OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of our audit of the Herbert Wertheim College of Medicine (College) was to determine whether established financial controls and procedures over payroll administration, procurement of goods and services, travel, and property accounting: are adequate and effective; are being adhered to; and are in accordance with University policies and procedures, applicable laws, rules and regulations.

Our audit included the College's expenditures for the period July 1, 2008 through June 30, 2009. Total E&G expenditures incurred by the College for the 12 month ended June 30, 2009 was approximately $11.8 million. Of this amount, $8.7 million was for compensation and employee benefits, which represents more than 74% of the College's operational expenses. In addition, we expanded our sample period to April 30, 2010 for testing of payroll and procurement of goods and services.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and included tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances. Audit fieldwork was conducted from November to December 2009 and from May to June 2010. During the intervening period a significant amount of time was devoted to performing separate investigations.

During the audit, we reviewed University policies and procedures, Florida statutes, and University rules, observed current practices and processing techniques, interviewed responsible personnel, and tested selected transactions. Sample sizes and transactions selected for testing were determined on a judgmental basis.

As part of our audit, we also 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.

BACKGROUND

In March 2006 Florida Board of Governors and Florida Legislature approved the creation of a College of Medicine at Florida International University. The College was established and subsequently received preliminary accreditation from the Liaison Committee on Medical Education, allowing the University to accept its first class in fall 2009 of 43 medical students. The mission of the College is to lead the next generation of medical education and continually improve the quality of healthcare available to the South Florida community.

Since the establishment of the College, the University has been aggressively building its infrastructure by hiring faculty and staff members and developing a curriculum. Two critical administrative positions: an Executive Associate Dean for Finance & Administration and a Finance Director responsible for finance, were brought on board on September 1, 2009 and December 11, 2009, respectively. They serve the College in key accounting, business processes, and internal controls functions. As of April 2010 the College had 15 departments and 234 full and part time employees, including 96 faculty members and 138 administrative and staff members.

The College's total E&G expenditures by major spending categories for the fiscal years 2008-2009 and 2009-2010 are depicted in the following table:

Expense Category	**FY 2009**	**FY 2010**
Compensation and Employee Benefits	$8,672,477	$15,321,187
Contractual Service	753,050	1,458,790
Educational Property	488,602	138,842
Travel	310,639	406,109
Memberships and Subscriptions	226,500	217,956
Data Processing Property	197,860	166,165
Software License	168,132	45,872
Other Materials and Supplies	157,560	239,264
Educational and Lab Supplies	143,426	235,094
Moving Expenses	130,425	8,876
Telephone Expenses	96,061	160,225
Office Supplies	81,265	190,756
Furniture & Equipment	64,679	504,040
Repairs and Maintenance	55,488	78,662
Printing and Reproduction	55,320	103,659
Rental Expense	3,440	124,258
Other	227,778	750,237
Totals	**$11,832,702**	**$20,149,993**

FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that the College's expenditures were appropriate, allowable, and in accordance with applicable laws, rules and regulations, and University policies and procedures. Also, overall the funds were spent for their intended purpose: the establishment of the College. Nevertheless, during the period covered by our audit (the College's start up period), the financial control environment was weak due to absence of key financial personnel. Accordingly, the College's financial controls and procedures over its expenditures were not adequate. It is our expectation that with the addition of key financial staff (i.e., an Executive Associate Dean for Finance & Administration, a Finance Director, and a Budget Manager, etc.) internal controls will improve significantly.

The areas of necessary improvement identified in our audit are detailed below.

1. Financial Management

In order to ensure that expenses incurred by departments within the College are properly accounted for and recorded in the University's financial records, the College's administrative staff must reconcile the accounts. However, during the audit period the College's expenditures had not been reconciled to departmental ledgers maintained in the University's PantherSoft financial system. As reported in the following sections of this report, we found instances of miscoded or unallowable expenditures. The former Director of Operations attributed this to employee turnover and insufficient staff.

In order to effectively communicate management expectations, it is a good business practice to maintain operating manuals. It provides staff with a readily available reference source, guidance and training tool enumerating duties and responsibilities, and provides for the consistent application of the college management's policies and procedures. However, we noted that the Finance and Administration department of the College had not developed an operations manual.

