



**FLORIDA
INTERNATIONAL
UNIVERSITY**

Office of Internal Audit

**Audit of the
Southeast Environmental Research Center**

Report No. 14/15-04

September 22, 2014



Date: September 22, 2014

To: Michael Heithaus, Interim Dean, College of Arts and Sciences
Todd Crowl, Director - Southeast Environmental Research Center

From: Allen Vann, Audit Director

Subject: **Audit of the Southeast Environmental Research Center, Report No. 14/15-04**

Pursuant to our approved annual plan, we have completed an audit of the Southeast Environmental Research Center (SERC). SERC conducts environmental research and promotes academic excellence in the environmental sciences. Its operations are funded mainly through numerous sponsored research projects, with current active awards exceeding \$38 million and related life-to-date expenditures of \$26 million.

The objectives of our audit were to determine whether financial controls and procedures relating to revenues, payroll administration, procurement of goods and services, travel, property accounting and recharge center administration are: (1) adequate and effective; (2) being adhered to; and (3) in accordance with University policies and procedures, applicable laws, rules and regulations

Overall, our audit disclosed that SERC established controls and procedures were generally adequate and effective to ensure the proper administration of grants and recharge centers. Nevertheless, there were areas where internal controls need strengthening, particularly in the areas of: grant expenditure monitoring/reconciliation, unallowable cost on sponsored projects, recharge center rate calculations, credit card controls, travel authorization, and asset management. The audit resulted in 21 recommendations which management agreed to implement.

I would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during this audit.

Attachment

C: Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Members
Mark B. Rosenberg, University President
Kenneth G. Furton, Provost and Executive Vice President
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OBJECTIVES, SCOPE AND METHODOLOGY

Pursuant to our approved annual plan, we have completed an audit of the Southeast Environmental Research Center (SERC or Center). The primary objective of our audit was to determine whether SERC's established internal controls and operating procedures are adequate, effective, and ensure the proper administration of sponsored research grants and recharge centers.

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. We reviewed SERC's sponsored research activity and recharge center administration for the period from July 1, 2012 through December 31, 2013. Audit fieldwork was conducted from March to June 2014.

We reviewed SERC's sponsored project administration (post award) and recharge center administration, interviewed responsible personnel, and tested sampled grant expenditures to determine whether they were allowable, allocable and reasonable per University policies and procedures, applicable laws and regulations, and award requirements. We also examined SERC's time and effort reports to determine if its effort reporting process is adequate to comply with the Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*. 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 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. Accordingly, for one recommendation of a prior internal audit report of SERC, Report No. 03/04-04 issued on June 30, 2004, we determined that the recommendation was only partially implemented (see reference on page 21, Nepotism).

BACKGROUND

The Southeast Environmental Research Center conducts environmental research with emphasis on the southeastern United States and the wider Caribbean region, and promotes academic excellence in the environmental sciences. Additionally, SERC provides an organizational structure for regional environmental initiatives and coordination of interdisciplinary environmental investigation in the region. SERC is staffed by faculty, research associates, students and technicians from a variety of disciplines who work together on environmental research efforts to promote understanding, protection and restoration of the water resources, recreational lands and natural ecosystems of the southeastern United States and the Caribbean. Special emphasis is placed on work in Biscayne, Big Cypress, Everglades, and Dry Tortugas National Parks, the Greater everglades ecosystem, the Florida Keys National Marine Sanctuary, and other freshwater and coastal areas. In recent years SERC faculty have expanded their funded research on a geographical scale, and now include research sites across the continental US, several locations in the Caribbean Basin, as well as Mexico, Central America and South America, and other locations around the world.



One of SERC's primary missions is to serve as a resource center providing accurate, detailed, unbiased scientific information to those who must make decisions affecting the sustainability of fragile natural resources. In order to carry out this mission, the Center strives to facilitate linkages between scientists and local, state and federal agencies, providing an organizational structure for regional environmental research initiatives and interdisciplinary environmental investigations.

