

AUDIT OF THE COLLEGE OF EDUCATION

Report 08/09-06

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

FROM: Pyong Cho, Interim Audit Director



DATE: April 14, 2009

EXECUTIVE SUMMARY

We conducted an audit of the College of Education 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 three through thirteen.

Our audit disclosed internal control weaknesses and a lack of proper oversight by management over financial transactions. Specifically, our audit disclosed exceptions related to: (1) property accountability; (2) telephone usage; (3) travel and payroll procedures; (4) consultant payments; (5) procurement card purchases; (6) cash collections and (7) other expense processes. Included in these exceptions were three transactions related to the former Dean of the College who, in our opinion, misused his authority and responsibility.

We wish to express our appreciation for the cooperation and assistance extended to us by the personnel from the College of Education and all other departments involved in this audit.

Audit conducted by Tenaye Arneson.

C: Kingsley Banya, Interim Dean, College of Education
Ronald Berkman, Provost, Executive Vice President and Chief Operating Officer
Thom Davis, Associate Vice President and Controller
Sandra Fernandez, Assistant Director, University Operations, Business & Finance
Modesto Maidique, University President
Javier Marques, Chief of Staff, Office of the President
Carmen Mendez, Senior Associate Dean, College of Education
Stephen Millspaugh, Executive Director, Purchasing Services
Tonja Moore, Associate Vice President, Academic Affairs - Provost Office
Vivian Sanchez, Chief Financial Officer and Senior Vice President of Administration
Douglas Wartzok, Vice President, Academic Affairs

SCOPE AND OBJECTIVES

We have conducted an audit of the College of Education (College) 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 the 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 December 8, 2008 through February 18, 2009.

Any audit is subject to inherent risk and may not detect all material errors and weaknesses if these should exist. Our examination of the College 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 College is charged to prepare professionals who have the knowledge, abilities, and dispositions to facilitate and enhance learning and development within diverse settings. Consequently, the College promotes and facilitates the discovery, development, documentation, assessment, and dissemination of knowledge related to teaching and learning by developing professional partnerships in the larger community that foster significant educational, social, economic and political change.

College faculty in the three departments (Curriculum and Instruction, Educational Leadership and Policy Studies, and Educational and Psychological Studies) integrates theory and practice by working closely with teachers, administrators and policymakers at the local, state, and national levels. The College faculty continues to be creative as scholars, researchers and teachers. Most recently, the College's research efforts attracted more than \$3.7 million in funding from agencies such as the National Science Foundation, the Children's Trust, and the Kauffman Foundation.

The College has more than 17,000 alumni, the vast majority of whom are K-12 and College and University professionals, counselors, administrators, special education teachers, and others

who work in the community. FIU provides more than half of the teachers for the Miami-Dade County Public Schools, the fourth largest school district in the country.

The College has about 53 full-time faculty members and also has various visiting professors who teach subjects within their areas of expertise. Currently, the College has approximately 2,340 part-time and full-time students.

METHODOLOGY

Our examination included, but was not limited to, observation of actual practices and processing techniques, interviews with College and other University 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. Total expenditures for the College for the fiscal year ended June 30, 2008 was \$11,371,056 of which \$10,969,189 was related to payroll. Our total population which was subjected to sampling was \$401,867.

FINDINGS AND RECOMMENDATIONS

1. Property Accountability

As part of our audit, we examined the most current inventory of accountable property items. As of February 16, 2009, the College held 553 assets in 10 different departments, totaling \$1,099,844. A review of the last time those assets had been inventoried found that 247 assets, totaling \$520,568 (47%), had not been inventoried in over a year. University policy required that Property Control conduct a yearly inventory of University property, which in this case had been performed. However, the College's Accountable Officers did not verify the departments' Inventory Report lists to locate all unaccounted for property items not found via Property Control's inventory. Also, our review of 74 sampled property items disclosed the following non-compliance with the University Property Control Manual:

