



**AUDIT OF THE COLLEGE OF ARTS & SCIENCES
ENVIRONMENTAL STUDIES DEPARTMENT**

Report 08/09-03

TO: R. Kirk Landon, Chair, Finance and Audit Committee

FROM: Pyong Cho, Interim Audit Director

DATE: December 15, 2008

EXECUTIVE SUMMARY

We conducted an audit of the College of Arts and Sciences Environmental Studies Department (EVR) operations for the period from July 1, 2007 through June 30, 2008. Our audit scope and objectives appear on page two of this report; audit findings, recommendations, and management responses are discussed in detail on pages four through ten.

Our audit disclosed significant internal control weaknesses and several financial irregularities. We noted during the audit that: (1) there were unauthorized book purchases and unaccounted for books; (2) outstanding invoices were not processed; (3) vendor receipts were mutilated to substantiate reimbursement requests; (4) the authorized signer's signature was falsified; (5) Travel Authorization Requests and related documents were not always properly processed; (6) 40 property items, totaling \$67,775, were not accounted for; and (7) there were inappropriate University Foundation reimbursement requests by a former employee.

We wish to express our appreciation for the cooperation and assistance extended to us by the personnel from EVR, the Dean's Office and all other departments involved in this audit.

Audit conducted by Albert Mayungbe.

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SCOPE AND OBJECTIVES

We have conducted an audit of the College of Arts and Sciences Environmental Studies Department (EVR) operations for the period from July 1, 2007 through June 30, 2008. The objectives of the audit were to determine whether the established controls and procedures over the procurement of goods and services, travel, property and other areas were: (a) adequate to provide reasonable assurance that significant errors or irregularities were prevented or detected in a timely manner; (b) being properly adhered to; and (c) in accordance with University policies and procedures and applicable laws, rules and regulations.

Our audit was part of the approved work plan for fiscal year 2008-2009. The audit included tests of the accounting records and such other auditing procedures as considered necessary under the circumstances. Audit fieldwork was conducted from August 25, 2008 through November 6, 2008.

Any audit is subject to inherent risk and may not detect all material errors and weaknesses if these should exist. Our examination of EVR was based on selected tests of the accounting and other records and related procedures; therefore, it would not necessarily disclose all instances of control weaknesses, noncompliance, or operational inefficiencies.

USE OF REPORT

We are employed by Florida International University (FIU or University). This report is intended solely for the internal use of the State University System and is not to be used for any other purpose. This restriction is not to limit the distribution of this report, which is a matter of public record.

BACKGROUND

The goal of EVR, which is part of the College of Arts and Sciences (CAS), is to better understand the interactions between natural and human systems and to apply this improved understanding to the solution of environmental problems. It takes maximum advantage from its location on the edge of the Everglades and at the gateway of Latin America, but also serves both the scholarly community and communities facing environmental change elsewhere in the world. EVR believes that rigorous academic and scientific inquiry must be combined with the goal of finding a more sustainable “fit” between human social systems and ecological systems.

EVR’s research efforts is devoted to improving the ways in which humans conserve, manage, and live within nature, including basic research into the functioning of Earth's biophysical systems, as well as the political, economic, educational, and social systems which govern human societies.

EVR’s administrative personnel consist of: the Chair, the Director for Undergraduate Program, the Director for Graduate Program, an Office Assistant, a Secretary, and OPS assistants. An Acting Chair was appointed in August 2008 upon the Chair’s sabbatical leave.

The Dean’s Office of the CAS (Dean’s Office) provides fiscal, personnel, and institutional leadership and management services to EVR. The CAS also coordinates the research activities between EVR and other departments/schools within and outside of CAS.

During the fiscal year ended June 30, 2008, EVR utilized 10 Educational and General (E&G) accounts and incurred expenditures totaling \$88,455, excluding payroll.

Before the commencement of the audit, the Dean's Office and the Division of Human Resources expressed concerns to us about financial improprieties involving a former Office Assistant of EVR, including incidents of missing books. We were informed that the former Office Assistant's employment with the University was terminated effective June 11, 2008.

