – A written disaster recovery plan does not exist to ensure that hardware, software, facilities and people are available to reestablish critical computer systems in a timely manner in the event of a major disaster. Contingency plans should address but are not limited to: data backup, disaster recovery, and emergency mode operations procedures. Plans should be periodically tested.

**Management Plan** – A comprehensive plan is being developed and tested.

- Incident Handling – While the department's information technology staff does address all issues related to emergency or damage to systems containing institutional data, there are no written procedures. University policy requires written documentation related to incident response.

**Management Plan** – An Incident Handling Policy which complies with University policy has been developed, documented, and communicated with the School of Art & Design. **This issue is closed.**

- Data Security Assessment – The IT group within the School relies on department heads to identify data that needs to be protected based on sensitivity of the data. The data assessment process is not documented and there is no assurance that proper levels of control are applied to the data.

**Management Plan** – A comprehensive process is being developed and documented.

The School of Art & Design’s management has completed or is currently implementing all of the changes discussed above. A follow-up review will be conducted during the third quarter of fiscal year 2006.

**National Transit Database**  
Issued October 31, 2005

#2006-405

The National Transit Database (NTD) is the Federal Transit Administration’s primary national database for statistics on the transit industry. Recipients of Federal Transit Administration Urbanized Area Formula Program grants are required by statute to submit data to NTD. Each year, the NTD performance data is used to apportion over \$4 billion of Federal Transit Administration funds to transit agencies in urbanized areas.

The University of Michigan Transportation Services department has been a voluntary NTD reporter for the past six fiscal years. A voluntary NTD reporter is a transit agency which is not a recipient or beneficiary of Urbanized Area Formula Program funds. Transportation Services expects to begin receiving the program funds in fiscal year 2006.

To maintain Federal Transit Administrations approval to participate in the program, a chief executive officer certification must be submitted annually. The chief executive officer certification relies on University Audits’ review to verify that financial data continues to meet NTD reporting criteria.

The reporting forms for fiscal year 2005 were reviewed for conformity in all material respects with the requirements of the Federal Transit Administration as set forth in its applicable National Transit Database Uniform System of Accounts. All of the information presented in the forms appeared to be appropriate for the certification.

**Healthcare**

**University of Michigan Hospitals and Health Centers: Front-End Redesign**  
Issued October 24, 2005

# 2005-111

The front-end redesign project was initiated in 2003 to target and refine clinic procedures that support the collection of co-pays and other amounts due for services rendered. The redesign effort focused on standardizing clinic procedures, training and support technology. Audit procedures were designed to evaluate the following seventeen elements associated with scheduling, check in/arrival and check out processes:

<b>Scheduling</b>	<b>Arrival/Check-in</b>	<b>Check- Out</b>
Insurance Verification	“Hot Phone” Utilization	Necessary Forms Received
Demographic Verification	Patient Verification Form- Review and Update	Patient Encounter Form Processing
Primary Care Physician Verification	Agreement to Pay for Services	Co-Pay Request

Referring Physician Verification	Patient Verification Form Routing to Registration for Insurance Changes	Account Balance Request
Co-pay Notification and Verification		Cash Collection and Processing
Account Balance Notification		Payment Options
Coordination with HHC Registration for Insurance Changes		

Clinic management and staff were cooperative and responsive during the review. University Audits observed many instances in which customer service and adherence to front-end redesign procedures were excellent. Management representatives were commended and encouraged to establish additional dialogue to support other clinics in their implementation efforts. However, during our review, we observed areas in which a significant number of clinics inconsistently applied front-end redesign procedures.

Control issues:

- Front-End Redesign Procedures - A significant number of clinics inconsistently applied some front-end redesign procedures associated with scheduling and checkout processes:
  - Informing patients that co-pays are due at time of service
  - Informing patients when they have a balance due
  - Requesting payment of balance at check-out
  - Indicating acceptance of credit card when patient refuses to pay with cash or check

**Management Plan** – The Business Operations Design Team is establishing a plan which includes education, training, and monitoring.

- Exception Process – Although many of the clinic managers believe they are exempt from some of the established procedures, there is no documentation to support such exceptions. Informal discussions or unique procedures are the only indication of granted exceptions. Department and Ambulatory Care Services management are not fully aware of the actual exceptions granted.

**Management Plan** – The Business Operations Design Team is establishing a plan which includes education, training, and monitoring.

- Training Requirements – There is not a standardized mechanism to document and track staff training requirements. In some clinics, staff members receive on-the-job training while others attend the official front-end redesign courses.

**Management Plan** – The Business Operations Design Team is establishing a plan which includes education, training and monitoring.

- Cash Controls - Although cash controls were not part of the front-end redesign effort, some clinics receive payment reconciliation report cards on a monthly basis. These reports from Professional Fee Billing provide guidance and reminders to assist staff with their collection processes. This process provides assurance that appropriate cash management controls exist; however, the following was observed in several clinics:
  - Sharing of cash drawers
  - Inappropriate segregation of reconciliation duties
  - Accessibility to cash drawer (e.g. keys left on desk, one key opens other staff persons drawer)
  - Checks not restrictively endorsed immediately

Small staff sizes and limited space appeared to contribute to some of these weaknesses.

**Management Plan** – The Business Operations Design Team is establishing a plan which includes education, training and monitoring.

Ambulatory Care Services, Hospitals and department management, and clinic personnel were helpful and responsive throughout the review. Best practices were identified in some instances and are being duplicated at other clinics. A follow-up review will be conducted during the third quarter of fiscal year 2006.

**University of Michigan Hospitals 340B Drug Purchasing Program**

#2005-115

Issued October 24, 2005

Section 340B of the 1992 Public Health Services Act requires drug manufacturers to provide drugs for outpatient use by eligible health care entities at reduced prices. Hospitals may qualify as an eligible entity based on various criteria such as being a public hospital and providing a high “disproportionate share” of medical services to low income individuals. Program eligibility is re-determined on an annual basis. The University Hospital Pharmacy (Pharmacy) has been participating in the program since January 2004. Pharmacy administration staff projects a \$10,000,000 reduction in Pharmacy costs through 340B program participation in 2006.

The objective of this audit was to evaluate Pharmacy controls that ensure appropriate 340B Drug Program purchasing and utilization.

**Control Issues:**

- **Determination of Eligibility** - Drugs purchased for outpatient pharmacies constitute approximately 30% of UMHS 340B program participation. These drugs are obtained at discounted prices and replaced at non-discounted prices if used for ineligible patients. Retrospective procedures do not always provide positive verification of use by eligible patients which could result in undetected diversion of 340B-priced drugs.

**Management Plan** - Based on new guidance from the Office of Pharmacy Affairs, Pharmacy administration has modified its purchasing practices and 340B inventory management procedures for the outpatient pharmacies. All drugs for these pharmacies are now purchased at non-340B prices and replaced with 340B priced drugs when positive verification of dispensing to a 340B eligible patient is obtained.

- **Support for 340B Purchased Drug Quantities** - At program inception, Pharmacy Services created a two-part process to determine drug quantities eligible for 340B purchase discount. Documentation used to determine these quantities included reports with negative eligibility balances and undocumented manual correction procedures.

**Management Plan** - Pharmacy Administration has revised its 340B purchasing practices and will only replace drugs when an entire packaging quantity has been used for 340B eligible patients. As part of the revised 340B inventory management process, internal transfers will have a significantly reduced impact on accurate 340B inventory balance reporting. Any transfers that do occur will be captured electronically, documented and archived with other 340B related data.

- **Strategic Purchasing Decision** - Increased utilization of Public Health Services (PHS) resources could result in additional savings on 340B drugs. Prices are negotiated directly with manufacturers rather than ordering through the PHS prime vendor who is responsible for obtaining lower than 340B program ceiling prices. A cost-benefit analysis of this purchasing strategy was unavailable.

**Management Plan** - The University Purchasing decision has historically been to refrain from participation in Group Purchasing Organizations and contract as a separate entity. Discussions with representatives from the PHS Office of Pharmacy Affairs and industry resulted in determining that participation in the PHS Prime Vendor Program would not negatively impact the University's ability to negotiate with the pharmaceutical industry as an independent agent. The University has enrolled in the PHS Prime Vendor program.

A PHS prime vendor contract is pending and is being processed through the UMHHS Contracts and Procurement Office. **This issue is closed.**

- Purchasing List Support - Specific system reports and manual calculations used to develop the 340B Eligible Drug Quantities List would need to be reconstructed should the University be required to support historic drug utilization.

**Management Plan** - Monthly reports are being generated and stored as application independent files. As part of the revised 340B inventory management process, manual calculations will no longer be necessary.

A digital image of the archive directory listing of reports was made available. It includes archived reports for each of the past three months. **This issue is closed.**

A follow-up review will be conducted during the third quarter of FY 2006.

#### FOLLOW-UP REVIEWS

##### Business and Finance Division Procurement Data Monitoring

#2005-250

Original Report issued April 27, 2005

Follow-up Report issued October 24, 2005

- Monitoring Compliance with Procurement Policies - Periodic compliance reviews are underway to ensure that appropriate procurement methods are properly utilized, and that open and competitive bidding is taking place where required and when possible. An initial review was performed at a University of Michigan Health Center unit and other reviews have been scheduled.