- The College's Accountable Officer informed us that 34 (46%) of the sampled items totaling \$85,594 were missing and had not been accounted for several years. There was no documented last inventory date for these property items. The University Property Control Manual stated that the Property Accountable Officer "notifies the University's Public Safety Department or appropriate law enforcement agency of any lost or stolen Property. Notification should be confirmed by memorandum to Property Control." The College failed to comply with the University Property Control Manual by not notifying the University Public Safety regarding the missing property items.
- The College's Accountable Officer informed us that eight computers costing \$19,885 were given to employees for personal use. Although an Off-Campus Use form was initially completed, these expired from June 2006 to September 2006. He stated that the employees were not required to return the computers

since they were considered obsolete. After our inquiry, two of the computers were subsequently returned to the College. We contacted two of the six employees, and were told by the first employee that she returned the computer after a year of usage; however, no records existed of the return. The second employee stated that she still had the computer in her office at the Biscayne Bay Campus.

The Property Control Manual stated that “The Department’s Accountable Office may request, in writing, that property in their department be declared surplus because it is obsolete, inoperative, unserviceable and that the continued use is uneconomical or inefficient, or serves no useful function to their department’s activity.” The Manual also stated that “. . . no property may be sold, surplused, cannibalized or otherwise disposed of until a request for disposal is made and approved by Property Control.” The Property Control department had the responsibility to dispose of surplus property by selling, transferring it to another governmental entity or donating it to a non-profit agency. The College failed to comply with surplus property policy by giving computers to employees which should have been surplused.

- A laptop computer costing \$3,676 that was assigned to an employee was unaccounted for after the employee separated from the University in 2005. The College did not report the laptop computer as a missing property item to the University Public Safety as required. In addition, the College failed to file a “Separation from Employment” form with Human Resources, which would have ensured that all University property had been returned and all access to computer systems had been terminated. This form is required by the Division of Human Resources prior to releasing final funds due to the separated employee.
- The College informed us that four computers costing \$9,563 were surplused. However, the computers were part of the current inventory listing for the College. The College was unable to provide us with any surplus property documentation.

Recommendation No. 1 – Property Accountability

- 1.1 We recommend that the College comply with current University policy and follow-up on all unaccounted for property items. Property Control procedures should then be followed, depending on whether the item is found or not.
- 1.2 We recommend that the College notify the University’s Public Safety Department of any lost or stolen property. The notification should be confirmed by memorandum to Property Control, as required by University’s Property Control Manual.
- 1.3 We recommend that the College make every effort to collect the six outstanding computers from the employees. In the future, the College should follow the University’s surplus property process and discontinue the practice of giving University property to employees for personal use.

- 1.4 We recommend that in the future the College ensure separating employees return all University properties and the return is documented in the "Separation from Employment" form.
- 1.5 We recommend that the College follow the University's surplus property process and submit appropriate paperwork to Property Control requesting to surplus property no longer being used, as required by Property Control Manual.

AUDITEE COMMENT/ACTION PLAN: (COLLEGE OF EDUCATION)