SERC's operations are funded mainly through numerous sponsored research projects. As of March 3, 2014, we identified 105 active sponsored research accounts, with total award of \$38,134,920 and expenditures to date totaling \$26,138,104.¹ The following table depicts the awards by sponsor type.

Type	No. of Active Projects	Total Award Amount	Life-to-date Expenditures
Federal	76	\$25,872,334	\$19,724,081
State	17	\$ 1,580,281	\$ 749,160
Private	12	\$10,682,305	\$ 5,664,863
Total	105	\$38,134,920	\$26,138,104

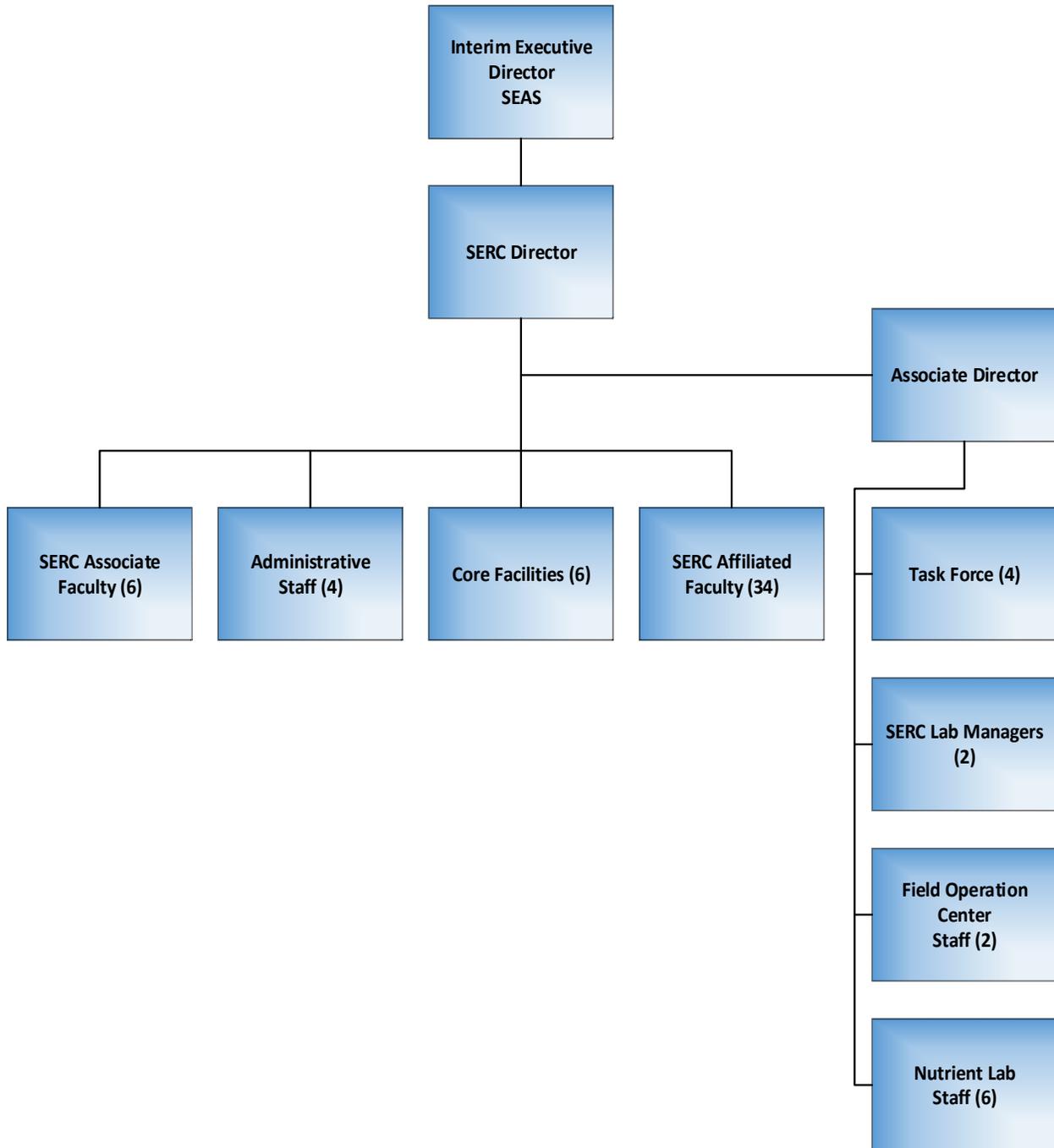
The amount received by SERC in grants during FY 2013 totaled \$10,157,661, which represents an 8.3% decrease from the \$11,072,259 in FY 2012.²