Recommendations

The College should:	
1.1	Periodically reconcile its expenditures against their departmental ledger in a timely manner, at a minimum on a monthly basis. Any reconciling items should be investigated and resolved.
1.2	Develop, disseminate, and periodically update an operations manua giving due consideration to relevant University policies and procedures.

Management Response/Action Plan:

1.1. The College of Medicine (COM) concurs with the recommendation that expenditures must be reconciled into the University's general ledger system in a timely manner. Beginning February 2010, the COM Finance and Administration team adopted a central multi-faceted approach to ensure that expenditures are coded and reconciled accordingly. In addition, the COM will continue to develop and train key employees to reconcile their specific departmental ledgers in accordance with the University operating policies and procedures.

Implementation date: Immediately

1.2 The COM concurs with the recommendation of developing an operations manual. In fact, a Director of Strategic Initiatives has been hired to develop a robust policy and procedure manual which will be updated periodically in accordance with existing University policies and procedures.

Implementation date: December 2010

2. Payroll and Leave Administration

During our audit, we noted significant internal control weaknesses in time reporting at the College. The College administration is not effectively monitoring employee vacation and sick leave. For example, we found instances where three employees failed to report their leave hours, costing the University $10,884, as follows:

- The former Office Assistant did not report a total of 129 hours of vacation leave ($1,814) taken between December 8, 2008 and July 16, 2009.

- The former Director of Operations did not report 16 hours of vacation leave ($655) taken on November 25, 2008 and January 9, 2009.

- The Director of Information Technology did not report 112 hours of vacation leave ($6,724) and 28 hours of sick leave ($1,691) taken between July 30, 2008 and March 27, 2009. More detailed information and related recommendation had been reported during a previous investigation (see report No. 10/11-I-03, dated July 28, 2010).

According to the time approvers we interviewed, their approval process depends largely on employee honesty and an honor system for reporting leave accurately. The approvers are Administrative Service Coordinators who might not have first-hand knowledge of the employee's schedule for whose time they are approving. This is due to their physical location, or the employees' schedules, which often includes off campus activities. In addition, we noted that when the time approvers signed off in the system, in most cases, the reporting employees had not approved/submitted their time as required. So the approver often does not even know whether the employee simply forgot to sign-off or had no leave to report.

We selected and tested the time reporting for eight employees (six 12-month faculty and two staff members) through April 15, 2010. None of the eight employees had reported any vacation leave during 28 (more than 1 year) to 64 pay periods (more than 2.4 years). Only one employee had reported 8 hours of sick leave. Also, one of the eight employees is the same person who failed to report 140 hours of vacation and sick leave noted in bullet three above. The practice of under reporting leave presents an unnecessary financial burden to the College/University when employees are eventually paid out for their vacation leave and/or sick leave upon termination. For example, vacation leave balances for three of the eight employees had the maximum accrual of 44 days or 352 hours, while the remaining five employees had vacation leave balances ranging from 26 (209 hours) to 34 days (275 hours). If these employees were terminated or were to change to 9-month employees, the College would be obligated to pay out almost $184,000 in vacation leave.

Other HR Issues:

Our audit also disclosed that the College hired a new temporary employee prior to completion of a background check by the Division of Human Resources (HR). The new employee was hired to collect data from four selected neighborhoods where the College's medical students will be providing medical services. The new employee participated in employee training for three and half days before her background check came back with arrest information for aggravated assault with a firearm. As a result, the employee was terminated and paid for the days in the training. The HR Director of Recruitment informed us that the College should not have allowed the employee to begin training prior to the completion of the hiring process, which includes background and reference checks.

Our review of 25 student employees' work schedule assignment process, disclosed that the College did not have a procedure in place to check their class schedule prior to providing a work schedule to avoid conflicts between class and work. Based on our interview with the former HR Manager for the College, we noted that the College requested class schedules from the prospective student employees as evidence of enrollment and qualification to be hired as student (hourly) employees.

<u>Recommendations</u>

The College should:	
2.1	Assign time approvers who are either the employee's direct supervisor or have direct knowledge of employee's schedule and have sufficient authority to question the employee regarding time reporting.
2.2	Ensure employees are informed of the requirement to report leave time taken to a time approver on a timely basis.
2.3	Develop a mechanism to monitor and report leave time taken by exempt employees.
2.4	Adhere to the hiring process established by HR and ensure that new employees only begin employment after the completion of background and reference checks.
2.5	Establish a procedure to verify student employees' class schedules prior to assigning their work schedules.