The Bookstore at both University Park and Biscayne Bay Campuses are owned and operated by Barnes & Noble College Bookstores, Inc. Based on our examination of the outstanding invoices and purchase orders (POs) and interviews with applicable University and Bookstore personnel, we noted the following transactions related to books purchased by EVR for the year ended December 31, 2007:

PO Number	Issuance Date	Original PO Amount	PO Amount Used	Available PO Amount	Subsequent Purchases	Excess of Purchases Over Available PO Amount	PO Status	Name/Title of Initiator
47392	5/4/2007	\$ 668.12	\$ 668.12	\$ -	\$ 1,669.96	(\$1,669.96)	Open	Graduate Studies Coordinator**
48682	6/4/2007	1,149.50	1,149.50	-	1,214.50	(1,214.50)	Closed	Graduate Studies Coordinator**
50529	7/20/2007	2,287.50	669.70	1,617.80	1,942.50	(324.70)	Open	Former Office Assistant
51641*	8/22/2007	1,139.00	-	1,139.00	1,151.25	(12.25)	Open	Former Office Assistant
52122	9/11/2007	1,888.60	-	1,888.60	3,580.39	(1,691.79)	Open	Office Assistant**
53974	11/9/2007	1,476.00	1,476.00	-	2,453.00	(2,453.00)	Closed	Former Office Assistant
NO PO (invoice #60605)		-	-	-	1,228.25	(1,228.25)	NA	Former Office Assistant
NO PO (invoice #60620)		-	-	-	879.90	(879.90)	NA	Former Office Assistant
Totals		\$8,608.72	\$3,963.32	\$4,645.40	\$14,119.75	(\$9,474.35)		

* Issued to the wrong vendor

** Initiated based on instruction from the former Office Assistant

METHODOLOGY

Our examination included, but was not limited to, observation of actual practices and processing techniques, interviews with University and Bookstore personnel, and testing of selected transactions during the period audited, as considered necessary under the circumstances. Sample sizes and transactions selected for testing were determined on a judgmental basis. Five of the ten accounts used by EVR, totaling \$29,948 (34%) in expenditures, were judgmentally selected for testing based on total expenditures of \$88,455 during the audit period.

FINDINGS AND RECOMMENDATIONS

1. Unaccounted for Books

Information provided to us by the Dean's Office disclosed that they were only able to locate 27 books, totaling \$703, out of the 173 books (\$14,120) purchased by the former Office Assistant. Based on this analysis, \$13,417 worth of books were unaccounted for. Our review of the department's purchasing records disclosed that the former Office Assistant either ordered or instructed employees to pick up all of the missing books. In addition, we were informed by five current/former employees of EVR that they picked up the books based on the former Office Assistant's instructions.

While performing the audit, a former employee of EVR informed us that a book dealer regularly visited the former Office Assistant in order to purchase books. He further stated that the former Office Assistant informed him that she regularly sold "unneeded books" to the book dealer. However, we did not find any information regarding book sales in EVR's accounting records.

Recommendation No. 1 – Unaccounted for Books

The Dean's Office should take appropriate action against the former Office Assistant to recover the \$13,417 worth of missing books.

AUDITEE COMMENT/ACTION PLAN:

(DEAN'S OFFICE)

The Dean's Office has consulted with the Office of General Counsel to determine if FIU endorses taking legal action against the former Office Assistant. On Thursday, December 11, 2008, the Dean's Office filed a theft report for the missing textbooks with Campus Police. The case number is 2008-1525.

Implementation date: Immediately

2. Unauthorized Book Purchases

Our review of the University purchasing records disclosed that 80 books, totaling \$6,089 were ordered by EVR between May and November 2007. Although the Chair informed us that he approved one or two books for teaching an environmental studies class, University purchasing records disclosed that 33 book requisitions were approved with the Chair's Panther ID including 3 biology books that were not taught by EVR. The Chair stated that the 33 books in question were approved by someone with access to his PantherSoft password. He also stated

that the former Office Assistant had a master key to open his office where his password was kept.

Although the Chair stated that the Bookstore charged EVR for additional books that were neither on a PO nor delivered to EVR, our review disclosed instances in which the former Office Assistant instructed an OPS employee and the Graduate Student Coordinator to pick up 16 books, totaling \$2,108. Our review further disclosed 93 books purchased by the former Office Assistant without valid POs. In addition, all the invoices from the Bookstore contained the signature of EVR personnel acknowledging that they received the books.

Recommendation No. 2 – Unauthorized Book Purchases

- 2.1 We recommend that the Dean's Office work with EVR to strengthen controls over purchase of books.
- 2.2 In the future, the Chair should ensure that his password is protected in order to prevent unauthorized use.

