



## Office of Internal Audit

**AUDIT OF THE DISBURSEMENT CONTROLS  
OVER FIU FOUNDATION CASH AND  
INVESTMENT ACCOUNTS**

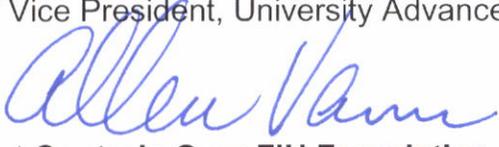
**Report No. 10/11-13**

**June 24, 2011**



FLORIDA  
INTERNATIONAL  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

**Date:** June 24, 2011  
**To:** Howard R. Lipman, Senior Vice President, University Advancement  
**From:** Allen Vann, Audit Director   
**Subject:** **Audit of the Disbursement Controls Over FIU Foundation Cash and Investment Accounts Report No. 10/11-13**

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We have completed an audit of the disbursement controls over FIU Foundation cash and investment accounts. The primary objective of our audit was to determine whether the approval process and related controls were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the FIU Foundation Board of Directors.

Overall, our audit disclosed that the Foundation's disbursement approval process and related controls were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the Foundation Board of Directors. There were a number of areas where controls and procedures need to be aligned with the Foundation's Board policies and directions.

The audit resulted in five recommendations, which management agreed to implement.

We wish to express our appreciation for the cooperation and courtesies extended to us by the FIU Foundation while conducting the audit.

C: Sukrit Agrawal, Chair, Board of Trustees & Finance and Audit Committee Members  
Richard Brilliant, Treasurer and Chair, FIU Foundation Finance & Audit Committee  
Mark B. Rosenberg, University President  
Kenneth A. Jessell, Chief Financial Officer & Senior Vice President

## TABLE OF CONTENTS

	<u>Page</u>
OBJECTIVES, SCOPE, AND METHODOLOGY .....	1
BACKGROUND .....	1
<b>FINDINGS AND RECOMMENDATIONS</b>	
1. Signatory Authority .....	3
2. Online Banking Access Controls .....	5
3. Review of Wire Transfers .....	6
4. Maintenance of Up-to-date Banking Records .....	7

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objective of our audit was to assess the disbursement controls over FIU Foundation cash and investment accounts to determine whether the approval process and related controls were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the FIU Foundation Board of Directors.

The audit included the Foundation's cash and investment accounts and examined wire transfers, ACH debits, and checks executed during the period from July 1, 2010 to January 31, 2011. The audit did not include the account of the Foundation's wholly-owned subsidiary, The Wolfsonian, Inc. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. Audit fieldwork was conducted from February 9, 2011 to April 20, 2011.

The audit included tests of the accounting records and such other auditing procedures as we considered necessary. We reviewed Foundation policies and procedures, Florida statutes, observed current practices and processing techniques, interviewed responsible personnel, obtained confirmations, and tested selected transactions. Sample sizes and transactions selected for testing were determined on a judgmental basis.

As part of our audit, we reviewed internal and external audit reports previously issued 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 FIU Foundation disbursement controls over cash and investment accounts.

## **BACKGROUND**

Florida International University Foundation, Inc. (the Foundation) is a non-profit corporation established to encourage, solicit, receive and administer gifts for scientific, educational and charitable purposes for the advancement of Florida International University and its objectives. It is registered by the State of Florida as a charitable organization and has also been certified as a Direct Support Organization (DSO) of Florida International University. As of June 30, 2010, the Foundation had assets totaling \$188,423,106, with expenditures for the year of \$11,919,069, and purchases of investments of \$104,367,930.

During the audit period the Foundation had accounts in four different banking institutions, as well as a Special Purpose Investment Account (SPIA) with the State of Florida Treasury Department. One account is used for the Foundation's daily operating activity with an accompanying zero-balance account, while another is used to manage stocks donated to the Foundation. A separate account serves as the master custodian for the Foundation's 22 investment accounts. The custodian manages all the investment managers and provides monthly statements to the

Foundation. The final account currently is being held open with a zero balance and is related to a certain bond issuance which was subsequently converted to a bank loan. However, the bank requires the account to remain open in the event the bank becomes the paying agent in the future.

Currently, transfers of funds are executed with written approval from authorized signers or via online access by approved signatories. Authorized signers are designated by the Foundation Board of Directors.

## **FINDINGS AND RECOMMENDATIONS**

Based on our audit, we have concluded that the Foundation's Cash and Investment Accounts disbursement controls were adequate and in accordance with policies, procedures, practices, and guidelines as approved by the Foundation Board of Directors. There were a number of areas where controls and procedures need to be aligned with the Foundation's Board policies and directions.

Details of our findings and recommendations follow.

### **1. Signatory Authority**

On July 24, 2007, the Foundation's Board of Directors approved that the following functional titles be the authorized signers for the Foundation checks.