Management Response/Action Plan:

2.1 to 2.3

The COM agrees with all the recommendations noted in 2.1 through 2.3 and will work with FIU's Human Resources department to conduct a college-wide TimeSaver training session within the College of Medicine. The goal of this training program will be to review and educate COM personnel on current policies and processes for both timekeepers/time approvers.

In addition, the COM will promote and create awareness through communication on the requirements of proper payroll reporting. Moreover, we will monitor this process and ensure that designated time approvers are appropriate for the personnel who they are approving.

Implementation date: November 2010

2.4 The COM concurs with this recommendation and will communicate and train the respective hiring managers regarding all elements of the hiring process within the COM.

Implementation date: December 2010

2.5 The COM concurs with this recommendation and will follow the procedure set forth by Central Human Resources and communicate to the respective hiring managers within COM.

Implementation date: Immediately

3. Procurement and Contract Administration

University Purchasing Procedures Manual (Manual) requires that all purchases of commodities, contractual services, or deferred payment contracts in excess of $75,000, be made by competitive solicitation, unless otherwise exempted. The Manual also requires that a competitive written quotation be obtained from three or more sources if purchases are between $25,000 and $75,000. In addition, the splitting of orders and neglecting to combine orders, when practical, to intentionally keep the total cost below the competitive solicitation threshold is prohibited.

Our audit testing disclosed that the College obtained a consultant in the amount of $28,950 in November 2008 for redesigning its website without obtaining competitive written quotation. In fact, between July 2008 and May 2010 this same consultant was paid $65,260 by the College for various professional services. In March 2009 Purchasing Services issued a purchase order in the amount of $73,750 to the same consultant on behalf of the College of Arts and Sciences without any competitive solicitation, and in August 2008 another purchase order in the amount of $21,350 for the College of Law was made.

In February 2010 the Auditor General issued an audit report, no. 2010-096, with similar findings and concerns. They observed that the University should take advantage of and observe competitive bidding requirements when small dollar purchases with individual vendors cumulatively meet competitive bidding thresholds. They also encouraged the more frequent use of written contractual agreements. The University's management agreed with the Auditor General and agreed to improve in these areas.

For a different consultant the services were obtained for the College through a competitive bidding process, as required. The contract allowed the consultant to be reimbursed for travel costs in accordance with University policy, which requires travel costs be most economical. However, in at least three instances the College reimbursed the consultant for excessive travel expenses, as follows:

- The College paid $1,248 for a round trip ticket from Birmingham, Alabama to Miami, Florida. Our flight search for a similar round trip ticket from Birmingham to Miami reflected a price range between $284 and $355.

- The College paid $728 for a three way ticket from Chicago to Miami, Miami to Tyler, Texas, and to Chicago. The flight to Tyler was unrelated to FIU business. The College accepted the consultant's explanation that she did not make the trip to Tyler but changing the ticket would have cost more due to cancellation fees. Our flight search for a round trip ticket from Chicago to Miami resulted in price quote between $274 and $416.

- The College paid $1,198 for a round trip ticket from Chicago to Miami. Our flight search for a similar round trip ticket from Chicago to Miami resulted in price quote between $274 and $416.

The College, in our opinion, was overcharged by the consultant in these three instances. The College acknowledged that the prices were excessive but indicated that the circumstances were extraordinary. According to the Executive Associate Dean for Finance & Administration, the College, in coordination with the President's office, needed immediate external experts to assist in preparing a $40 million philanthropic request on a very short deadline. Thus the airline tickets purchased were probably higher than would be the case under ordinary circumstances.

Recommendations

The College should:	
3.1	Ensure that goods and services are procured using the required competitive selection process.
3.2	Closely review expenses and reimburse only for reasonable and appropriate charges.
The Controller's Office (Purchasing Services) should:	
3.3	Analyze the types of services purchased from the same vendor and obtain formal competitive bids whenever appropriate.

Management Response/Action Plan:

3.1 and 3.2

The COM Department of Finance and Administration has adopted a centralized procurement process model. Effective February 15, 2010, the COM employed a Purchasing Coordinator who works closely with FIU Purchasing Services to ensure that goods and services are procured using the required University competitive solicitation process. In addition, a centralized system has been implemented for submitting procurement orders. To ensure that purchases requiring quotes and purchases requiring competitive solicitation follow the appropriate channels. The College through its centralized approval structure will closely monitor the travel reimbursement to consultants and will make sure that consultants are aware of FIU's reimbursement policies. Whenever possible, only the most affordable airline ticket and the most affordable hotel accommodations will be reimbursed. For most of our consulting agreements the COM moved to a fee schedule that includes travel expense as opposed to reimbursing for expenses.