- 1.1 We have recovered 170 out of 247 (69%) computers identified in the Audit Report. While reviewing inventory, a total of 23 items totaling \$128,656.66 (9%) were incorrectly identified as belonging to the College of Education. These items were last inventoried in buildings in which COE faculty and staff have never maintained offices. Based on our initial assessment of the remaining 77 computers, 54 are either obsolete and/or inoperative (purchased 7-15+ years ago). In our estimation this equipment has been cannibalized to increase the capability of remaining machines and to maximize our resources. The College will endeavor to recover the remaining 22 computers within the next three months. The College of Education Technology Director has submitted all paperwork for all items above and will coordinate annual inventory reconciliation and inform University Property Control of any actions.
Implementation date: July 10, 2009
- 1.2 The College will immediately comply with Property Control procedures, including the identification of all stolen property items. Out of the 34 items identified in the Audit Report, 19 have been identified as stolen. Items totaling \$27,258.19 (8%) have been reported stolen to Public Safety. A copy of all of the related police records have been submitted to the University Property Control Office.
Implementation date: Immediately
- 1.3 Every effort is being made to collect computers that were distributed to FIU employees or students by previous directors. We will attempt to recover the six computers, however we anticipate that these items are obsolete and inoperative. The College of Education Office of Technology Director will complete the appropriate forms when we have completed the retrieval process. The College has discontinued the practice of giving University property to employees for personal use.
Implementation date: Immediately
- 1.4 We are developing a separation process that all faculty and staff leaving the College will complete. We will start this process with one of our faculty members who is leaving at the end of spring semester. We will use the University's "Separation from Employment" form, thereby identifying and collecting all University properties from the departing employee.
Implementation date: May 1, 2009
- 1.5 Four computers costing \$9,563 were surplused by departments in the College without completing the appropriate paperwork. The College's Accountable Officer has informed all departments to submit the appropriate paperwork to Property Control for the items above. In the future we will follow the

University surplus property process when requesting to transfer, surplus, or cannibalize equipment.

Implementation date: May 1, 2009

2. Telephone Usage

The Division of Information Technology (IT) informed us that although the previous University policy on the use of Suncom and commercial lines had not been formally adopted by the University, its procedures were still in effect. Previous Policy 11.9, *Use of Suncom Network and Commercial Lines*, stated, “The Telecommunications Department will distribute a monthly detail report of all long distance calls made by each telephone. The report shall be inspected by the user(s) of the telephone for accuracy. The user(s) shall sign the report to certify that all calls contained in it were made for official State business. If due to some exceptional circumstances a call is placed for a reason other than official State business, the user(s) of the report will identify these calls and reimburse the University for the cost.”

A similar procedure for the use of cellular telephones existed. A memorandum issued by the Vice President of Information Technology on April 1, 2008, stated, “employees must request a copy of their monthly cellular phone charges from their budget managers.” However, a new University policy regarding the use of cellular telephones was adopted effective July 1, 2008.

University procedures required that all telephone bills be reviewed monthly, with personal calls identified and reimbursed and that business calls were to be certified to, and with proof that such review took place maintained for audit purposes. Our review disclosed that the College did not provide employees a monthly detail report of all long distance telephone and cellular calls assigned to the College for review and identification of personal calls and reimbursement.

During our audit period, the College incurred long distance charges of \$3,412. The monthly departmental long distance charges ranged from \$0 to \$412.

Recommendation No. 2 – Telephone Usage

- 2.1 We recommend that the College comply with current University procedures on the use of Suncom and commercial lines. This should include monthly monitoring of long distance telephone charges and reimbursement of all personal telephone calls. Evidence of such review should be maintained.
- 2.2 We recommend that the College ensure that prior long distance telephone calls be reviewed and either signed off as business calls or reimbursed if non-business calls. This review should go back as far as reasonably possible.

AUDITEE COMMENT/ACTION PLAN: (COLLEGE OF EDUCATION)

- 2.1 The College has instituted a long-distance telephone usage policy. Faculty and staff have been informed that all long-distance telephone usage will be documented by separating personal usage from official use and the appropriate reimbursement mechanism put in place. A Long Distance-Suncom Agreement

form will be distributed to all faculty and staff in the College. Individuals selecting to maintain long-distance capability will be provided a log to keep and compare to their on-line telephone bill. At the end of each month the telephone user will return the log to their department chairperson or director. The lead secretaries in the departments are charged with the responsibility of reviewing long-distance calls and the chairs/directors are charged with the responsibility of ensuring that the long-distance calls are for University-related business. When not appropriate, the faculty will be asked to reimburse the department for non-university related calls. Long distance access will be removed when individuals do not comply with the requirements listed above. Faculty opting to remove long distance access from their phones will not be asked to keep logs.