Management has taken appropriate corrective action. **This audit is closed.**

##### Department of Ophthalmology and Visual Sciences Fiscal Responsibilities

#2005-114

Original Report issued June 15, 2005

Follow-up Report issued October 3, 2005

- Review and Approval of Expenses - Management has created a list of authorized signers for financial transactions. The chief department administrator now approves all faculty expenses and does not sign off on travel expenses until there is a Temporary Faculty Absence form approved by the chair. The departmental website has been updated to include department specific policies with defined responsibilities for each position. Expenses made on behalf of the chair are being centrally processed on one P-card and forwarded to the dean's office for review and approval. **Closed**
- Submission, Review and Processing of Pay Information - Faculty members are now submitting exception time requests to the chair for approval. A written timesheet policy was developed and a delegation form is being utilized to assign signature authority. Staff has received reminders that employees are restricted from accessing their timesheets once they have been approved and that information regarding temporary employees must be communicated timely. **Closed**

- Business Purpose of Travel and Hosting Events: - Finance personnel have met with staff to discuss business purpose documentation requirements. Review checklists were created to improve the compliance review of expenses and ensure a properly documented business purpose. Department policies have been formalized and require a clearly identified business purpose including documentation such as conference brochures. **Closed**
- Purchasing Practices - Management communicated to the entire department that splitting transactions to avoid Purchasing review at certain thresholds was prohibited and that using internal resources and select vendors when applicable is expected. Departmental expense review checklists incorporate an evaluation of these requirements. The department created a purchasing decision tree document to help staff follow proper policy. The finance director is reviewing cell phone usage across the department, has drafted a departmental policy regarding cell phone usage, and is in the process of converting all the phones to the select vendor for the University to gain better discounts for the department. **Closed**
- Miscellaneous Processing - Faculty and Staff members received reminders regarding the proper classification of expenses for indirect cost recovery exclusion as well as the timeliness of expense document submissions. Departmental review checklists incorporate these requirements. Documented department policy requires staff to submit expense reports within 15 days of the expense so that there is time for review and approval within the 30 day deadline. **Closed**

Management has taken the appropriate steps and corrective action has occurred on all major audit recommendations. **This audit is closed.**

**Department of Psychiatry Fiscal Responsibilities**

#2005-114

Original Report issued June 3, 2005

Follow-up Report issued October 31, 2005

- Review and Approval of Expenses - Travel and hosting transactions for the department chair are centrally reviewed and approved by the dean. The department has obtained a P-Card for the department chair to support efforts in monitoring expenses through a single P-Card source. Management is providing education and training to faculty and staff to reinforce roles and responsibilities for financial transactions. **Closed**
- Faculty Time Sheets - Exception time reports for partial appointments are now obtained and approved by Psychiatry prior to processing. The department Human Resource manager currently is receiving all time reports to ensure appropriate processing and payment. The exception time report has been revised to include faculty signatures prior to chair review and approval. Faculty absence forms are being reviewed by a higher authority. **Closed**
- Purchasing Practices - Management has provided ongoing communication to staff on utilization of internal resources via email and department staff meetings. Management is requiring that any person deviating from internal or approved vendors will need to provide documentation to support a cost or service benefit. Communication of this process is also incorporated in their new training. **Closed**

Management has taken appropriate action to strengthen the internal control structure. **This audit is closed.**

**UMHHC Chargemaster Assessment**

#2005-120

Original Report issued November 9, 2004

Follow-up Report issued October 19, 2005

- CDM Updates - Charge Description Master (CDM) code changes required by third party payers are now identified on a quarterly basis and included in the CDM Analysts' work lists of changes to be made. Confirmation of completed changes consists of the CDM Administrator reconciling

CDM system screen prints of each change to the work list and sending e-mail notification of the change to appropriate department contacts. **Closed**

- Management of Variable Rate Codes - Fifty-seven percent of the variable rate codes observed in the audit have been or are pending inactivation. Remaining variable rate codes are supported by department letters explaining the necessity for continuing them. A semi-annual cost-analysis of rates will be performed by the CDM administrator beginning in January 2006 and documentation of annual increases at the institutional rate are now required for each code maintained. **Closed**
- CDM Authority and Responsibility - Policy was developed to outline the distribution of specific responsibilities for CDM code changes, additions, and deletions. Roles were clarified for the Budget and Rate-Setting Department, clinical departments, C-Cubed staff and the Rate-Setting Committee. The policy was reviewed and approved by HHC and Ambulatory Care leadership. **Closed**
- Departmental CDM Reviews - CDM analysts each maintain a schedule of the audits they perform with prior and projected review dates to ensure that every department assigned to them is included at reasonable intervals. **Closed**
- CDM Training - Training class participant lists are being maintained to ensure that only trained individuals request updates. Three CDM trainings were offered in May and June. In support of on-going, individual training, a listing of department CDM contacts is maintained by analysts and departments are updated periodically with contact information for the analyst assigned to them. **Closed**
- CDM Analyst Qualifications - Two of four CDM analysts have achieved the Certified Professional Coder-Hospital designation in the last six months. A third analyst is preparing for certification. The newest member of the CDM team is a Registered Health Information Technician. As a group, CDM staff members have financial, billing and medical technical background. **Closed**
- CDM Access Rights - The CDM Administrator obtains and reviews system reports of access to the CDM. Current access is appropriate. **Closed**

Action plans have been implemented and the control environment has been strengthened. **This audit is closed.**

UMHHC Housing Bureau for Seniors  
Original Report issued October 28, 2004

#2005-112  
Follow-up Report issued October 24, 2005

- Loan practices that are consistent with authorized procedures - Management has revised its loan policies, procedures, and orientation materials to ensure overall consistency and documentation of loan practices. Housing Bureau for Seniors (HBS) has reviewed all internal files and reorganized them to improve the management of loan records. The director periodically reviews loan activity conducted by the social worker to ensure consistency with authorized procedures. Management meets with the HBS Finance Committee monthly to report the status of loan activity. **Closed**
- Adequate financial controls over loan activity - HBS and Hospital finance have established and implemented an accounts receivable system for loan transactions. Hospital finance has appointed a person to manage the receivable system and monitor outstanding loans. HBS and Hospital finance meet monthly to discuss transactions and ensure overall accuracy of reported loans. **Closed**



- Collection of unsecured loans payable - Management is presently working with the Office of the General Counsel, and Treasury. The General Counsel's Office and Treasury have made the decision not to pursue collection of old loans, however, loan agreements will be revised and language added to inform loan recipients that issuance of a 1099c will be provided for those defaulting on loans going forward. **Closed**
- Appropriate legal identification for loan contract - Management has forwarded existing loan agreements to the Office of the General Counsel for revision and evaluation of loan terms and conditions. Language has been revised to ensure appropriate loan agreements exist. **Closed**
- Appropriate loan acceptance/rejection criteria - Management has refined loan screening procedures and orientation procedures to ensure that loan applicants are appropriately assessed prior to submission and approval before the loan committee. Existing practices include an overall financial review, budget analysis and other assessment tools to assure appropriate practices are in place. Secondary approval by the director is required prior to forwarding loan applications to the HBS Committee. **Closed**
- Adequate loan fund policies and procedures - Management has revised loan fund policies and procedures to cover terms and conditions recommended. Procedures have been in place since January 1, 2005. Periodic monitoring is conducted by the director to ensure compliance with authorized procedures. **Closed**

**MAIS Business Continuity Planning**

Original Report issued April 19, 2005

#2004-302

Follow-up Report issued October 26, 2005

- Sharing of Business Continuity Planning Materials - The MAIS business continuity planning template has been placed on the MAIS website. The template offers a standard approach to business continuity planning and is available for all campus administrative, academic, and research functions. **Closed**
- Business Continuity Plan Approval - An area for signoff by department management was added to the template to verify that the plan's scope and recovery methods meet objectives. The template was distributed to MAIS units. **Closed**
- Plan Status Reporting - The inventory of business processes spreadsheet was added to the MAIS website. The spreadsheet shows central office planning status including missing plans, last update dates, and last review dates. **Closed**
- Information Security - A procedure has been implemented to secure programs and sensitive backup data necessary for recovery of operations. An option is available to electronically send backup to secure offsite servers. **Closed**

Management has strengthened the internal control environment. **This audit is closed.**

## ORIGINAL REPORTS

### Campus

#### Intercollegiate Athletics Student-Athlete Promotional Activities

#2005-247

Issued November 2, 2005

Intercollegiate Athletics policies require that for any promotion, the sponsoring organization complete a Promotional Activity form and any participating student-athletes complete a Student-Athlete Certification form. University Audits reviewed completed and properly executed documents for five selected promotional activities with no exceptions noted. The selected sponsors were proper charitable, educational or non-profit organizations and the activities were conducted within 100 miles of campus. **This audit is closed.**

#### Intercollegiate Athletics Booster Clubs

#2005-239

Issued November 16, 2005

The objectives of this audit were to:

- Provide the external auditors with a summary of the booster clubs statements of disclosure.
- Perform a limited review of the Dekers Blue Line Club and the University of Michigan Diamond Club.

Audit procedures included examining and summarizing statements of disclosure received from external booster clubs, analyzing and resolving any discrepancies or questionable items and transmitting summarization to external auditors. For the reviews, we met with representatives of the selected clubs to evaluate financial records and transactions.

Based on the work conducted, it appeared that financial records were adequate to assure propriety of financial transactions and related statements of disclosure for the Dekers Blue Line Club and the University of Michigan Diamond Club. **This audit is closed.**

#### School of Dentistry Fiscal Controls Assessment

#2005-213

Issued November 15, 2005

University Audits performed an assessment of internal controls within the patient revenue cycle. Revenue and expenses associated with Dental Stores, the Post Doctoral Scholar Program, the Continuing Education Office, and the Outreach Office were evaluated. University Audits also reviewed control procedures in the department of Cariology, Restorative Sciences, and Endodontics. Audit procedures were designed to evaluate the adequacy and effectiveness of controls over:

- Department Budgeting
- Financial Reporting
- Procurement
- Payroll

Control Issues:

- Dental Stores Sales - Dental Stores does not use cash register sales totals and pre-numbered customer receipt documents when reconciling day-end sales activity. These practices establish accountability for customer payments.

The School of Dentistry also does not utilize the central services provided by the Plant Operations Key Office. Dental Stores personnel are responsible for issuing building keys, maintaining key records, and accounting for key deposits and refunds.

**Management Plan** - A new cash register that will provide daily sales totals has been purchased for Dental Stores. A policy is now in place that requires that employees use the Plant Operations Key Office for obtaining and returning building keys. The key office began performing this function for the School of Dentistry during the audit.