Implementation date: Immediately

3.3 Purchasing Services has put business processes in place to ensure that the competitive solicitation process is not being circumvented. Queries have been created in PeopleSoft Financials which summarizes all payments made to each vendor from all source documents (POs, unencumbered payments, P-Card transactions and wires). We have taken the extra measure of checking each independent contractor agreement, agreement for services, and entertainment contract before execution to ensure vendor has not received payments for services and/or commodities beyond the competitive solicitation threshold; a summary of all payments to-date is attached to each contract when applicable. For those vendors whose services and/or commodities fall within the exceptions as listed in BOG Regulation 18.001(5),[1] each exception is documented by reference within the supporting documentation.

Implementation date: Immediately

[1] BOG regulation 18.001(5) enumerates the type of purchasing actions that are not subject to the competitive solicitation process, e.g. emergency purchases, sole source purchases, annual price agreements and certain listed commodities and services.

4. Procurement Card Administration

During the audit, based on information provided by senior management of the College and examination of College expenditures, we found instances where the credit cards issued by the University were misused by staff at the College. As a result, we conducted and completed separate investigations, which disclosed several control weaknesses that contributed to personal/unallowable purchases. The College took appropriate personnel actions and agreed to strengthen controls over procurement card purchases. Thus, we have no further recommendations in this report regarding those matters previously reported. However two additional issues regarding the use of procurement cards emerged based from this audit:

1. In early 2009 a procurement card was used on 27 different occasions to purchase laboratory chemicals costing $16,792. According to the University Purchasing Manual the purchase of special hazardous materials/chemicals must be approved by the Department of Risk Management and Environmental Health & Safety in advance. Therefore, laboratory chemicals may not be purchased using a procurement card.

2. On 50 different occasions purchases made using three of the College employees' procurement cards disclosed that the College paid $964 in sales taxes for the 14 month period reviewed. The purchases are mainly office supplies from Office Max, HP Home Store, Xerox, Best Buy, etc. The University is a tax-exempt entity and that status dictates that all transactions made on behalf of the University, is exempt from Florida sales and use tax. It is the employees' responsibility as a cardholder to present the vendor with a current University certificate of exemption.

Recommendations

The College should:	
4.1	Ensure that all future hazardous materials/chemicals purchases are conducted via the University's purchasing requisition system, with the requisite approval from Department of Risk Management and Environmental Health & Safety.
4.2	Ensure that all purchases using University credit cards are tax exempt.

Management Response/Action Plan:

4.1 The COM began re-structuring the commodity card system in November 2009 as noted in a previous management response to an Internal Audit investigation regarding Procurement Card usage. In collaboration with FIU Purchasing Services, we have conducted college-wide training sessions on the use of the commodity card. This training was conducted in March 2010. In addition, the approval structure for the commodity card has been centralized as the COM's Finance and Administration Department serves as the College-wide approver for all commodity card transactions. In addition, we have reviewed and identified positions where the (previous) card holder's role did not demonstrate a need for a commodity card. This resulted in the elimination and deactivation of 13 commodity cards primarily among Principal Investigators and Senior Administrators.

Implementation date: Immediately

4.2 Card holders were informed that the University is a Tax exempt institution and that sales taxes are disallowed. The COM employees are strongly encouraged to carry and present the University's tax exempt certificate while on university related business. Commodity card approvers are trained to be mindful of taxes on invoices submitted for approval.

Implementation date: Immediately

5. Managing Travel Costs

The College spends about 8% to 10% of its non salary related expenditures annually on travel. However, our testing revealed that the College does not appear to be managing, monitoring, and/or accounting for travel costs properly. During our audit, we sampled 126 travel related transactions covering 15 trips totaling $24,330. Our tests uncovered substantial noncompliance with University policies and procedures and/or Florida statues, as follows:

- Travel Authorizations were prepared after-the-fact for four trips. In the first instance, the Travel Authorization was prepared 10 business days after the traveler's departure date. For the remaining three trips (conferences) the time to complete the Travel Authorizations ranged from 19 to 60 business days after the initial payment of the travelers' registration fees.