Implementation date: Immediately

- 2.2 The College of Education is in the process of completing a physical inventory of all telephone lines. This should be completed by April 20, 2009. Once completed, we will review all long-distance calls made from telephones belonging to the College since July 1, 2008. As a result of this process we will ensure that all phones being billed to the College are assigned to our faculty, staff, administrators or student offices.

Implementation date: May 1, 2009

3. Travel Procedures

During our audit, we selected 26 travel related transactions totaling \$19,123. Our test of the 26 transactions found the following non-compliance with University policy and procedures:

- According to the University's travel expense policy, the University reimburses employees and others who travel on official business of the University. We noted that the former Dean was reimbursed \$1,098 for air ticket, car rental, and per diem for a week long travel to relocate from his previous residence. Although the Travel Reimbursement Request was approved by the Provost's Office, the trip was not for official business of the University.
- We noted that the College reimbursed \$2,112 to a University of Illinois professor for travel related to a 1½ hour presentation to a student (PHI DELTA KAPPA, an international association for professional educators) at the College. The professor, who was on sabbatical leave in Madrid at the time of the travel, was paid for a round trip air ticket from/to Madrid, 4 nights lodging, car rental, and meals totaling \$2,112. We believe this was not a prudent use of University funds. The College could have either waited until the professor returned to Illinois to invite him to present or found another option in order to cut costs.
- Travel Authorization Requests (TARs) were prepared after-the-fact on two transactions, 3 and 17 business days respectively, after the traveler's departure date.

- No TAR was completed on one transaction.
- Ten (43%) of the 23 Travel Reimbursement Requests examined were prepared 11 to 55 business days after the traveler's return, rather than within the 10 days required by the University Travel Procedures Manual.

Recommendation No. 3 – Travel Procedures

- 3.1 We recommend that in the future the Provost's Office ensure that all travel reimbursement requests are for official business of the University prior to approval for reimbursement.
- 3.2 We recommend that in the future the College make every effort to reduce the costs of inviting a presenter in order to promote the prudent use of University funds.
- 3.3 We recommend that the College ensure that all future travel is compliant with University Policy, and as such, a TAR is completed at least 7 days in advance of travel and properly approved and that Travel Vouchers are prepared within 10 days of the traveler's return.

AUDITEE COMMENT/ACTION

(PROVOST'S OFFICE)

- 3.1 The Provost's Office will review travel policies and procedures and ensure only reimbursements for official University business are approved.
Implementation date: Immediately

(COLLEGE OF EDUCATION)

- 3.2 The former Dean initiated the event identified and is no longer at FIU. The College will closely monitor the cost of inviting future guests at College events. Where possible, the most affordable airline ticket, and the most affordable hotel accommodations, will be made.
Implementation date: Immediately
- 3.3 The two TAR's in questions again were at the initiation of the former Dean. All individuals with signature authority on TAR's and reimbursements have been informed of the importance of completing travel reimbursements in a timely fashion (within 10 days of the return from the trip). In the future, any reimbursement that exceeds the ten day period must carry an explanation as to the lateness of submission prior to approval.
Implementation date: Immediately

4. Payroll Procedures

Our review of the former College Dean's travel documents indicated that he was in Illinois from July 14 to July 21, 2007 preparing to re-locate from his previous residence. The former Dean had started employment at the University on May 15, 2007. Our review of payroll records indicated that the former Dean did not take leave time and was improperly compensated approximately \$4,574 for the five days that he was away in Illinois on personal matters. The former Dean's time was not approved by the Provost's Office by the time approval deadline and was therefore approved by

the Payroll Department which did not have knowledge if the former Dean was working.

Recommendation No. 4 – Payroll Procedures

In the future, the Provost’s Office should ensure that any Dean’s leave is properly reported and approved in a timely manner.