AUDITEE COMMENT/ACTION PLAN:

(DEAN'S OFFICE)

- 2.1 CAS will develop a book order policy that has an upper limit for orders. Chairs will be held responsible for violations of the policy. CAS will meet with Bookstore officials to ensure that they comply with FIU policy to require valid POs for all purchases. The incoming Chair has been advised of the requirement for Chairs to protect their password in order to prevent unauthorized use and purchases.

Implementation date: January 30, 2009

(CHAIR)

- 2.2 The incoming Chair and the Associate Chair (i.e. the former Chair of EVR) will guard their passwords immediately.

Implementation date: Immediately

3. Outstanding Invoices

Our review of Bookstore records disclosed that EVR failed to return 30 books, totaling \$2,419, loaned between January 3, 2001 and May 8, 2007. Because EVR did not return the books and failed to pay the related invoices, we were informed that effective April 2007 the Bookstore discontinued the book loan service to EVR and only sold books to them.

The former Office Assistant did not forward the invoices for the books purchased by her to the Accounts Payable section of the Controller's Office (A/P), even though she was contacted on numerous occasions regarding the payment for the invoices. According to the Bookstore Bookkeeper (Bookkeeper), the invoices were forwarded to the former Office Assistant between May 7 and November 14, 2007. The Bookkeeper also informed us that she contacted the former Office Assistant regarding the payment status of the invoices on multiple instances between May 2007 and January 2008. Because the former Office Assistant did not respond to the calls, the Bookkeeper sent her copies of the outstanding invoices via United Parcel Service (UPS). Although the UPS delivery receipt showed that the former Office Assistant received the package on April 14, 2008, she neither forwarded the invoices to A/P for payment nor contacted the Bookstore to dispute the invoices.

We noted that the former Office Assistant performed incompatible functions since she had the authority to purchase and receive goods/services, and approve the related invoice. For example, the former Office Assistant initiated the book purchase requisitions (or ordered books directly from the Bookstore without a PO), instructed EVR personnel to pick up books, received the related invoices for the payment, and reviewed monthly departmental ledgers.

Recommendation No. 3 – Outstanding Invoices

- 3.1 We recommend that the Dean's Office work with EVR to review all outstanding invoices for the books purchased or borrowed and take appropriate steps to pay or dispute the invoices.
- 3.2 In the future, the Chair should provide additional financial oversight for the operations of EVR.
- 3.3 We recommend that the Chair review the role of the Office Assistant and segregate the duties of initiating and authorizing purchases, receiving goods/services, approving invoices for payments, and reviewing monthly departmental ledgers.

AUDITEE COMMENT/ACTION PLAN:

(DEAN'S OFFICE)

- 3.1 All outstanding invoices have been reviewed by the financial manager in the Dean's Office. CAS will dispute invoices for purchases without valid POs and we will negotiate a settlement concerning other outstanding invoices.
Implementation date: January 30, 2009

(CHAIR)

- 3.2 Effective immediately, the Chair agrees to meet with the Senior Associate Dean and Financial Manager on a monthly basis to review the EVR budget and operations. Meetings will continue until standard FIU policies are fully understood and implemented.
Implementation date: March 31, 2009
- 3.3 The Chair agrees to segregate the duties of initiating and authorizing purchases and will work with the CAS Director of Finance and Operations and the Financial Manager to train staff in the proper procedures. The Chair will review all requisitions, reimbursements and invoices prior to approving.
Implementation date: January 30, 2009

4. Mutilated Vendor Receipts

The Controller's Office required an original invoice/receipt in order to process employees' reimbursement requests. Our review disclosed that the former Office Assistant received payments for two reimbursement requests (encompassing three receipts), totaling \$155 using mutilated vendor receipts. Because the receipts were mutilated, we were unable to determine how she paid for the items (cash or credit/debit card). During the audit, we found a copy of two of the original un-mutilated receipts showing that they were paid with two different personal debit cards. We also noted that one of the receipts included the purchase of camcorder tapes; however, the Acting Chair informed us that EVR did not have a camcorder. The third mutilated receipt for \$96 was related to a book purchased from the Bookstore, although the former Office Assistant at the time had the ability to purchase books on credit from the Bookstore.

Recommendation No. 4 – Mutilated Vendor Receipts

We recommend that the Dean's Office work with EVR to recover \$155 inappropriately paid to the former Office Assistant and review reimbursements to the former Office Assistant prior to our audit period and recover any inappropriate payments identified.