  Florida Statute section 112.061(3)(a) requires that, "All travel must be authorized and approved by the head of the agency, or his or her designated representative, from whose funds the traveler is paid . . ." University Travel Policy also states, ". . . Travelers are not to make commitments to travel or to incur travel expenses without first obtaining the appropriate approval."

- Three Travel Authorizations were approved by someone other than the traveler's supervisor. Florida Statute section 112.061(11) requires Travel Authorization be signed by the traveler and the traveler's supervisor stating that the travel is to be incurred in connection with official business of the state (University).

- Travel Authorizations did not consistently enumerate all of the anticipated expenses for the trip. In addition, Travel Expense Reports were not always complete in that all actual expenses associated with the trip were not always listed on Travel Expense Reports. For example, our review of 11 approved Travel Authorizations disclosed that there was no budget established for airfare, car rental, registration fees, mileage reimbursement, per diem and meal allowances, and/or incidental expenses. Consequently, actual expenses were 217% ($18,610) higher than budgeted and authorized amounts ($8,558). In addition, most expenses paid using University procurement cards were not always included on Travel Expense Reports; therefore, it was often difficult to account for how much funds were actually dedicated to a specific trip.

  According to the University Travel Expenses Manual, Travel Authorization should include all anticipated travel expenses that are known, or can be projected, before the trip. The Manual also requires all expenses associated with the travel, whether paid directly by the University or reimbursable to the traveler, be included on Travel Expense Report after returning from the trip.

- Seven of the 14 Travel Expense Reports examined were submitted to the Controller's Office between 12 to 28 business days after the traveler's return. In one instance a Travel Expense Report was never submitted to the Controller's Office. At the time that the travel was incurred, University Travel Expenses Manual required a traveler to prepare a travel voucher within 10 days from the day that the trip is completed. The policy was changed and currently requires that the travel voucher be prepared within 5 days after the travel has been completed.

- Thirty-six transactions, totaling $7,592, lacked supporting receipts/invoices, which are required to be maintained by the College. All of these transactions were made using the University procurement cards.

- Travel Expense Reports for 2 trips, costing $1,331, were processed without supporting documentation, such as program, agenda, correspondence, etc. University Travel Policy requires the employee to provide proper supporting documents for claiming their travel expenses.

- Thirty-six of the 126 transactions, totaling $7,833, were coded to incorrect accounts. For example, a registration fee was coded as other materials and supplies or departmental memberships, incidental expenses as car rental, out-of-state incidental expenses as in-state car rental, etc. Improper coding of transactions undermines the College's budgetary controls and accounting system.

- An employee was improperly reimbursed for the meal allowance totaling $87 involved with 5 trips. These meals were either provided during the conferences or claimed incorrectly despite early ending of the conferences. Also, another employee claimed and was reimbursed $15 for baggage even though it was already paid using a University procurement card.

Our testing also uncovered numerous examples of wasteful spending and unallowable travel expenses as follows:

- Hotel Lodging of $174 was paid for one night, but the traveler was unable to take the trip and no refund was obtained. There was no Travel Authorization for this transaction. As stated earlier, University Travel Policy requires travelers not to make commitments to travel or to incur travel expenses without approved Travel Authorization.

- A valet parking fee of $19 was paid using a University procurement card although self parking ($13) existed. In addition, the traveler claimed and was reimbursed $36 for a parking fee already paid with the University procurement card.

- Sales tax totaling $65 was paid on two occasions for in-state hotels.

- Flight scheduling changes costing $734 for five trips were incurred without documenting the justification for the additional expenses. There was also another instance where $115 additional hotel cost was incurred due to early departure.

- Hotel fee of $262 for one extra day was charged to the College by the traveler for an unused "extra" day of travel for the day before a conference began. The traveler actually arrived on the day of the conference, which was scheduled to begin at 5:00 p.m. In addition, the traveler, after conclusion of the first conference, scheduled to continue another 2½ day conference, costing the College a $695 registration fee, at the same location but departed on the first day of the conference.

- An airline ticket from West Palm Beach to Seattle was purchased just 4 days prior to the traveler's departure even though the traveler had been registered for the conference 7 weeks earlier. Had the airfare been booked earlier the airfare of $872 may have cost substantially less.