AUDITEE COMMENT/ACTION PLAN: (PROVOST’S OFFICE)
The Provost’s Office will remind Deans periodically to report leave taken and approve on a biweekly basis.
Implementation date: Immediately

5. Payment to Consultant

During our audit, we noted that the College paid \$6,000 for a research consultant’s fee and \$3,035 as travel expense to a graduate student from the University of Illinois. The College was unable to furnish a contract with the research consultant stipulating consulting work to be done or the report of the research the consultant had conducted. College staff informed us that this was an arrangement made by the former Dean, who took all documentation and results of the research when he departed from the University in June 2008.

Recommendation No. 5 – Payment to Consultant

- 5.1 The College should determine whether it is necessary to recover the results of the research conducted by the consultant from the former Dean, as it is University property.
- 5.2 In the future, the College should maintain a copy of agreements with consultants and the results of any research performed.

AUDITEE COMMENT/ACTION PLAN: (COLLEGE OF EDUCATION)
5.1 The research results conducted by the consultant employed by the former Dean have no current value to the College. It was done specifically to support the research of the former Dean.
Implementation date: Immediately
5.2 The College intends to maintain copies of all agreements with consultants and results of any research performed in the College archives. This information has been shared with the Chairs, as well as Associate Deans, who often are the ones who bring in outside consultants.
Implementation date: Immediately

6. Purchase with Procurement Card

During our audit, we selected 13 procurement card transactions totaling \$7,803 related to travel expenses, purchase of educational supplies, and other materials and supplies.

Three of the transactions reviewed were for purchases of computers totaling \$2,964. University procurement card procedures stated that “the purchase of computers or laptops even if the cost is less than \$1,000 is not allowed.”

The three computers were purchased by the College’s Information Technology Director (Director) between March 14 and June 2, 2008. The Director initially informed us that although he was aware of the purchasing guideline prohibiting the purchase of computers with the procurement card, his supervisor had instructed him to purchase the computers as they were needed immediately.

At a later date, the Director and the Senior Associate Dean informed us that the Director was unaware of the change in procurement card procedures at the time he purchased the three computers. They stated that at the time the Director received training on the appropriate use of procurement cards, the purchase of computers costing less than \$1,000 was allowed. We noted the Director received training in March 2006.

We were informed by the Purchasing Department that the procedure disallowing the purchase of computers with procurement cards had been in effect since January 2008. Although the new procedure was posted on the Purchasing Department’s website and provided at trainings, procurement card holders who were trained prior to the new procedure were not notified of the changes.

Recommendation No. 6 – Purchase with Procurement Card

- 6.1 We recommend that the College abide by procurement card procedures and discontinue the practice of purchasing computers with procurement cards.
- 6.2 In the future, the Purchasing Department should disseminate any changes in procedures to all procurement card holders in a timely manner.

AUDITEE COMMENT/ACTION PLAN:

(COLLEGE OF EDUCATION)

- 6.1 At the time the computers were purchased using a Procurement Card, it was allowed under Procurement card policy to do so. Under subsequent changes to the use of Procurement Cards, the College has taken steps that it can no longer buy computers using a Procurement Card. The College has already informed all Procurement Card holders that they cannot use their cards for the purchase of computers. All purchases of technology will be made through the College’s Office of Technology and the Director has been directed to follow University policy in all future purchases.
Implementation date: Immediately

(PURCHASING SERVICES)

- 6.2 Purchasing Services, in conjunction with UTS, developed an electronic distribution system (email) to notify all current/active card holders of any changes or clarifications. The email distribution listing was completed on February 27, 2009. This will be in addition to the update process on both the current web site as well as the training presentation. Dissemination to all procurement card holders will commence no later than April 30, 2009.
Implementation date: April 30, 2009

7. Cash Collection

The Controller's Office is responsible for authorizing all funds collected by other departments. Departments seeking to collect funds directly are required to submit collection procedures and guidelines for approval from the Controller's Office. The Controller's Office reviews the department's collection procedures for adequacy and approves written requests from the department head if exceptional circumstances exist that would make collections through the Student Financials Office impractical.