AUDITEE COMMENT/ACTION PLAN: **(DEAN'S OFFICE)**

The Dean's Office will review reimbursements to the former Office Assistant prior to July 1, 2007 and consult with the Office of General Counsel to determine if FIU endorses taking legal action against the former Office Assistant.

Implementation date: January 30, 2009

5. Signature Authority

Because of discrepancies between the signature on many EVR payment requests and the authorized signature submitted to the Controller's Office by the Chair, we requested the Chair to validate his signature. The Chair informed us that he authorized the former Office Assistant to sign his signature for small purchases, including travel advance and reimbursements requests, etc. He further informed us that the signatures on the documents we reviewed were not signed by him but signed by the former Office Assistant. However, there was no indication on any of the documents that the former Office Assistant signed for the Chair.

Recommendation No. 5 – Signature Authority

We recommend that the Chair ensure that all University documents requiring his approval are signed by him. Alternatively, another high-level employee should be authorized to sign for the Chair, but such employee must sign their own signature and indicate that they are signing on behalf of the Chair. This authorization should be in writing and submitted to the appropriate administrative unit(s).

AUDITEE COMMENT/ACTION PLAN: **(CHAIR)**

Effective immediately, the Chair will sign all documents requiring his approval. In the Chair's absence, a signature will be obtained from an official in the Dean's Office.

Implementation date: Immediately

6. Travel Authorization Requests

We reviewed the travel reimbursements paid to EVR personnel during the audit period and noted the following exceptions:

- Four instances, totaling \$2,654, in which the Travel Authorization Requests (TARs) were prepared after the related trip had already taken place. The University Travel and Expense Procedures Manual requires TARs to be prepared and approved prior to each trip.
- One instance, totaling \$461, in which a TAR was not prepared.
- One instance, totaling \$360, in which neither the approval date nor the arrival/departure time of the trip were indicated on the TAR.

Recommendation No. 6 – Travel Authorization Requests

We recommend that EVR personnel receive training on the University's travel and expense procedures, including the proper way of completing TARs and vouchers for reimbursement.

AUDITEE COMMENT/ACTION PLAN:

(EVR)

The policy that TARs must be completed before travel will be strictly enforced and training of travel and expense procedures for staff will be required.

Implementation date: March 31, 2009

7. Property Accountability

The University Property Control Manual states that the property accountable officer "Yearly, verifies the Department's Inventory Report list for accountable property furnished by Property Control and available through the financials asset management module. The Accountable Officer is responsible for locating items that have not been found." Our review disclosed that as of October 16, 2008, of the 67 tangible assets, totaling \$180,818 listed under the 10 accounts used by EVR, the Property Control Department (Property Control) had not located 40 assets, totaling \$67,775, more than a year. Property Control informed us that EVR personnel were unable to provide information about the whereabouts of the property while performing physical inventory. To further test the accuracy of the EVR inventory records, we judgmentally selected 11 tangible assets, totaling \$77,131, from the property report for physical observation. Of the 11 tangible assets, we were unable to locate 5 laptops, totaling \$7,401.

Our review also disclosed that EVR did not have a procedure in place for monitoring its tangible assets. In order to determine who was in possession of 8 of the tangible assets in our sample, emails were sent to all EVR personnel by the Acting Chair. We also noted that a former CAS Dean, who resigned the position in 2003, was listed as the property manager of tangible assets purchased in 2007, including the 5 missing laptops.

We were informed that EVR had three incidents in December 2004, March 2006, and February 2008 involving inappropriate activities relating to the purchase of computers. The first incident involved the delivery of a desktop computer that was purchased with the personal Dell account of an OPS employee. The employee stated that she did not order the computer and the computer was subsequently returned to Dell. The Acting Chair informed us that all employees of EVR were on vacation, except for himself and the former Office Assistant when this incident occurred. The second incident was related to the unauthorized purchases of laptop computers with University Purchasing Cards assigned to the Chair. The third incident was related to the disappearance of a laptop computer that was purchased and delivered to EVR, disappeared, and was mysteriously found the following day.

It should be noted that a former EVR employee informed us that the former Office Assistant told him on numerous occasions that she had laptop computers available for sale at a discounted price prior to and during his employment with EVR. He further informed us that the former Office Assistant showed the laptops she attempted to sell to him in her office.

Recommendation No. 7 – Property Accountability

- 7.1 We recommend that EVR investigate the missing tangible assets, including the 5 laptops and notify the University Police and Property Control if the items are lost or stolen.
- 7.2 We recommend that EVR establish a proper procedure for tracking its tangible assets.
- 7.3 We recommend that EVR perform an update of its property records in order to ensure that employees who are no longer with EVR are not assigned as the property manager to any of its tangible assets.