- Separation of Job Duties - For three key programs, record keeping and cash handling job duties are not adequately segregated. Standard Practice Guide section 500.1 Fiscal Responsibilities prohibits one individual from controlling financial transactions from start to finish.
  - The *Post Doctoral Scholar Program* coordinator is responsible for processing student applications, registering students at the Registrar's Office, collecting tuition, making deposits, and reconciling deposit records to University financial Statements of Activity.
  - Assistants in the *Office of Continuing Education* prepare tuition billings, process collections on account, prepare cash receipt tickets, and reconcile University financial Statements of Activity.
  - The *Outreach Program* coordinator prepares quarterly sales invoices for professional services, processes collections on account, prepares cash receipt tickets, and reconciles University financial Statements of Activity.

**Management Plan –**

- *Post Doctoral Scholar Program* - Each student is given a list of things to do the first week of school. The list will include a tuition deposit. Students will either pay by credit card or be given a cash receipt ticket and sent to the central campus Cashier's Office on North University. Students will no longer be allowed to make installment payments. All tuition will be required the first week of school. Faculty will be notified of this new policy.
- *Office of Continuing Education* - Training Assistants will be responsible for making deposits for the courses they coordinate. They will prepare a Course Tuition Report for each course and submit it to the program coordinator. The program coordinator will verify course revenue totals using M-Pathways Statement of Activity financial information.
- *Outreach Program*: The program coordinator will send payments to a financial services clerk in the School of Dentistry. Deposits will be made by the financial clerk and verified in M-Pathways by the program coordinator.
- Safeguarding Cash - Current procedures and practices may not be adequate to prevent unauthorized access to cash received. Funds received for daily deposit are kept in the Patient Business Office in an unlocked file cabinet for about an hour before being transferred and secured in a floor safe. The Patient Business Office may receive deposits from as many as twelve cashiers. On a busy day the total deposit can exceed \$40,000.

**Management Plan** - Funds received for deposit will be immediately secured in a floor safe that is located in a separate room and locked at all times.

- Single Transaction Limits - The need to improve compliance with University procurement policies is demonstrated by the following observations:
  - A purchasing card transaction that met University equipment capitalization requirements was incorrectly charged to non-capital equipment account 614420. The equipment was not capitalized because the purchase total of \$5,499 was split and paid on two invoices. Since neither invoice was equal to or greater than \$5,000, it appeared the purchases did not meet the minimum per unit capitalization cost of \$5,000. This purchase also exceeded the purchasing card single transaction limit of \$5,000 and should have been requisitioned through purchasing services and competitively bid.
  - NON-PO vouchers were issued for two fiscal year 2005 purchases exceeding \$5,000. Standard Practice Guide section 507.1 requires that purchases over \$5,000 be requisitioned through Purchasing Services. We also observed that fifteen NON-PO voucher payments

totaling \$41,163 were made to the one vendor for repetitive services typically covered by contract purchase orders.

**Management Plan** - The administrative manager reminded all purchasing card holders that purchases over \$5,000 must go through Purchasing Services. An adjusting journal entry will be prepared to capitalize the equipment purchased. Staff members were also instructed to be aware of multiple purchases from one vendor and to prepare a contract purchase order in those situations.

- Payroll – A manager that approved time reports for off site research staff members did not have direct knowledge that the hours reported were true and accurate. Standard Practice Guide section 518.1 requires that the department manager obtain assurance from someone that can attest to the accuracy of the hours reported. Although student supervisors are assigned the responsibility of reviewing all time reports submitted by off site research staff members, there was no supporting documentation on file providing evidence of the review.

**Management Plan** – Time reports are now being reviewed, approved, and initialed by student supervisors. Payroll registers are now being reconciled to time reports.

- Billing and Collecting Tuition – Most Post Doctoral Scholar students make tuition payments in person by cash or check and receive a tuition receipt only if they request one. Preparing tuition receipts on a selective basis increases the risk that incorrect amounts may be collected from students. The department accepts credit card payments on an exception basis only.

**Management Plan** – The program coordinator will issue detailed tuition receipts to all students. Written procedures will be prepared to document this new practice. Credit card payments will be accepted on a regular rather than exception basis.

- Travel Expense Reports – University purchasing card policy does not allow purchasing card holders to file University travel expense reports. During fiscal year 2005, there were a number of travel expense reports filed by purchasing card holders from the Cariology, Restorative Sciences, and Endodontics department.

There are expense reports filed in fiscal year 2005 for trips taken in fiscal year 2004. The time elapsed between the trip return date and the accounting date ranged from fifty-three days to over seven months.

**Management Plan** – Travel expense reports are no longer being accepted from purchasing card holders. The timeliness of filing travel expense reports is one of the priority issues the new administrative manager will be discussing with the new department chair.

- Verifying Tuition Records – Course revenue totals recorded in department records are not substantiated and verified to deposits. The Office of Continuing Education uses an educational software application to track enrollment and tuition. The Course Tuition Report that is provided by the software could be used to verify that all tuition has been collected and deposited.

**Management Plan** – The report is now being utilized. Differences are investigated and resolved.

The School of Dentistry has taken many steps to strengthen the internal control environment of the various departments and programs. A follow-up review will be conducted during the third quarter of fiscal year 2006.

Utilities Services pays utility bills for all university buildings as well as all leased properties, except Flint and Dearborn campus buildings. The Utilities Enterprise designed and managed to recover all utility costs. Utilities are charged at a building and account level for steam, electric, outlying boilers, and purchased utilities. This audit reviewed the control structure of the Energy Billing System (EBS) which is utilized by the Utilities Services unit of Plant Operations.

Control Issues:

- Policies and Procedures – The Utilities Services department has not updated their formal policy and procedures manual since the conversion to EBS. The unit does have drafts of several policies and procedures written during training of new staff members as well as a month-end checklist to guide reconciliation activities. During the course of this review, several additional written procedures were drafted.

Documented procedures covering steps to perform operations and financial activities help ensure departmental goals and objectives are met. Consideration should be given to:

- Classification of data, ownership, and security
- Vendor authority and responsibilities
- Access authorization and authentication
- Physical security
- Compliance with UM conditions of use
- Backup strategy, location, verification, and testing
- Retention and archive schedules for electronic data

**Management Plan** – Management acknowledged the need for formal written policies and procedures, including but not limited to the items suggested above.

- Business Continuity Plan – Utilities Services does not have a Business Continuity Plan to ensure functions continue when disruptions of systems, networks, or facilities occur. The plan should cover unavailability of the network, the billing system, the main facility, and key personnel. Critical information and functions should be identified and prioritized. The plan should also include notification and communication, procurement of equipment and supplies, an alternate site, interim procedures, training, testing, and provisions for updating the plan.

**Management Plan** – Management acknowledges the need for a comprehensive Business Continuity Plan which will be approved, tested, and maintained by Utilities Services.

- Disaster Recovery Plan – A Disaster Recovery Plan and related procedures have not been written and formalized. A current and effective plan helps ensure hardware, software, facilities and people are available to reestablish critical business systems in a timely manner in the event of a major disaster.

**Management Plan** – Management is writing a Disaster Recovery Plan. They have purchased backup and recovery equipment with an expected delivery date by January 1, 2006. They anticipate that the plan will be completed shortly after implementation of the backup system.

- Password Controls – A plain text password is located in a configuration file in the client application folder. Along with the password are userid, connection string, and paths. Anyone with access to client machines can use the id and password to gain unauthorized administrator access to the Oracle Database Management System. The Oracle export and import functions could be executed to copy and/or replace the database.

The recent system upgrade did not address this issue. The software vendor has said encrypting the password is on the future enhancement list. No target date has been set.

**Management Plan** – Plant Operations Network Services will change and control the password until the vendor encrypts it.

- **Security Monitoring** – There is no regular monitoring or review of access logs for the EBS application and web servers showing use of privileged accounts, remote access, or unauthorized access attempts. Changes to the application software and databases can go undetected. The vendor contracted for software support has remote access to the web server and database server. The web server accesses the production database. Remote access is not tracked. The Business and Finance Information Technology group does provide security alerts.

**Management Plan** – Plant Operations Network Services is in the process of implementing a virtual firewall for the Utilities Administration network and infrastructure.

- **Remote Access** – The vendor gains remote access through the Internet to the EBS database located in the Utilities Administration Building using an insecure version of Virtual Network Computing (VNC). This could allow an unauthorized party to capture the session information and acquire network access.

**Management Plan** – During the audit, Plant Operations Network Services replaced VNC with Remote Desktop, which provides a secure connection to the database. Transmissions will be encrypted, as the desktop uses Win XP. Logon and logoff activities are logged in the Windows Event Viewer.

- **Server Room Maintenance** – At the time of the audit visit to the Utilities Administration server room, server areas of the room were cluttered with boxes containing supplies, cables, a phone, a keyboard, plastic bags, and other material. Boxes retain moisture and collect dust. Clutter could be a safety issue and fire hazard.

There were two dried spots on the ceiling which should be investigated to determine whether there is a potential for leaks which could interfere with electronic equipment and present a hazard to staff.

**Management Plan** – Plan Operations Network Services cleaned the server room. Utilities Services addressed the ceiling leak by having the building re-roofed.

A follow-up review of the outstanding issues will be conducted during the fourth quarter of fiscal year 2006.