- Compact sized car rental is required by University Travel Policy. However for two trips Intermediate and SUV vehicles were rented at an incremental cost of approximately $103.

- Other miscellaneous expenses (car rental insurance, hotel room service, restaurant, etc.), totaling $72, were paid contrary to University Travel Policy.

Recommendations

The College should:	
5.1	Ensure that all Travel Authorizations are reviewed for completeness and approved by the traveler's supervisor prior to travel or incurring related expenses.
5.2	Submit all Travel Expense Reports to the Controller's Office in a timely manner.
5.3	Ensure that all procurement card transactions records and travel related documents such as program, agenda, correspondence, etc. are maintained.
5.4	Strengthen controls over the coding of transactions to ensure proper classification of costs.
5.5	Ensure that travelers, as well as approvers, be more cognizant of University reimbursement policies.
5.6	Review Travel Expense Reports for unallowable travel costs.

Management Response/Action Plan:

5.1 to 5.3, 5.5 & 5.6

Since March 2010, the COM Department of Finance and Administration has worked closely with the Controller's Office to train and communicate university policies regarding travel reimbursement. In addition, processes have been implemented to ensure that units provide all the relevant supporting material and coding before a travel authorization is approved. The COM Finance and Administration Department will continue to work closely with the departments to ensure that only expenses related to university business are submitted for reimbursement and that these are submitted in a timely manner.

Implementation date: Immediately

5.4 The COM Department of Finance and Administration will review the coding and classification of charges before they are approved and will provide each department with a chart of account codes that should be used when processing expenses.

Implementation date: Immediately

6. Managing Auxiliary Enterprises (Conference)

The College and University of Miami Leonard M. Miller School of Medicine jointly sponsored the 2nd World Conference: *Hormonal and Genetic Basis for Sexual Differentiation Disorders and Hot Topics in Endocrinology* in Miami Beach from January 15 through 17, 2010. The conference was co-hosted by two FIU faculty members (Conference Course Directors) who are experts in the field. Registration fees were charged to all participants except for medical students.

The joint sponsorship agreement between the College and UM, dated May 21, 2009 indicates that our College agreed to accept full financial risk for the conference. The College estimated $181,194 in expenses offset by an estimated $182,000 in revenues consisting of $82,000 in registration fees and $100,000 in sponsored support.

In actuality the conference cost $213,013 or 18% more than estimated and revenues generated $80,270 or 56% less than estimated. Our review of financial records for the conference disclosed UM spent $73,448 on the conference and our College spent an additional $139,565 using different funds[2] as follows:

Description	Source of Funds	Date	Amount
Food & Beverage	FIU Foundation	01/14/10	$ 60,456
Hotel rooms (102 room nights)	E&G Fund Agency Fund	01/13/10 01/14/10	30,000 4,463
Conference bags	E&G Fund	12/15/09	342
Advertising	E&G Fund	12/15/09	280
Mailing lists	E&G Fund	12/15/09 11/24/09	3,730
Fees paid to UM	E&G Fund Agency Fund	09/17/09 08/21/09	35,294 5,000
Total			**$ 139,565**

[2] The college did not establish an Auxiliary fund for this activity. Instead, conference expenses were paid from various other funds.

After collecting all of the revenues from the conference and reimbursing itself for all of its expenses UM forwarded the remaining balance, $6,822, to FIU. This resulted in a financial shortfall of $132,743 to our College.[3]

In May 2010, the College's administrator, who served as one of the conferences Course Directors, formally requested UM to share the deficit equally with FIU; however, UM declined to do so citing their own policies and the signed joint sponsorship agreement. In their response they also reminded our Course Director that during the planning process they discussed a number of options and suggestions to minimize FIU's potential financial loss including the cancellation of the conference if there was low registration and/or less than expected sponsorship support.

According to the Executive Associate Dean for Finance & Administration, the College was disappointed in the level of participation by its partner in attracting either the expected exhibits or registrants as per the agreement. Numerous attempts were made to rectify this. Nevertheless, due to the importance of the meeting to FIU and the high cost of cancelation, College officials believed that cancellation was not a viable option. Further, the College indicates that it is still expecting additional sponsorship support for this conference that will offset the loss.