- FIU Foundation Executive Director
- FIU Foundation Treasurer
- FIU Foundation Assistant Treasurer/Business Manager
- FIU Foundation Controller
- FIU Treasurer
- FIU CFO

However, the resolution does not provide for individuals authorized to approve wire transfers and ACH debits. For purposes of our testing we used the same signatories to test wire transfers and ACH debits.

According to bank records obtained, the Foundation Chairman, although not listed above as an authorized signer, has signature authority for the Wachovia account.

### **Recommendations**

The Foundation should:	
1.1	Ask the Foundation's Board of Directors to expand their resolutions to include signatory authority for wire transfers and ACH debits.
1.2	Ensure that only Board approved signatories are authorized signers on banking accounts.

### **Management Response/Action Plan:**

- 1.1 On February 24, 2011, the Board of Directors adopted a resolution designating the following check signers: FIU Foundation President and CEO, FIU Foundation Chairman, FIU Foundation Treasurer, FIU Foundation Assistant Treasurer/Business Manager, FIU Foundation Controller and FIU CFO. For the next scheduled meeting, a new resolution will be presented to the Board that specifically includes authority to initiate electronic transfers.

**Implementation date:** August 2011

- 1.2 As per the February 24, 2011 Board resolution, the Chairman was included as an authorized signer thereby bringing the Foundation into compliance with Recommendation 1.2. It is important to note that due to various transitions in Board members' roles, the acting Chairman mentioned in the finding was previously the Treasurer, who did have signature authority and for continuity of operations was left as a signer on the account.

**Implementation date:** Immediately

## **2. Online Banking Access Controls**

Both the Wachovia and SPIA accounts are managed via the internet through the institutions' websites. Our review of the online banking access privileges found an inconsistency between employees granted access and the signatories approved by the Board of Directors. Two employees, whose titles are not listed as having been granted signing authority, were granted access to approve wire transfers through their online access for the Wachovia account. Although the online process requires one individual to prepare and one to approve the transfer, these two individuals could have executed such a transfer on their own. One of these employees was also given authority to transfer funds to and from the state's SPIA. However, during our testing we found that only authorized signers had approved transfers.

### **Recommendation**

The Foundation should:	
2.1	Ensure that only Board approved signatories are authorized to access online bank accounts and to transfer funds.

### **Management Response/Action Plan:**

- 2.1 Effective June 2011, online access has been updated to only allow the Assistant Treasurer/Business Manager and the Controller to approve wire transfers for both SPIA and Wachovia accounts. Please note that the two individuals that had this access have both been employed by the University for over 15 years and are very responsible individuals that have held roles pertaining to fiscal compliance throughout their tenure. The basis of this access was to act as a backup in the event of lack of coverage. Lastly, all the transactions processed had been approved by an authorized signer prior to initiation of the transaction.

**Implementation date:** Immediately

### **3. Review of Wire Transfers**

During our audit we reviewed a total of 35 transactions including wire transfers, checks, and ACH debits totaling \$26,894,134. This review disclosed that all transactions, including those requiring Board approval, received the proper approval for the disbursement of funds except for one, as follows:

Transfers to the investment accounts must be approved by the Foundation's Investment Committee. One transfer executed did not agree with the approved Committee meeting minutes. On October 6, 2010, the Committee approved a transfer of \$2.5 million to the Atalanta Investment and the minutes were subsequently approved on December 10, 2010. On October 14, 2010, the Foundation executed a \$2 million wire transfer to the Atalanta Investment. Management explains that their notes from the Committee meeting stated the transfer to be \$2 million; however, the minutes read and were later approved for \$2.5 million.

#### **Recommendation**

The Foundation should:	
3.1	Ensure that all transfers are done in accordance with the Foundation's Investment Committee's instructions.

#### **Management Response/Action Plan:**

- 3.1 The difference noted in the finding was a result of a misunderstanding during the meeting and the transcription of the minutes that were subsequently approved. It is important to note that in this case, as is customary for all investment and liquidation actions, the Chairman, Treasurer, and the investment consultant were notified via email by Foundation staff of the investment action taken. None of the parties had objected to the funding that had occurred.

**Implementation date:** Immediately

#### **4. Maintenance of Up-to-date Banking Records**

Banking records regarding authorized signers must be updated immediately when there is a change in personnel. One account has the former Executive Director as the authorized signer. Although the account has a zero balance, the account's signature authority should be updated.

#### **Recommendation**

The Foundation should:	
4.1	Ensure that all accounts are updated when there are changes in authorized signers.

#### **Management Response/Action Plan:**

- 4.1 Effective April 20, 2011, the Certificate of Incumbency was updated to include the CEO and President of the FIU Foundation. It is important to note that at the time of departure of the former Executive Director this account had a zero balance and was inactive due to the fact that the bond had been converted to a bank qualified loan.

**Implementation date:** Immediately