## **FOLLOW-UP REVIEWS**

### **School of Social Work Computer and Physical Controls**

#2004-350

Original Report issued April 11, 2005

Follow-up Report issued November 16, 2005

- **Emergency Plan** - The Building Emergency Action Plan is complete and complies with the University's Department of Public Safety and Michigan Occupational Safety and Health Act (MIOSHA) guidelines. **Closed**
- **Evacuation Signage** - Evacuation signs have been effectively placed throughout the School of Social Work building. **Closed**
- **Special Needs Evacuation** - The School of Social Work Emergency Plan addresses individuals with special needs and complies with the requirements of the Department of Public Safety. **Closed**

- Equipment Shutdown - The School of Social Work Emergency Plan section: "Computer and Technology Services Back-Up Recovery and Evacuation Plan" documents reliable procedures for shutting down computer equipment in the event of an emergency. **Closed**
- Fire Drills - A successful fire drill was conducted in consultation with the Department of Public Safety. Regular scheduled fire drills and severe weather drills for the School of Social Work building are included in the plan. **Closed**
- Disaster Recovery Plan - The School of Social Work Emergency Plan complies with SPG 601.12, Institutional Data Resource Management Policy and it addresses all disaster recovery requirements. **Closed**
- Computer Room - A work order was submitted to construct free-standing server racks and securing the loose cables. Other debris littering the communications closet will be cleaned up by ITCOM. **Closed**
- Potential Hazards - Plant Operations has begun removing debris from the boiler room. The barrels will be labeled to identify their content and efforts will be made to keep the space clean and dry. **Closed**
- Fire Doors - Management of Plant Extension Operation has provided a quote to add flush mounted door holders for the fire doors making them compliant with MIOSHA regulations. **Closed**

Management has taken appropriate corrective action. **This audit is closed.**

**English Language Institute**

#2005-208

Original Report issued March 30, 2005

Follow-up Report issued November 29, 2005

- Segregation of Duties - Selected program staff members have been reassigned to eliminate the concentration of duties in single positions and improve supervision issues. The business section of the Institute is now responsible for the collection, monitoring, and reconciliation of revenue. **Closed**
- Cash Handling Procedures - Procedures used to manage and report orders and payment for sales of publications and tests have been revised to improve segregation of duties and internal controls over revenue. The business section of the Institute is now responsible for the collection, monitoring, and reconciliation of revenue. **Closed**
- Reconciliations - The business section of the Institute now conducts a monthly reconciliation of the individual credit card payment batch totals with the credit card bank statement and the Statement of Activity. **Closed**
- Compliance with University Policy - The approved time reporting procedures are now followed when an incorrect rate of pay is indicated on a bi-weekly time card. **Closed**
- Supervision of Program Staff Members - Supervisory responsibilities have been clarified to provide for appropriate supervision and oversight by individuals who have knowledge of the daily operations of a program's activities. **Closed**
- Appropriate Independent Review - Functional supervisors are now required to monitor attendance and approve bi-weekly and temporary time sheets. **Closed**

Management has taken the appropriate steps and corrective action has occurred on all major audit recommendations. **This audit is closed.**

**Medical School Outside Employment Disclosure**

Original Report issued April 26, 2005

#2005-118

Follow-up Report issued November 2, 2005

- Disclosure Evaluations - Notices issued to department chairs indicating past-due disclosure evaluations have been modified. Chairs are reminded of the May 1<sup>st</sup> deadline for completion and a list of the specific disclosures requiring their review is provided. Medical School faculty disciplinary procedures will be reviewed relative to disciplinary steps for non-compliance with review and submission timelines by the Dean's Office. **Closed**
- Disclosure Reporting Follow-Up - System generated e-mails were initiated this year in August to notify department chairs at monthly intervals of outstanding faculty disclosures and chair reviews. A timeline for initiating these e-mails in subsequent years will be determined by the Medical School Compliance Office. **Closed**
- On-Line Report Form - A system-enforced restriction limiting the number of days expended on outside employment activities has been removed to allow full disclosure of any activities that exceed the 48-day limit. A data field option has been made available to chairs for indicating those disclosures requiring further review and disposition. **Closed**
- Outside Military Reserve Activity - The Provost's Office clarified per the Standard Practice Guide policy 201.33 that the fifteen days of allowable reserve duty leave outlined in the policy will not be considered as part of the 48-day limit to outside employment activity. **Closed**

Management has taken the appropriate steps and corrective action has occurred on all audit recommendations. **This audit is closed.**

**Department of Otolaryngology Fiscal Responsibilities**

Original Report issued July 29, 2005

#2005-114

Follow-up Report issued November 8, 2005

- Review and Approval of Expenses - Financial transactions are currently undergoing a management and compliance review by the department administrator and the business manager. Education and training has been provided to all staff including secretaries. A faculty and staff meeting was held on September 7, 2005 to walk-through audit observations and to communicate appropriate procedures. **Closed**
- Submission, Review and Processing of Pay Information - Exception time reports are now required for all faculty members to document vacation, sick and other authorized leaves of absence. The department administrator is monitoring submission of these documents. Management discontinued the practice of returning time cards to staff upon approval. Meetings were held with staff and supervisors prior to the September 7th faculty and staff meeting to communicate University policies and procedures associated with payroll controls. **Closed**
- Business Purpose Travel and Hosting - Management has re-educated faculty, staff and secretaries regarding University travel and hosting requirements. The travel and hosting policy was communicated to ensure staffs knowledge and understanding. The department administrator and the business manager are working together to identify areas of non-compliance and initiate further education and training as needed. Management is utilizing University Audits' presentation on Fiscal Responsibilities and sharing with faculty and staff as part of their education and training. **Closed**
- Purchasing Practices - Management has informed faculty, staff and secretaries to utilize internal resources whenever it is feasible. Management has required staff members to document a cost or service benefit to the University when external vendors are substituted. Management is also monitoring purchasing activity so that it meets required thresholds and/or restrictions to ensure compliance with established policies. **Closed**



- Segregation of Duties - During the review the department administrator discontinued statement of activity (SOA) reconciliations being conducted by individuals who managed the accounts. Based on our review, adequate segregation of duties has been established and both employees review and sign off on the other's SOA. **Closed**

Management has taken appropriate action to strengthen the internal control structure. **This audit is closed.**

**Radiology Department Fiscal Responsibilities**

#2005-114

Original Report issued July 29, 2005

Follow-up Report issued November 16, 2005

- Review and Approval of Expenses - To ensure an objective review of purchases, purchasing system access rights have been separated from responsibility for reconciling related statements of activity in two department research areas. **Closed**
- Authorization of Time Reporting Activity - Written delegation of signature authority has been completed by the Department Chair and signature stamps have been eliminated. Supervisor approval is being documented for timecard corrections. **Closed**
- Related Party Transactions - A management plan for Department Chair supervision of a relative has been authorized by the Dean of the Medical School and the Assistant Dean for Faculty Services. Policy for management of related parties by the same supervisor has been reviewed and signed by several sets of related staff members. **Closed**

Management has taken appropriate action to strengthen the internal control structure. **This audit is closed.**

**MCIT User Account Management**

#2004-338

Original Report issued May 19, 2004

Follow-up Report issued November 30, 2005

- Authorization Policy and Guidelines - The University of Michigan Health System Compliance and Privacy Office approved, published, and communicated its policy and guidelines regarding account management. Monitoring appropriate external access is in progress. **Closed**
- Procedures for Authorized Signers - A University of Michigan Health System Information Access Committee has been established and is in the process of defining the roles and responsibilities of authorized signers. **Closed**
- Training for Authorized Signers - Information security policies have been approved and communicated to the authorized signers. Complete authorized signer and data steward assignments will be reviewed by management. **Closed**
- Access Setup Procedures - Work is in progress, in coordination with the Medical Center Information Technology (MCIT) Remedy team, to add departmental applications to the ARWeb Account Request form. **Closed**
- Termination Procedures - MCIT's Clinical Support Unit will distribute the PeopleSoft Human Resource database feed to the account administrators to aid in compliance with termination policies. **Closed**

Management has taken appropriate action to implement all audit recommendations. **This audit is closed.**

**MAIS Data Center Firewall**

Original Report issued April 29, 2005

#2004-347

Follow-up report issued November 30, 2005

- Unnecessary exceptions in firewall - MAIS Security/Network Services (SNS) is performing meticulous firewall rule reviews, identifying undocumented, unnecessary, or high-risk exceptions and working with affected parties to mitigate them. Significant improvements have been achieved, and future goals have been set. SNS anticipates holding quarterly firewall review meetings on an on-going basis, a commitment that is reinforced by their activities and accomplishments to date. **Closed**

Management has taken appropriate action to implement audit recommendations. **This audit is closed.**

## ORIGINAL REPORTS

### Campus

#### University of Michigan – Dearborn Athletics and Recreation Department

#2005-234

Issued December 9, 2005

- This audit focused on the internal controls related to key operational processes including: revenues and expenses associated with facility rentals, health club memberships, summer camps, adventure based team building programs, and gate receipts
- Departmental budgeting
- Financial Reporting
- Procurement
- Payroll

#### Control issues:

- Financial Reporting - The sales revenue for all fieldhouse programs (Operation Adventure, Facility Rental, Gate Receipts, the Ice Arena, and the Wellness Center) is not reported by individual program. Therefore, there is not enough information to prepare detailed budgets and analyze sales activities such as memberships, daily guest passes, merchandise and fitness programs.

**Management Plan** – Athletics has implemented a process to use separate account codes for recording sales activities. Comparison of actual revenues against budget is planned for fiscal year 2006.

- Central Cashier Function – Billing and collection procedures do not provide for adequate segregation of duties. During regular business hours, paying customers are directed to the billing clerk who had prepared the customer invoice. Customers who lease the fieldhouse or ice arena after 5:00 PM remit payment to the afternoon building manager who turns the funds in for processing the following day. The sales counter allows unobstructed access to the cash drawer and sales records. The Wellness Center accepts payments from 7:00 AM until 10:00 PM, but only for Wellness Center customers.

**Management Plan** – The department will purchase a cash register and reconfigure the Wellness Center service desk area. The University Cashier will assist in training staff and setting up equipment so the Wellness Center can process payments for all athletics programs.

- Membership Rates and Equipment – The Wellness Center budget does not include funding for equipment replacement. Original cardiovascular and strength training equipment was purchased in 2000 shortly before the Wellness Center opened.

The membership dues and locker fees for the Wellness Center are significantly lower than fees charged by comparable health facilities at Ann Arbor and Flint campuses. All facilities have a full line of fitness equipment, an indoor track, cable television, lockers and showers.