In order to properly account for the revenues and expenditures generated by this event this conference should have been accounted for using an Auxiliary enterprise fund. Instead $69,646, were paid for using E&G funds, $60,456 in Foundation funds were used and $9,463 in Agency funds were used. The dispersal of the conference expenses among these three funds made the financial results of the conference less transparent. An Auxiliary enterprise fund should always be used to account for business activities, which provide goods or services to students, faculty, staff, or incidentally to the general public, for which a fee is charged. Each auxiliary operation is managed as a self-supporting activity and should be accounted for as such. Also, agency funds are funds held by the University as custodians or fiscal agents for others; therefore, they should not be used for any University/College operations. In our opinion, neither E&G funds nor Agency funds should have been used to pay expenses for the conference.

<u>Recommendations</u>

The College should:	
6.1	Organize and plan for future conferences with a view towards minimizing the potential for financial loss.
6.2	Establish Auxiliary Enterprises for providing future conferences.

[3] According to the College's Budget Manager, the College is expecting to receive a refund of $11,124 from a vendor (hotel), which will reduce the financial loss to $121,619.

6.3	Reimburse the E&G fund for $69,646.
6.4	Not use Agency Funds for this purpose going forward and reimburse the Agency fund for $9,463.

Management Response/Action Plan:

6.1 The conference was important for promulgating scientific prowess of FIU and COM, whose visibility to medical scientists was minimal at the time. The International Olympic Committee decided to bring their Medical Commission staff to the meeting and to convene a panel to address issues relating to gender verification in elite female athletes (Olympics; International Federation Athletic Association, which governs track and field). Failure to hold the meeting would have adversely affected FIU's credibility and reputation in the international community regarding world-class athletics. Despite the lack of participation from UM and after analyzing the financials, it was decided that it would be more beneficial to hold the conference. Nevertheless, COM concurs with the recommendation and will ensure that losses are minimized in the future.

Implementation date: Immediately

6.2 The COM concurs with this recommendation and will work with the Controller's Office in conjunction with Auxiliary Enterprises to establish an Auxiliary Department for future COM conferences.

Implementation date: Immediately

6.3 The COM has received additional sponsorship support for this conference and will work with the Controller's Office to properly reimburse the E&G fund from the Auxiliary funds generated.

Implementation date: December 2010

6.4 The Agency Department in question represents unrestricted funds received for the Executive Associate Dean of Academic Affairs from the Reproductive Genetics Institute to use at his discretion per the institute. Along these lines it was decided to use some of these funds towards the conference to help offset some of the costs.

We are working with the Controller's Office to determine the appropriate fund to deposit funds of this nature if it is determined that an agency fund is not appropriate.

Implementation date: December 2010

7. Asset Management/Property Accounting

The departments/colleges use the University's PeopleSoft property accounting system to manage their assets. As of February 25, 2010 the College recorded in the University's financial system records 476 assets in 22 different department IDs, totaling $1,597,751. Our review of the College's assets and related property records disclosed the following exceptions:

- Due to query problems with the PeopleSoft property accounting system, we found $411,971 (115 assets) in what appeared to be duplicate entries. According to the Purchasing Services Director, these are not duplicate entries but rather the result of a data query that counts some assets twice. In effect, University departments using this query would get inaccurate property records.

- Six assets were reported at values ranging from $14 to $867 even though their actual value ranged from $1,746 to $39,218. We were informed that this was also due to the same problem with the PeopleSoft property accounting system upgrade, which has resulted in systemic problems causing account entries for property items not being properly recorded at their total cost.

- Three assets, with a total cost of $6,959, have no locations recorded in the system even though Asset Management took a physical inventory of these items on July 22, 2009. The Senior Property Accountant in Asset Management indicated that the location of these items was not shown on the inventory list because the University Property Location Master File may not have been updated.

- Forty-six assets, with a total cost of $84,600, were unaccounted for based on the annual physical inventory conducted by Asset Management. The College's Accountable Officer has not verified the departments' Inventory Report lists, which would serve to reconcile or otherwise identify the physical location of the unaccounted for property items.

- Twenty-one assets, with a total cost of $98,914, were reported at incorrect locations: 16 at the President's Office (PC 528), 4 at the Office of Research (MARC 430) and 1 at an off campus location.

We also selected 33 assets, with a total cost of $73,221, from the University's property records for physical observations and found inaccuracies in the records, as follows:

- Ten assets, with a total cost of $25,103, were found at locations other than those reported in the property records.