During our audit, we noted that a department within the College was collecting fees and deposits without prior authorization to collect funds from the Controller's Office. For instance, for spring 2008 and spring 2009 the department collected \$15,120 and \$12,640, respectively.

We also noted that collections were not deposited timely. College personnel informed us that deposits to the Student Financials Office were made twice a week or once a week depending on the volume of collections. The College failed to follow University cash control procedures, which required collections to be deposited within 48 hours.

Recommendation No. 7 – Cash Collection

We recommend that the College comply with the University requirement and request, in writing, approval from the Controller's Office to collect funds outside of the Student Financials Office. As such, deposits will be required within 48 hours of collection.

AUDITEE COMMENT/ACTION PLAN: (COLLEGE OF EDUCATION)

The College has obtained authorization from the Controller's Office to collect funds and is currently complying with the Cash Collection Policy. In the future, the Office of Field Experiences will provide direction and support to any individual, group, or organization that plans on collecting funds to ensure proper implementation of University policy.

Implementation date: Immediately

8. Other Expenses

As part of our audit, we also examined expenses other than payroll, travel, and telephone, totaling \$94,485. Our examination resulted in the following control deficiencies:

- **Payment of premium processing fees for an H-1B Visa** - University policy for Employment of Foreign Nationals in Visa Categories stated that “. . . premium processing fee must be paid by the employee when the reason to expedite the case stems from the employee's personal needs, for example, when the prospective employee wants to travel for personal reasons and therefore, wants an H-1B approval notice before he or she travels. The University shall not pay such premium fees.” During our audit we noted that the College paid a premium processing fee for two employees totaling \$2,000

in order to expedite the H-1B visa so that the employees could travel to their respective countries on time for personal business.

- **Moving Expenses** - We noted two transactions in which employees were over paid for moving related expenses. Both employees were authorized to spend up to \$2,000 each in moving related costs. However, they were reimbursed \$2,065 and \$2,033, respectively.
- **Un-encumbered Payments** - University Rule 6C8-7.030(3)(a) gave Purchasing the sole responsibility to “Canvass sources of supply and contracting for the purchase or lease of all commodities and contractual services for the University in any manner, including purchase by installment- or lease-purchase contracts.” The University developed an “Un-encumbered Payment Form” to be used for payments of purchases made without issuing purchase orders to document the nature of the emergency or reason for not using the University Purchasing System.

Our audit disclosed that the College failed to abide by the University Rule. They circumvented the requirement by processing payments for goods/services not obtained through Purchasing as un-encumbered payments. During our test, we noted 10 transactions, totaling \$47,716 paid without being previously encumbered by the College, as they were paid via the Un-Encumbered Payment Form. In all cases, the justification provided either did not satisfy the requirement of using the Un-Encumbered Payment Form or no justification was provided.

Recommendation No. 8 – Other Expenses

- 8.1 The College should adhere to University policies and procedures regarding premium processing fees for an H-1B visa.
- 8.2 We recommend that the College be cognizant of University policies and procedures as it pertains to employee moving expenses, and employees should only be reimbursed for expenses up to the amount authorized by Human Resources.
- 8.3 The College should ensure that all future purchases, except those exempted by Purchasing, are conducted via the University’s Purchasing System, and that the use of the Un-encumbered Payment Form is properly documented and limited to legitimate emergencies.

AUDITEE COMMENT/ACTION PLAN: (COLLEGE OF EDUCATION)

- 8.1 The individual responsible for completing H-1B visas has attended training and is aware of the policy and will implement it accordingly. In the future, the College will not depart from University policies related to the payment of expediting fees for visa applications.
Implementation date: Immediately.
- 8.2 The College will conform to the University Policy pertaining to employee moving expenses and that they be authorized at the level identified by Human Resources.
Implementation date: Immediately.

- 8.3 The College will use the University's Purchasing System in the future. Should an emergency arise, it will be documented on the Unencumbered Payment Form.
Implementation date: Immediately.

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 the College.