AUDITEE COMMENT/ACTION PLAN: (EVR)

- 7.1 EVR will inventory its property and match with Property Control's records by January 30, 2009. On Thursday, December 11, 2008, the Dean's Office filed a theft report for the missing laptops with Campus Police. The case number is 2008-1525.
- 7.2 EVR will work with the Dean's Office to establish a proper procedure for tracking its tangible assets by January 30, 2009.
- 7.3 EVR will update its property records by January 30, 2009.

8. Foundation Reimbursement Requests

During the audit, University Foundation personnel provided us the following three instances in which the former Office Assistant inappropriately requested reimbursements:

- In a reimbursement request dated September 27, 2007, the former Office Assistant requested a reimbursement of \$291 for an Assistant Professor for items purchased at a grocery store for EVR. Since the duplicate receipt used to substantiate the request did not indicate how the payment was made, the reimbursement request was returned to her with instructions requesting the method of payment. The former Office Assistant resubmitted the request to the University Foundation with a handwritten explanation that "He paid Cash". However, the University Foundation's review disclosed that the invoice had already been paid by the Controller's Office since the items were purchased on account, using University PO No. 51336. The Assistant Professor, whom the reimbursement was intended for, informed us that he gave \$300 to the former Office Assistant for the purchase because she informed him that there was insufficient time to request a PO in order for her to purchase the items. Our review of the duplicate receipt used to substantiate the request sent to the University Foundation disclosed that it had been mutilated to conceal that the purchase was charged to the University account, and the word "Cash" was handwritten on the receipt.
- On May 15, 2008, the University Foundation received a request from the former Office Assistant asking them to investigate the reason a reimbursement request (\$170) payable to the Chair dated February 8, 2008 was not paid. According to the University Foundation, they did not previously receive this reimbursement request. In addition, University Foundation informed us that the photocopied receipt used to substantiate the request was a mutilated copy of an original receipt for a \$190 reimbursement paid to the former Office Assistant on October 22, 2007.
- On May 21, 2008, the University Foundation received a request from the former Office Assistant to investigate the reason a reimbursement request (\$145) payable to a Professor dated December 17, 2007 was not paid. According to the University Foundation, they did not previously receive the reimbursement request. Because the

vendor receipt used to justify the request was a photocopy, the University Foundation did not process the request but contacted the Dean's Office to determine whether the invoice was legitimate. Like the other two instances referenced previously, the receipt did not contain a payment method, rather the word "paid cash" was handwritten on the invoice. Since the request was signed by the CAS Assistant Director of University Budget, we contacted her but she informed us that she did not sign the reimbursement request. In addition, we were unable to verify the existence of the vendor name and address from public records.

Recommendation No. 8 – Foundation Reimbursement Requests

We recommend that the Dean's Office strengthen its controls over employee reimbursements in order to ensure that payment is not made for purchase of personal items.

AUDITEE COMMENT/ACTION PLAN: **(DEAN'S OFFICE)**

By January 30, 2009, CAS will request that Foundation return any reimbursement requests from EVR that do not have the CAS official date received stamp. CAS will investigate any returned reimbursements.

Overall Recommendation No. 9 – Oversight and Legal Action

The results of this audit disclosed that there were several financial irregularities at EVR, including unaccounted for books, missing tangible assets, and improper reimbursements using mutilated receipts. Since EVR is mainly staffed with faculty members whose primary concern is teaching and conducting research, we recommend that the Dean's Office closely supervise and monitor EVR financial operations and consult with the Office of the General Counsel the possibility of bringing legal action against the former Office Assistant.

AUDITEE COMMENT/ACTION PLAN: **(DEAN'S OFFICE)**

CAS financial manager for EVR will work with the Senior Associate Dean to review the EVR budget and expenditures on a monthly basis beginning immediately, starting with the November 2008 month-end reports.

Implementation date: Immediately

The Dean's Office will also consult with the Office of General Counsel to determine if FIU endorses taking legal action against the former Office Assistant.

Implementation date: January 30, 2009

PRIOR AUDIT RECOMMENDATIONS

As part of our audit, we reviewed internal and external audit reports issued during the last three years to determine whether there were any prior recommendations related to the scope and objectives of this audit and whether management had effectively addressed prior audit concerns. No prior recommendations were noted related to EVR operations.