**Management Plan** – Senior officers will be consulted about increasing membership dues and daily guest pass fees. They will also be asked to determine whether University funds should be used to establish an equipment replacement fund, or if the increase in membership dues should be designated for this purpose.

- **Business Contracts** – Contract management can be improved:
  - Three ice arena rental agreements were approved and signed after the season began. Allowing customers access to the arena without a signed contract and liability waiver increases risk.
  - Gym rental agreements state that a 25% non-refundable deposit is due upon signing and the balance is due before the commencement of any setup activities. Many customers do not make the required deposit and usually full payment is received after the event is over. Exceptions should be fully documented when the terms of the agreement are not followed.
  - The department does not know whether or not the Office of the General Counsel has reviewed all of its business contracts. There are contract forms for use of fieldhouse facilities, the high ropes course, the ice arena, and the Wellness Center.

**Management Plan** – The department will do the following:

- Procedures will be developed to ensure that all contracts are received before the start of the skating season.
- Customers will be required to make non-refundable deposits when they sign gym rental agreements. To make payment more convenient, the department will begin accepting credit cards.
- All business contracts will be re-submitted to the Office of General Counsel for review.

- **Unbilled Gym Rentals** – Several gym rental customers scheduled in the fieldhouse event calendar were never billed.

**Management Plan** – A checklist will be used to ensure that all gym rental customers are billed. This checklist will be prepared for each contract and will include a timetable for the completion of each action item. Contracts will remain open until all action items are complete. Checklists will be reviewed monthly for open items.

- **Accountability for Gate Receipts** – There was a lack of accountability for gate receipts:
  - Although a \$5 entry fee is charged at the door for volleyball events, no tickets were issued creating a risk of not recording the revenue.
  - Season passes for hockey games are not prenumbered and accounted for sequentially.
  - Ticket sellers keep gate receipts in a cash box which is turned over to the building director who secures it overnight.

**Management Plan** –

- Open Volleyball will implement a two-part ticket system to track revenue receipts.
  - Hockey season ticket holders will be asked to fill out a contact information stub at time of purchase. The stubs will provide a written record for each sale and will be used to prepare a list of booster club members. Tickets and stubs will be prenumbered and accounted for sequentially.
  - Ticket sellers will be issued a locking cash bag for all ticketed events. The bag will be used to secure gate receipts and the event sales report. Sellers will deposit the locked bag in the drop safe immediately after the event.
- **Operation Adventure** – The manager of the Operation Adventure program is a non-student temporary employee who has held the position for four years. Standard Practice Guide section 201.57 prohibits temporary employees from performing the same duties in the same department for more than 12 months.

**Management Plan** – Management will work with Human Resources and the vice chancellor for Enrollment and Student Life to create an appropriate employment contract for the Operation Adventure Coordinator.

- Payroll Time Reports – Non-exempt bi-weekly and temporary staff members do not submit an approved record of their time to the department timekeeper.

**Management Plan** – Non-exempt employees will submit an attendance report to their immediate supervisor for verification and signature.

- Procurement
  - Team travel expenses of \$5,132 for two away volleyball games played in September and October were recorded in July of the following fiscal year.
  - A former employee's purchasing card was cancelled forty days after his termination date.

**Management Plan**

- The department will comply with University guidelines for submitting travel expense reports within thirty days of the trip end date.
  - The department will consult with Human Resources regarding employment termination and implement the established employee termination guidelines and timelines.
- Cash Depositing
    - For the period reviewed, an independent accounting of summer camp deposits was not performed.
    - There are no procedures to verify that cash receipt ticket amounts are actually deposited.
    - Wellness Center Daily Cash-out reports are not independently reviewed and approved.
    - The Lacrosse Club sports program relied on the Fieldhouse Business Office for deposit services that could be provided by the Dearborn Cashier's Office.

**Management Plan**

- All summer camp rosters shall be sent to the Fieldhouse Business Office, verified and reconciled, and a copy given to the camp coordinator.
- The secretary to the assistant director will reconcile copies of the cash receipt tickets to the deposit receipt issued by the Cashier's Office.
- The Wellness Center daily Cash-out Report will be reviewed and approved by the coordinator before it is sent to the Fieldhouse Business Office for processing.
- All club teams will prepare a three-part cash receipt ticket and deposit directly with the University Cashier. The Cashier will retain the original and send copies to the Fieldhouse Business Office and the club team.

The Dearborn Athletics and Recreation department management is actively implementing all of the changes discussed above. A follow-up review will be conducted during the third quarter of fiscal year 2006.

**School of Natural Resources and Environment Financial Controls**

#2005-217

Issued December 22, 2005

This audit evaluated the adequacy and effectiveness of controls over subscriptions and publication sales, procurement expenditures, and imprest cash funds.

Control Issues:

- Purchasing Card Holders with Travel & Expense Reports - University purchasing card policy prohibits P-Card holders from filing University travel expense reports in order to avoid duplicate payments. During fiscal year 2005, twelve of the thirty-two P-Card holders filed two or more University travel expense reports. There were no duplicate payments.

**Management Plan** – A communication will be sent to all P-Card holders in the School reminding them to use their P-Card for travel and hosting related expenses including those where an ATM withdrawal would be appropriate. Management will not sign/approve travel reports when the employee has a P-Card.

- Imprest Cash Fund - The custodian of an imprest cash fund used to make research subject fees deposited a check for \$6,000 to a personal checking account in order to expedite payments to the research participants. While the department advises researchers to use purchasing card ATM withdrawals to pay subject fees, this researcher had not attended the required P-Card class prior to leaving town for the field study. The study was concluded, the fund was closed out, and a check was written for the remainder of the funds.

**Management Plan** – Management has agreed that Standard Practice Guide policies will be followed in similar situations in the future.

- Sea Grant Payment Processing Procedures – Customers often pay for subscriptions using a credit card. The payment is processed through an outside vendor's secure order processing software. Staff members access this software and print a copy of the customer information sheet containing the order and credit card information. The Treasurer's Office had not approved the retention of any customer credit card numbers.

**Management Plan** - All credit card information will be blackened out on file copies of customer information sheets. A decision will be made as to whether or not this information should be retained once all necessary information has been entered and payment has been processed.

- Cash Depositing – Endangered Species Update (ESU) – ESU newsletter subscription sales receipts were deposited approximately once a month. Standard Practice Guide section 502.1 requires that departments deposit on the date of collection or within one business day of collection if the total deposit is less than \$500 with the approval of the Treasurer's Office. Sales receipts were kept in an unlocked drawer or file cabinet until the end of each month. Checks were not restrictively endorsed until the time of deposit.

**Management Plan** – Payments for ESU subscriptions are now deposited weekly. A request will be made to the Treasurer's Office for this exception from procedure. Options for increasing security in the ESU office will be reviewed.

- Access to Private Data – The student mail file folder system is located in the student lounge near the doorway closest to the main entrance of the Dana Building. Anyone entering the building has unrestricted access to the mail of the students. In one instance, a student social security number was noted on a form open to the public.

**Management Plan** – The mailroom staff will be reminded of the concern for private information and to be watchful and not place formal documents for students in the common file folder mail area. Departmental Admissions will be reminded to send all documents that contain private information to students by US mail.

The financial control structure within the School is well designed and faculty and staff appear to be in compliance with most internal policies and procedures. Corrective actions are planned or were implemented to improve security over sensitive information, and to ensure compliance with University purchasing card, cash depositing, and imprest cash fund policies. Follow-up will occur during the fourth quarter of fiscal year 2006.

## Healthcare

### Professional Fee Billing Compliance

#2005-126

Issued December 22, 2005

This audit was conducted at the request of the Professional Fee Billing Compliance Program (PFBC) to assess the practices and procedures designed to ensure of the effectiveness of the program. The Department of Health and Human Services, Office of the Inspector General (OIG) Compliance Program Guidelines were used as the standard for the assessment.

Opportunities to strengthen existing compliance activities and/or practices were identified and presented to management.

#### Issues:

- Program Coordination and Guidance - Coordination and administrative guidance necessary to support the effectiveness of the PFBC Program need improvement in the following areas:
  - Distribution of responsibility between the Medical School executive associate dean's office and the Faculty Group Practice for the PFBC Program is not well defined and managed.
  - The Medical School executive associate dean's office and the Faculty Group Practice have not worked with the PFBC Officer to establish priorities and goals for the program or give specific feedback regarding job and program performance.
  - The Medical School Compliance Officer and the PFBC Officer do not meet regularly on an individual basis to discuss strategy, priorities or the status of the work plan. Committee meetings and other established mechanisms do not ensure that detailed planning occurs between the two representatives primarily responsible for the PFBC Program.
- Compliance Reports – OIG Guidelines for Hospital compliance programs recommend that reporting occur on a regular basis to the relevant governing body and senior management and that records of auditing and monitoring be shared with senior management. Implementation of the following reporting elements would improve reporting sufficiency and timeliness.
  - A review of Program performance against the Plan or OIG compliance program guidelines as part of annual reporting to senior management and bi-annual presentations to the Faculty Group Practice Board.
  - Structured update reports to senior management on regular basis regarding investigation, tracking and resolution of significant compliance issues including adherence to the audit schedule and the impact of other priorities on available resources.
- Compliance Plan – To ensure a current and appropriate authorized compliance program plan, review the PFBC Program plan regularly and obtain senior management approval for any modifications. Perform concurrent review of department program plans to obtain assurance that current policies, procedures and internal controls are included to promote billing compliance.
- Annual Program Assessment – The OIG recommends a review of a program's compliance elements such as on-going education and disciplinary actions at least annually. The objective of

the review is to determine if program elements have been fully satisfied and to verify conformance by all departments. There is no record of a PFBC Program review process.