SERC also operated six recharge centers as auxiliary accounts during fiscal year 2013, which generated \$606,437 in revenues and incurred \$776,794 in expenditures, an operating deficit of \$170,357. Additional expenditures in the amount of \$309,970 were funded through state Educational and General (E&G) fund accounts.

¹ Source: FIU Division of Research One-line report as of March 3, 2014.

² Source: FIU Division of Research Report to BOT – September 2013.

In March 2014, a new Director was hired to oversee SERC's operations. The new Director took over from the current Associate Director who had been leading SERC as its Interim Director since August 2012. The Center provided us with the following organizational chart:



FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that SERC established controls and procedures were generally adequate and effective to ensure the proper administration of grants and recharge centers. Nevertheless, there were areas where internal controls need strengthening, particularly in the areas of: time and effort reporting and certification, grant expenditure monitoring/reconciliation, recharge center rate calculations, credit card controls, travel authorization, asset management, and nepotism disclosure.

Our overall evaluation of internal controls is summarized in the table below.

INTERNAL CONTROLS RATING			
CRITERIA	SATISFACTORY	FAIR	INADEQUATE
Process Controls		x	
Policy & Procedures Compliance		x	
Effect		x	
Information Risk	x		
External Risk		x	
INTERNAL CONTROLS LEGEND			
CRITERIA	SATISFACTORY	FAIR	INADEQUATE
Process Controls	Effective	Opportunities exist to improve effectiveness	Do not exist or are not reliable
Policy & Procedures Compliance	Non-compliance issues are minor	Non-Compliance Issues may be systemic	Non-compliance issues are pervasive, significant, or have severe consequences
Effect	Not likely to impact operations or program outcomes	Impact on outcomes contained	Negative impact on outcomes
Information Risk	Information systems are reliable	Data systems are mostly accurate but can be improved	Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions
External Risk	None or low	Potential for damage	Severe risk of damage

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

1. Time and Effort Reporting and Certification

The University is obligated to maintain a payroll distribution system that results in a reasonable allocation of salaries and wages charged to sponsored agreements. The payroll distribution system must be periodically reviewed to confirm the reasonableness of charges to sponsored projects. These confirmations are usually in the form of an activity report or payroll distribution report and must be signed either by the employees whose salary charges are being confirmed, or by “responsible persons with suitable means of verification that the work was performed.” These signatures confirm that “the distribution of activity represents a reasonable estimate of the work performed,” or that the payroll distribution is “reasonable in relation to work performed.”

To comply with the Federal requirements, the University established Policy No. 2350.020, *Effort Reporting and Certification*, which requires maintaining after-the-fact activity records for payroll distribution purposes. Accordingly, employee effort reports are prepared subsequent to each semester (fall, spring and summer). They include all the sponsored projects that the employee is working on and the percentage effort towards each, regardless of whether or not the project paid for the employee’s salary, such as cost-shared or contributed effort. For each employee, total effort must equal 100%, which accounts for all sponsored and/or institutional activities.

To streamline the effort reporting process, the University’s Division of Research has implemented the Effort Certification and Reporting Technology system (ECRT). Each departmental effort coordinator has 30 days, after receiving the effort reports from DOR, to review their employees’ effort for accuracy, and then each employee receiving his or her effort report has an additional 30 days to review and certify³ that the percentage listed on the report accurately reflected the work they performed during the reported period.