- Three assets, with a total cost of $6,028, were observed without FIU property tags. The property tags appeared to be removed.

- Six assets, with a total cost of $10,539, could not be located. Upon audit inquiry, it was noted that one item was lost/stolen and five were being used off campus. For the five assets used off campus, three had no off campus forms, which would authorize their use off campus and two had an off campus form completed and submitted to Asset Management; however, the forms were not processed. Also, we were told that one asset (tablet PC) was stolen from a faculty member's home; however, the College did not report the stolen item to Police and a survey form was not completed to request deletion of the item from the property records, as required by University Property Control Manual.

Additionally, we selected 25 tablet PCs used off campus for testing and noted as follows:

- Seventeen had no off campus form.
- Three had off campus forms kept in the College, but not in Asset Management.

Finally, we reviewed IT inventory records kept by the College and found that the records were generally incomplete. For example, 54 IT equipment (computers, servers and printers), with a total cost of $184,930 recorded in the University's property record are not included in the College's IT inventory records. It should be noted that regardless of cost, tracking IT assets is very important since they may contain the College's critical information.

Recommendations

The College should:	
7.1	Work with Asset Management to follow-up on all unaccounted for property items and adjust incorrect location of property items in University property records.
7.2	Re-tag those property items where FIU tag is missing or removed.
7.3	Complete and submit off campus form to University Asset Management when property items are used off campus.
7.4	Notify the University's Police department of any lost or stolen property. The notification should be confirmed by memorandum to Asset Management, as required by University Property Control Manual.
7.5	Strengthen its procedures to ensure that the IT property records are complete and accurate.

The Controller’s Office (Purchasing Services/Asset Management) should:	
7.6	Correct the existing query used for obtaining departmental asset lists.
7.7	Ensure that the Property Master File is timely updated to reflect the valid location of all property items.
7.8	Ensure that Asset Management promptly process off campus forms received.

Management Response/Action Plan:

7.1 to 7.5

The COM concurs with these recommendations. Moreover, we believe that it will be beneficial for the FIU COM to employ a staff member whose role will primarily be asset management. This person will be responsible for the accounting of the COM assets and inventory management and will work in conjunction with the COM Information Technology Department, University Property Control, and University Controller’s Office. As the FIU COM grows and expands in several locations on and off-campus, this function will be essential in protecting the COM's assets.

Implementation date: December 2010

7.6 The FIU_AM_ASSET_PROPERTY_MASTER Query will be disabled. The Asset Management Property Master Custom Report will be cloned with additional prompts to replace this query. This report will be added to the PS Financials Menu under Asset Management and access will be given through Role Level security.

Implementation date: October 2010

7.7 Unfortunately Asset Management was not notified when Academic Space file uploads were discontinued. Asset Management has been trying to maintain this information manually. Now we review each days uploads, correcting location information before it is posted to the asset which should minimize the number of invalid location processed.

Implementation date: Immediately

7.8 The off campus process was reviewed with the Asset Management staff, and the forms are being processed as received.

Implementation date: Immediately

8. Monitoring Telephone Charges

The College spent $15,415 for its employees' cellular phone allowance during the fiscal year 2009. Our review of 35 employees, who received a monthly cellular phone stipend, ranging from $50 to $220, disclosed that they were appropriately approved and paid in accordance with University Policy.

The College also paid $3,212 for its long distance calls made from its phones during the fiscal year 2009. We examined long distance charges on 32 lines for July 2009, January 2010, and February 2010. We noted that the College does not have a procedure in place to review long distance calls. According to University Policy No. 1950.010, each department is required to review its telephone charges on a monthly basis and any personal long distance calls made from a University phone exceeding certain limits must be reimbursed.

Recommendation

The College should:	
8.1	Establish a procedure to review its telephone charges on a monthly basis, identify all personal long distance calls, and collect reimbursement from the employees if applicable.

Management Response/Action Plan:

8.1 The COM in conjunction with University Technology Services has just completed an analysis/inventory of identifying and coding the department to which all telephone lines should be expensed. Also in development is a procedure on handling and tracking telephone usage within each department. This will ensure that departments are able to review and reconcile to their monthly departmental ledger for telephone usage and seek appropriate reimbursement from employees where applicable in accordance with University and state laws. Evidence of these reviews will be maintained for records and audits.

Implementation date: November 2010