- Systemic Enforcement of Standards – To better OIG Guidelines for disciplinary standards:
  - Review PFBC disciplinary policy for professional fee billing non-compliance to ensure that the range of disciplinary standards is consistent with Medical School standards. Ensure that any PFBC-specific standards for billing non-compliance are published and disseminated.
  - Ensure that specific consequences for non-compliance outlined in the policy are consistently employed.
- Complaints Management – Ensure adequate logging and monitoring of reported issues for appropriate review. Establish a formal protocol for escalation and forwarding of an issue to the appropriate individuals for resolution and appropriate closure.
- Education and Training Plan – Program education and training is conducted without a comprehensive written plan that is coordinated and supervised by the PFBC Officer and authorized by senior management. There is no record of all education and training efforts in a single repository, or assurance that any staff who participate in billing procedures are included.
- Access to Electronic Information – There is no periodic management review of access rights assigned to the system directory that serves as the repository for all PFBC electronic information. PFBC management was uncertain who has been assigned access to the directory. The directory is maintained on a secured Medical School server maintained by Medical School Information Systems.

**Management Plan** – Management concurs with the control recommendations. These issues will be addressed within the context of developing a new Medical School compliance organizational and reporting structure that enhances collaboration, communication and the discharge of responsibility. Professional Fee Billing Compliance will be folded into the new structure and responsibilities will be redistributed to establish prospective measures in operational units where activities originate. Integration of non-compliance reporting and enforcement of standards across functions including clinical, research, and billing will improve effectiveness and consistency.

During the fourth quarter 2006, University Audits will assess the inclusion and implementation status of these improvement opportunities in the restructuring process.

## **FOLLOW-UP REPORTS**

### **UM – Flint Information Technology Services IT Infrastructure Controls**

#2005-333

Original Report issued July 22, 2005

Follow-up Report issued December 22, 2005

- Security over Network-Based Applications: Certain network-based applications transmit data as in an insecure manner. SSH is a program that provides a secure alternative for logging into another computer over a network, executing commands on a remote machine, or moving files from one machine to another. The majority of systems that can use SSH have been configured to use it. One system is currently in testing and conversion will be made in the near future. Significant progress has been made and the last system is targeted for completion. **Closed**
- Anti-Virus Protection on the Firewall: ITCS has extended the current anti-virus contract for a year. Flint ITS will be researching and purchasing their own product. This product will be reviewed as part of future Flint information technology audits. Mitigating controls are in place in the form of virus protection on every University-owned machine on the network, the vast



majority of which are centrally managed. These mitigating controls will provide adequate protection until a product is selected and implemented. **Closed**

- Wireless Policy: The new wireless policy prohibiting rogue access points has been approved and posted. **Closed**
- Security Incident Handling: Flint ITS will adhere to the process currently under development in the University wide IT Security Council. The director of Flint ITS is a member of the Security Council that is developing this solution. **Closed**
- Mail Alerts: The mail servers have been blocked from receiving email directly. All incoming e-mail to the servers must go through Flint ITS' spam filter servers, which do not disclose information via the commands highlighted in this finding. **Closed**

Management has taken appropriate corrective action. **This audit is closed.**

#### Surgery Department Fiscal Responsibilities

#2005-114

Original Report issued June 1, 2005

Follow-up Report issued December 22, 2005

- Review and Approval of Expenses: Department P-Card policy now stipulates that statements must be reviewed and signed by the P-Card holder's supervisor or designee to attest that all purchases had a business purpose and that the goods or services were received. The policy is available on the department web site. An e-mail announcement of the policy update was issued to all section administrators and a discussion of the policy occurred in a department section administrators' meeting. **Closed**
- Corrections/Changes to Pay Documents: A list of authorized signers has been created for reference by department HR representatives who process payroll time sheets and reports. The Surgery Department HR director issued an e-mail to supervisory staff regarding their need to approve changes to time cards and outlined correct procedures. The department web site "Timekeeping Procedures" document has been modified to include these procedures. **Closed**
- Faculty Time Exception Reports: A department policy has been developed to address faculty time exception reporting. The policy indicates that reports should be completed thirty days prior to absences, Medical School policy will be followed, and each department section will track reporting. An electronic Faculty Time Exception Report form is being created for on-line completion by faculty. **Closed**
- Travel & Hosting Expenses: Department policy has been created to more fully describe requirements for documenting travel and hosting business purpose. The policy has been discussed during section administrators' meetings and has been made available on the Surgery Department internal web site. **Closed**

The follow-up review validated all management actions to address outstanding control issues. **This audit is closed.**

## ORIGINAL REPORTS

### Campus

#### Parking Services

#2006-202, 2022

Issued January 9, 2006

Parking Services, a division of Parking & Transportation Services is responsible for:

- The issuance of permits to faculty, staff, students and specific non-UM affiliates
- Managing four cashier-attended parking structures at the Medical Center, School of Dentistry and Campus locations
- Managing ten central pay stations covering 901 parking spaces and 94 meters across campus
- Special event parking activity on-campus

The audit focused on:

- Reviewing general controls over the Permit Management System, McGann System (card access), Digital Payment Technologies (interface system with pay stations for fee collection and transmittal of credit card transactions to the bank) as well as the hardware housing these applications
- Evaluating disaster recovery, backup and recovery, incident response, physical and data security, and program change
- Verifying compliance with the Treasurer's Office/Card Services Service Level Agreement for credit card transactions

Control Issues:

- Parking Passes Issued to Vendors/Non UM Affiliates – Procedures and guidelines for issuing business vehicle permits to non-UM employees are not documented. There were instances of non-UM employees parked in visitor areas for an entire business day using a business vehicle permit. At the Hospital, there were several vendors with parking passes although they had no contractual relationship with the University.

**Management Plan** – Parking will require that vendors write their services contract number on the applications to obtain a business vehicle tag or Hospital structure pass. Prior to issuing the passes, the contract will be verified and, when applicable, a Hospital representative will be notified. Procedures for issuing business vehicle permits and Hospital structure passes to vendors will be documented and usage will be monitored. Passes will be withdrawn from vendors that do not have a relationship with the University.

- Employees Parking in Patient Designated Structures – Parking did not analyze or monitor the utilization of business vehicle permits by employees in the Taubman Structure. Several Hospital employees were observed parking in patient/visitor designated structures free of charge by using a business vehicle permit. Many of these employees parked in the structures several times throughout the month and for an entire shift.

**Management Plan** – A list of identified employees was provided to Parking management for follow-up and enforcement. Parking will pull reports on the McGann access system periodically to monitor use of business vehicle tags and address questionable activity. Follow-up will be documented.

- Security of Hospital Discount Parking Stamps – Parking stamps are located at all nursing stations and Hospital welcome center desks without special security procedures. Parking is aware of the problem and is working on a different system of granting discount parking to patients.

**Management Plan** – Parking will seek executive approval to implement a new validation system for providing discounted parking to patients.

- Adherence to Departmental Policies– Parking policy states that all free exits should be documented and all tickets included in the daily tally. There were instances of tickets missing from the reconciliation and individuals allowed to exit free without any documentation. In the Fletcher structure, during a one day observation, there were 12 tickets accepted without validation or other documentation and no fees assessed.

**Management Plan** – Written documentation will be maintained to support authorized waivers to the parking structure fees. The missing tickets will be investigated. There will be appropriate education and follow-up to parking structures cashiers.

- Improved Audit Process - Although the Parking budget analyst job description requires 10% of time be spent on performing audits of imprest funds, permits issued to clerks, and reconciliations of over/short amounts, there has not been an audit since April 2002.

**Management Plan** – The budget analyst will develop a formal audit process that includes performance of a risk assessment to determine which areas of the department should be targeted.

- Revenue Controls – The Parking Customer Service Office needs to implement stronger internal controls related to:
  - Restricting the clerks' ability to adjust the amount due for a permit at the time of sale
  - Maintaining a pre-numbered cash receipts journal
  - Reviewing voided paper permits prior to shredding
  - Developing procedures to ensure timely deposits

**Management Plan** – The clerks need the access to change the amount due because the system calculated amount for paper permits is not always accurate due to various types that exist. To mitigate the risk, Parking will require that clerks print the financial screen and give to each customer that purchases a non-paper permit with cash or check as a receipt. Signs will be posted in the lobby stating the customer should receive a receipt for their purchase. On a daily basis, the reconciler will select a random sample of transactions to verify the accuracy and validity. Voided paper permits will be shredded after the reconciler has reviewed them. Procedures will be established to ensure that deposits are timely.

- Permit Inventory Controls – There were no procedures to prevent unauthorized use of permit inventory.

**Management Plan** – The Parking Customer Service Office will establish and document an inventory process including quarterly inventory counts of unsold permits and a detailed reconciliation at year end. A log of all permits issued to individual clerks will be monitored to ensure accountability. The office supervisor's permit sales duties will be limited to when it is absolutely necessary due to high volume sales.

- Compliance with the Service Level Agreement – Electronic credit card numbers were being stored by Parking without express, written consent by the Treasurer's Office. Certain unencrypted card numbers were being stored.

**Management Plan** – Parking will contact Card Services and obtain approval and compliance documentation.

- Data Security Controls – The vendor support person for the Permit Management System (PMS) has administrator/superuser level access which is only necessary during scheduled visits. The system does not force password changes or encrypting passwords.

The administrator account password has not been changed recently for the McGann system. There were three unnecessary administrator accounts. The Digital Payment Technologies (DPT) system had one account for logging into the server. Five users share this account with a single shared logon.

**Management Plan** – The PMS vendor account was inactivated immediately. Management implemented a procedure to remind users to change passwords annually and the shared account password quarterly. The vendor implemented encrypted passwords.

The password for the McGann administrator account and the three other accounts mentioned have been removed. Management will implement a reminder to users to change passwords annually. A new version of DPT will be implemented in early 2006 which has capabilities for individual accounts and for assigning restricted privileges based on job requirements.

- Key Access Records – Records differ between the Key Office records and those maintained by the Parking office. Three of the eight keys to the server room need to be located. There are nine master keys to all areas.

**Management Plan** – Parking is working with the Key Office to identify and resolve differences. They will determine if areas should be rekeyed, based on the findings.

- Firewall Security – Parking has been working to implement a host based firewall solution which is not immediately available. An interim solution needs to be evaluated.