Salaries and benefits charged to six selected grants for the audit period totaled \$2,457,452, representing approximately 42% of their total grant expenditures for the same period. To test for compliance with applicable University policies and procedures and Federal regulations, the employees whose salaries and benefits were charged to these six selected grants were reviewed against their effort reports for spring, summer, and fall 2013.

The results of our review are as follows:

- Effort reports were certified by either respective employees or Principal Investigators (PIs) who had first-hand knowledge of the actual work performed.

³ Only the employee, PI, or other responsible official who has first-hand knowledge of the actual work performed should certify the effort report (electronic signature).

- 23 out of the 62 effort reports reviewed (37%) were certified late, as follows:
 - 16 of the 20 spring 2013 effort reports reviewed were certified 21 to 29 business days late.
 - 7 of the 42 summer and fall effort reports reviewed were certified 3 to 36 business days late.
- The total effort expended by each employee was 100%, as required.
- Our review of 5,072 time entry transactions by the 26 non-exempt employees on sponsored projects indicated that the HR payroll administrator approved 181 entries (4%).⁴ The payroll department approves payroll entries when time is not approved by the supervisor/time approver by the time approval deadline. As the hourly time entries, with the supervisor's approval, serve as the effort certification for non-exempt employees, they should have been approved by a supervisor who has first-hand knowledge of the work performed by the employee on the sponsored project.
- We compared payroll charged to the six grants reviewed and the effort report certified and concluded that all efforts charged to the grant were certified.

Recommendations

SERC should:	
1.1	Work with PIs to ensure timely certification of efforts.
1.2	Ensure that time entries charged to sponsored projects by non-exempt employees are approved by a supervisor who has first-hand knowledge of the work performed by the employee.

Management Response/Action Plan:

- 1.1 As part of our Strategic Planning Initiative (SPI), PI's will be reminded of this responsibility. A memo will be issued to SERC faculty staff on October 1, 2014 describing the importance of effort reporting and the required cooperation of faculty and staff to complete certifications.

Implementation Date: October 1, 2014
- 1.2 The appropriate supervisory roles with first-hand knowledge of work performed were established for all SERC effort certifications. For example, Nutrient Analysis

⁴ It should be noted that this is a comparably low exception rate from those reported in other recent internal audits of University departments and business units.

Lab (NAL) technicians now answer directly to Scientific Research Manager; the Manager also now manually approves time cards.

Implementation date: Immediately

2. Recharge Service Facility Operation

A Recharge Service Facility is a self-supporting operating unit within the University that exists principally to provide research related goods or services to University faculty, staff, or students at no more than actual cost (break-even). A recharge facility bills sponsored programs for such goods or services, has operating costs that are funded by charges to the customers receiving the goods or services, and may have revenue between \$10,000 and \$ 1 million annually. The facility charges all internal customers equally for goods or services at a rate that is calculated to recover costs over a fixed period of time.

SERC operated six recharge service facilities during the audit period. The table below shows the recharge facilities' expenditures, revenues, and surplus (deficit) for fiscal year 2012-2013:

Recharge Facility	Dept. ID	Expenditures	Revenues	Surplus (Deficit)
PSAL Plant Tissue & Sediment Lab	2025830001	\$ 12,828	\$ 9,169	\$ (3,659)
Soil & Sediments Biogeochemistry	2025830002	49,714	31,040	(18,674)
Periphyton Analysis Laboratory	2025830004	116,358	104,063	(12,295)
Field Operations	2025830005	183,561	188,737	5,176
SERC Nutrient Analysis	2025830006	321,665	240,598	(81,067)
SERC Stable Isotope Lab	2025830010	92,668	32,830	(59,838)
Total		\$ 776,794	\$ 606,437	\$ (170,357)

Federal regulations, OMB Circular A-21, (J)(47)(b) requires that the cost of the goods and services, when material, be charged directly to applicable awards based on actual usage of goods and services, and on the basis of a schedule of rates that does not discriminate against federally sponsored activities of the institution.