**Management Plan** – Parking has installed a Windows firewall on one server and will continue testing. The Windows firewall will be installed on all servers when the testing is finalized. The Virtual Firewall will be installed as soon as it is available.

- Security Scans – Parking can increase the scope and effectiveness of monitoring network security by performing quarterly scans using Retina or another appropriate tool.

**Management Plan** – Parking will obtain Retina software, attend the in-house training, and schedule a scan.

- Remote Access – PCAnywhere is used for remote access to the McGann system by Parking when they need to troubleshoot problems. The McGann vendor can also use the PCAnywhere. As implemented, PCAnywhere has weak access controls, no audit trail, and gives more access than is required. It could allow unauthorized access to the network. Although the vendor notifies Parking when they use remote access, the access is not controlled by Parking.

**Management Plan** – Parking has purchased licenses for the Enterprise Version of VNC which provides encryption for access to servers. PCAnywhere will be removed.

- Disaster Recovery Plan – A Disaster Recovery Plan and related procedures have not been written and approved as required by SPG 601.12.

**Management Plan** – Parking has started to develop a Disaster Recovery Plan.

- Maintaining Social Security Numbers – The PMS database contains social security numbers for some long-term permit holders. New accounts do not include social security numbers.

**Management Plan** – Upon request from the Customer Services Manager, the vendor has deleted all social security numbers from the database. University Audits confirmed this. **This item is closed.**

- Security Compliance Statement – Staff members who handle funds and/or access to significant systems do not sign annual security compliance statements.
- **Management Plan** – During the audit, a Parking and Transportation Services Confidentiality Policy was written and approved. Key staff members will be asked to read and sign it annually.

University Audits will conduct a follow-up review during the fourth quarter of fiscal year 2006.

### Information Technology

#### Institute for Social Research IT Controls

#2005-307

Issued January 30, 2006

The audit of information technology controls at the Institute for Social Research (ISR) included a risk assessment of all five units within the Institute. Audit procedures included:

- Review of procedures for classifying and handling sensitive data
- Review of policies and procedures to ensure that all members of the workforce have appropriate access
- Review of the process of authorizing access
- Evaluation of access termination procedures
- Determination that a secure environment is being maintained for departmental computing resources
- Determination that a disaster recovery plan exists and is adequate to ensure resumption of computer systems in a timely manner during adverse circumstances
- Determination that a business contingency plan exists
- Determination that controls exist for all personal property owned by the University is controlled with the University's policies of acquisition

IT managers at ISR are extremely conscientious about the security of the sensitive research data and are highly dedicated in their efforts to protect the anonymity of survey respondents and maintain the confidentiality of research documents and data.

Control issues:

- System Access - Although there was no evidence of unauthorized access, there was inconsistent practice in some areas of access rules as outlined in SPG 601.12.

**Management Plan** – A formal quarterly review of ISR network accounts is being established to ensure that network access is only available to individuals who are authorized and who are actively enrolled, employed or otherwise eligible to access data at ISR.

- Cables Not in Raceways Issue – Computer and electrical cables in the computer rooms for two ISR departments are not properly secured. The 2002 National Electrical Code requires cables to be secured in racks, raceways, or conduits which are designed to manage cables, reduce the possibility of shock, and decrease the time it takes to troubleshoot problems.

**Management Plan** – IT management agreed to secure the computer and electrical cables in one of the computer rooms. Materials have been ordered for the other room which will allow for moving the server room cables from the floor to overhead.

During the audit, the IT manager performed a review and closed all invalid accounts which is now being done on a monthly basis. The disaster plan which is in place addresses the resumption of computer systems in a timely manner. A follow-up of the two open items will be conducted during the third quarter of 2006.

### Healthcare

#### UMHS MLabs

# 2006-112

Issued January 19, 2006

MLabs offers the resources of the Department of Pathology Laboratories to external physicians, hospitals, laboratories, clinics, and managed care organizations. For fiscal year 2005, MLabs revenue was \$6.9 million from over 250,000 tests.

The audit assessed internal controls over MLabs operational activities including registration, order processing, specimen receipt, workflow, billing, courier service, physical security and customer service.

Control issues:

- Diagnosis Coding – In some instances, if a test requisition does not include a diagnosis, the MLabs billing staff adds the diagnosis code without contacting the ordering physician. This practice is inconsistent with billing guidelines.

**Management Plan** – The new Lab Portal, a web-based order interface, will address this issue because a diagnosis will be required before the order can be submitted. Deployment is scheduled for spring of 2006. To resolve the issue in the short term, management has communicated to billing staff the need to verify diagnosis coded with the ordering physician's office where data is not provided on the requisition.

- Contracting/Legal Agreements – Memorandums of understanding (MOUs) established with hospitals using MLabs as their full reference lab have not been reviewed by the General Counsel's office in several years. There are no signed agreements with physicians' offices. MOUs are signed by Pathology staff without documentation to support delegation of contracting signature authority.

**Management Plan** – MLabs will meet with the Office of General Counsel to discuss this issue and develop a plan to ensure appropriate agreements are executed and approved for reference laboratory services.

- Sendouts and MLabs Client Billing – One staff person bears sole responsibility for billing unique and miscellaneous sendouts tests, creating MLabs client bills, and generating client fee schedules. There are no written procedures for these complex processes and no trained back-up person to perform these duties which are further complicated by the use of outdated database software. This position is critical to ensuring that patients and clients are billed timely.

**Management Plan** – Pathology is in the process of converting R-base databases and macros to Access to allow for staff cross-training. Management will strategize and reassess these processes. Procedures will be documented and appropriate back-up staff will be trained.

- Inaccurate Pricing Data – There were instances where the price in the Hospital charge description master (CDM) was not the same as the price being charged by the reference lab. Reference lab

fees and client fee schedules are entered into a billing database without an accuracy check of the data entry process and the source documentation to support changes is not routinely maintained.

**Management Plan** – Management will work with CDM personnel and reassess current procedures. A routine review will be performed to ensure pricing is accurate.

- Monitoring Tests Outstanding – Reports used to monitor outstanding sendouts and anatomic pathology tests are difficult to review which can delay the identification of resolution of issues. These reports use generic thresholds which are not appropriate for the information being reviewed.

**Management Plan** – The capabilities of the new laboratory information system which is scheduled to be implemented in 2007 should improve this reporting. In the short-term, Pathology will do some time tracking to assess the cost-benefit of making these programming changes and initiate as appropriate.

- Reconciliation of Reference Lab Bills – Reconciliation of bills received from reference laboratories does not include verification that the price charged is accurate. In some cases, the reconciliation is difficult because of the very large number of tests.

**Management Plan** – The reconciliation process will be evaluated and revised to improve monitoring. Management will assign responsibility for reconciling charges for the primary reference labs on a regular basis.

In many instances, internal controls instituted by MLabs over key operational activities appear effective. A follow-up review of the outstanding issues will be conducted during the fourth quarter of fiscal year 2006.

#### UMHHC Vendor Visitation

#2006-118

Issued January 30, 2006

The objective of this audit was to evaluate internal controls over vendors who make site visits to the Hospitals and Health Centers. Key controls evaluated during the review included:

- Vendor Education/Training
- Vendor Scheduling/Appointments
- Vendor Identification and Badging
- Vendor Access and Security
- Vendor Gifts
- Management of Vendor Violations
- Appropriateness of Purchasing Transactions

Control Issues:

- UMHHC Vendor Visitation Practices – Existing vendor visitation practices differ significantly from authorized procedures outlined in policy 01-04-008. The following are examples of practices that inadequate and/or inconsistent with policy:
  - Vendor Orientation – On many occasions, vendors do not receive orientation regarding UMHHC solicitation policies and guidelines including prohibited activity.
  - Vendor Access – Vendor appointments with department personnel are not consistently verified prior to providing them with an identification badge and access to the facility.
  - Problem Resolution – Known and reported violations by vendors are not shared with HHC Contracts and Procurement or addressed with the vendor organization. Sanctions are infrequently applied.

- Vendor Identification and Badging – Vendors are not consistently identified and badged when they are on-site conducting business at UMHHC. Photo identification badges are no longer being created when they come on-site. Most vendors are given a self-adhesive sticker to use as an ID. These tags are inconsistently completed and often provide no verification of the vendor firm.
- Remote Locations – Knowledge of the vendor visitation policy is inconsistent.

**Management Plan** - The UMHS Compliance Office, Security and Entrance Services and HHC Contracts and Procurement will work together to evaluate current practices and opportunities to strengthen controls associated with vendor visitation. The UMHS Compliance Office will revise the policy to reflect organization priorities and designate specific roles and responsibilities for implementation, monitoring and reporting. An education and training plan will be established with appropriate roll outs.

Security and Entrance Services recently began utilizing a new badging system “Stopware” on a trial basis at the main Hospital entrance. Security and Entrance Services is working with MCIT to obtain a time frame for installation of a server that will accommodate two additional security stations that are planned for the Mott location. Approval of the server network is essential and will determine the ability of Security and Entrance Services to meet the volume and demand of vendor activity at the UMHHC. Implementation is expected to occur during the fourth quarter of 2006.

- Monitoring of Vendor Visits – HHC Contracts and Procurement and Security and Entrance Services have not established a mechanism to monitor vendor activity at the UMHHC. The frequency, duration, purpose and outcome of vendor visits isn’t analyzed or periodically reported to management to support their understanding of practices that may impact productivity, security, or purchasing decisions. Vendor violations are not tracked or used to notify/remind departments of prohibited activity.

**Management Plan** – Monitoring criteria will be established by the UMHS Compliance Office, HHC Contracts and Procurement and Security and Entrance Services. Security and Entrance Services will ensure adequate reporting of vendor violations to HHC Contracts and Procurement in a timely manner.

- Identification of Sanctioned Vendors – Vendors are not currently monitored or screened to ensure they do not appear on the Office of Inspector General (OIG) exclusion list.

**Management Plan** - HHC Contracts and Procurement and the UMHS Compliance Office will work with MCIT to obtain OIG software for monitoring sanctioned vendors.

A follow-up review of the issues that were identified will be conducted during the fourth quarter of fiscal year 2006.



## ORIGINAL REPORTS

### Campus

#### International Center Student and Exchange Visitors Information System (SEVIS) #2006-110 Issued February 24, 2006

The Student and Exchange Visitors Information System (SEVIS) was implemented on August 1, 2003 as a nationwide system for maintaining information on international students and exchange visitors arriving in the United States with F and J Visa classifications.

The primary audit objective was to determine the adequacy and effectiveness of procedures established to ensure complete and accurate reporting for SEVIS. The high visibility of this reporting process has caused similar reviews by colleges and universities, nationwide. Strengths observed during the review include:

- SEVIS Business Process Working Group efforts to improve efficiency
- Orientation program focused on educating international students and visitors; check-lists are used to verify their participation and coverage of material
- Specialized seminars and International Center Web site provides continuing education

#### Control issue:

- Access to records - Paper copy records to support SEVIS reporting information are maintained in a busy room used by staff members to access office equipment and computer work stations. The room is not locked and only casually monitored during the day. While no thefts or inappropriate access to the records have been reported, additional security and access restrictions would support confidentiality and retention of information. Paper records are also inefficient to maintain, occupy limited office space and are vulnerable to physical destruction without adequate back-up or recovery.

**Management Plan** – File cabinets will be locked when not in use and the main corridor door will be locked at all times subject to review and approval of the Fire Marshall. A budget document and presentations have been made to request funding for appropriate software, equipment, and other costs to support an on-line imaging system for SSEVIS files.

Overall, the SEVIS control environment is very good. A follow-up review will be conducted during the fourth quarter of 2006 to observe the changes to the access controls in the department.

## FOLLOW-UP REVIEWS

### School of Art & Design

Original Report issued October 24, 2005

#2005-211, 311

Follow-up Report issued February 6, 2006

The School of Art & Design audit report was issued on October 24, 2005. A follow-up review has been conducted to confirm that management action plans were implemented. The following outlines the status of each item.

- Purchasing Card Statements: All of the dean's Purchasing Card Statements are being reviewed and signed by the assistant provost and director of Budget and Planning. **Closed**
- Backup and Recovery Plan: A disaster recovery plan addressing all the points noted in the audit report has been developed and included in the University of Michigan School of Art & Design

Information Technology Policies, Procedures & Guidelines. University Audits has reviewed the plan which appears to appropriately document the relevant procedures. **Closed**

- Data Security Assessment: The Data Security Assessment process has been developed and documented as part of the preparation of the University of Michigan School of Art & Design Information Technology Policies, Procedures & Guidelines. **Closed**

Management has taken appropriate corrective action. **This audit is closed.**

**ITCom Campus WiFi Wireless Network**

#2004-335

Original Report issued May 18, 2005

Follow-up Report issued February 20, 2006

The ITCom Campus WiFi Wireless Network audit report was issued on May 18, 2005. The following represents the audit issues still outstanding at the time of this review and the corresponding corrective actions taken by management to address each open issue:

- Lack of strong encryption: At the time of the audit, controls to protect unencrypted network services from unauthorized data tampering and interception were judged to be inadequate. A virtual private network service (U-M VPN) entered production in October. This service, available to anyone with a uniqname and umich password, strongly encrypts the user's data during its transmission over the wireless connection. This service effectively addresses the risk. **Closed**
- Shared accounts used to administer systems: ITCom staff use a single administrator account and password to perform certain management activities on wireless access points. Their original strategy to implement individual accounts was unsuccessful. The vendor was unable to provide assistance specific to this issue and abandoning shared logins would require significant re-engineering of ITCom's authentication system. However, ITCom is undertaking a number of other security measures to reduce risk related to the wireless access points.
  - Using private IP addresses so only devices on campus will be able to reach them.
  - Positioning the access point management activity so that someone would need access to the wired network before they would see any of the management traffic.
  - Implementing HTTPS for web administrative access so that password used for management of the access points is encrypted in transmission.

These mitigating controls will significantly limit an intruder's ability to exploit any stolen administrator passwords, including those that are shared. The risk addressed in this audit issue is being effectively addressed. **Closed**

Management has taken appropriate corrective action on all audit recommendations. **This audit is closed.**

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These mitigating controls will significantly limit an intruder's ability to exploit any stolen administrator passwords, including those that are shared. The risk addressed in this audit issue is being effectively addressed. **Closed**

Management has taken appropriate corrective action on all audit recommendations. **This audit is closed.**

**UM-Flint Information Technology Services Disaster Recovery and Business Continuity#2002-160**

Original Report issued April 30, 2003

Follow-up Report issued February 22, 2006

The UM-Flint Information Technology Services Disaster Recovery and Business Continuity audit report was issued on April 30, 2003. Of the five original audit issues, one was closed prior to issuance of the report and three were closed during subsequent follow-up procedures. The following summarizes the status of the remaining audit issue and corrective action taken by management.

- Disaster Recovery Plan: At the time of the audit, the Disaster Recovery Plan for UM-Flint was incomplete. For several years, resources have been focused on other priorities. During the past year, a person was hired with expertise specific to disaster recovery plans. A workplan has been developed and approved by the Flint Information Services director. This plan includes a timeline with specific milestones with an expected completion date of 1/19/2007. The plan is on schedule and meeting the objectives of the milestones. Based on the progress made to-date, this audit will be closed. Following the final testing and implementation of the Plan, University Audits will review the Plan for completeness.

**This audit is closed.**

**Human Resources Management System College Work Study**

#2004-227

Original Report issued August 31, 2005

Follow-up Report issued February 28, 2006

The Human Resources Management System College Work Study audit report was issued on August 31, 2005. A follow-up review has been conducted to ensure that appropriate corrective actions have been taken. The following is the status of the audit issues and corrective actions taken by management.

- FICA Charged to Work Study Accounts and Students: Throughout fiscal year 2005, FICA was charged to Dearborn campus's Federal Work Study accounts. Work study students, who should have been exempt from FICA, also had the matching FICA amounts withheld from their paychecks. The inappropriate FICA amounts have been calculated, reported, and credited against current FICA payments. All student refunds have been made and all individual University accounts have been credited. The correction of an error in the file layout sent to M-Pathways will keep this error from reoccurring in the future. **Closed**
- FICA Charged to Work Study Accounts due to Earnings Transfers: The Office of Financial Aid will prepare an annual manual journal entry to transfer appropriate FICA charges back to the departments. In the past, these charges were a result of salary transfers from non-work study status to work study status. The FY2005 journal entry was made in December 2005. Future FICA charges against the Federal Work Study accounts will be monitored quarterly to ensure that they are within the acceptable range. **Closed**
- Work Study Time Report Signature Requirements: Prior to August 2005, SPG 518.01 required work study students to sign their biweekly time reports. Since federal government guidelines do not require work study students to sign these reports, the SPG was revised to state that only the supervisor must sign the record certifying the student worked the hours claimed. **Closed**

Management has taken the appropriate steps and corrective action on all major audit recommendations.  
**This audit is closed.**

**Obstetrics and Gynecology Department Fiscal Responsibilities**

#2005-114

Original Report issued July 20, 2005

Follow-up Report issued February 28, 2006

The UMHS Department of Obstetrics and Gynecology Fiscal Responsibilities audit report was issued on July 20, 2005. A follow-up review has confirmed that management has implemented corrective action plans as outlined below.

- Review and Approval of Expenses: Department policies and procedures for review and approval of expenses have been documented and communicated to all staff and faculty to ensure review and approval by a higher authority. **Closed**
- Review and Reimbursement of Travel Expenses: Documentation requirements were immediately clarified via email to staff responsible for the review and approval of travel expenses. Documentation expectations were also later communicated to the entire department at faculty and staff meetings. The department has taken further action by implementing a quarterly review process to monitor for consistent compliance. **Closed**

**University Audits – University of Michigan**  
**Open Audits Follow-up Table**  
**February 2006**

<b>Audit Title</b>	<b>Report Date</b>	<b>Status</b>	<b>Expected Completion</b>
Utilities Services Energy Billing System 2005-337	11/2/05	Writing formal policies and procedures; Business Continuity Plan; IT Disaster Recovery Plan	June 2006
Institute for Social Research IT Controls 2005-307	1/30/2006	Awaiting first quarterly access review and changes to cable raceways	March 2006
M-CARE Sales Commission 2005-121	4/26/05	Management is pulling together information to support action measures	April 2006
University of Michigan Hospitals and Health Centers: Front-End Design 2005-111	10/24/05	Working to achieve consistent practices across ambulatory clinics	April 2006
University of Michigan Hospitals 340B Drug Purchasing Program 2005-115	10/24/05	Strengthening controls related to the program	March 2006
Professional Fee Billing Compliance 2005-126	12/22/05	New organizational structure has been established. Additional controls are being implemented	May 2006
UMHS MLabs 2006-112	1/19/06	Management is implementing corrective action measures	June 2006
UMHHC Vendor Visitation 2006-118	1/30/06	Existing policy is being revised and additional controls are being implemented	May 2006
College of Pharmacy Financial and IT Controls 2004-251, 351	1/31/05	Awaiting final responses from the client including documentation of new procedures for cash handling at special events; a draft of the new disaster recovery plan	March 2006
School of Dentistry Fiscal Controls Assessment 2005-213	11/15/05	Addressing central administrative controls	March 2006
UM-Dearborn Athletics and Recreation Department 2005-234	12/9/05	Management is implementing corrective action measures	April 2006
School of Natural Resources and Environment Financial Controls 2005-217	12/22/05	Awaiting first quarterly access review and changes to cable raceways	March 2006
Parking Services 2006-202, 2022	1/06/2006	Management is implementing agreed-upon corrective action measures	June 2006
International Center Student and Exchange Visitors Information System (SEVIS) 2006-110	2/24/06	Management has begun to address security issue identified	May 2006