- The billing rates charged during fiscal year 2012-2013 were established by SERC based on the PI's knowledge of the lab work to be completed. The Division of Research's Recharge Facilities Operating Procedures required recharge facilities to calculate rates to be charged for goods and services by including all the costs incurred in providing the goods and services and the previous year's surplus or deficit. The Recharge Facilities Operating Procedures states that "billing rates should represent actual, not market or estimated cost."

SERC submitted rates for only three of the six facilities in June 2013 for DOR's approval and only two were approved in December 2013, which took effect in 2014. We also noted that the two facilities did not include prior year's surplus or

deficit in the rate calculations, as required. This included one facility with a deficit of \$81,067. We were informed that the Division of Research is working with SERC to establish the rates for the other four facilities.

- We reviewed 120 invoices generated by the six recharge facilities and found the following:
 - There was no established rate for 7 invoices, totaling \$140,684. We noted that there were some laboratory services that were not included in the estimated rate established by SERC. SERC informed us that these services are non-standard and performed as requested, and that an estimated rate is charged for such services.
 - One of the invoices was billed at a lower rate than the SERC established rate. The established rate was \$15 per unit but the invoice was prepared at \$5 per unit, resulting in an under-billing of \$880.
 - Additionally, 4 invoices, totaling \$9,153, was not billed at SERC's established rate: all of these invoices billed to outside customers, were billed at a higher rate than the established rate; and as mentioned in the above finding, one invoice to an internal customer was billed at a lower rate than the SERC established rate. Lack of consistency in billing rate indicates billing control weakness.
- The Field Operations Recharge Facility paid, in-part, for the salaries of two employees working on a grant. A research manager requested a recharge facility administrator to allow payroll payments for the two employees on the recharge account and bill the grant account. During the audit period such salaries paid out of Field Operations totaled \$2,000. The grant coordinator reasoned that by paying the two grant employees through the recharge facility SERC avoided the process of Personnel Action Forms each time temporary employees were used by grants. The Field Operations provided rental of boats, trucks and trailers to researchers. Payment of salary costs unrelated to the recharge facility overstated the cost of operating the recharge facility which in turn increased the rate calculated for the subsequent period. Also, this action inaccurately classifies salary expense for the grant to recharge facility expense. The understated salary expense on the grant account results in a lower effort being reported on the grant.
- Payments for preventive maintenance services made to University vehicles by University Vehicle Services of \$150, per vehicle, for each quarter appear to be high. This rate applies to all University owned vehicles. Average cost for preventive maintenance services in the local area ranged between \$30 and \$110. The high cost of quarterly vehicle maintenance is transferred to grant funds when such grants are billed rental fees for the use of such vehicles. OMB Circular A-21(C)(2)(a), *Reasonable costs*, states that as one of the factors for allowability of cost on sponsored projects, the cost must be reasonable. A-21(C)

(3) defines Reasonable cost as, "... a cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made."

- Our review of the six recharge facilities indicated that the facilities property billed the responsible party for goods and services provided.
- Checks received from external customers at SERC's administrative office were not restrictively endorsed prior to forwarding to DOR for deposit.

Recommendations

SERC should:	
2.1	Work with Division of Research to establish a rate that will cover the cost of goods and services provided by each of its recharge facilities.
2.2	Refrain from charging payroll expenses to recharge facilities for employees that are not working there.
2.3	Reclassify grant related payroll expense charged as a facility expense and if unallowable, reimburse to the grant account.
2.4	Evaluate the effort reported by the two employees and revise, if appropriate.
2.5	Work with Department of Parking and Transportation to evaluate preventive maintenance services rates.
2.6	Restrictively endorse all checks as soon as they are received.

Management Response/Action Plan

- 2.1 The SERC Director and DOR's Associate Vice President for Research (AVPR) have discussed the calculation of the rates for recharge services provided by SERC and the two work together to determine which services SERC will provide in the future.

Implementation date: June 30, 2015.

- 2.2 Payroll expenses that are not included in the recharge facility rate calculation will no longer be charged to the recharge facility. Recharge facility rates may include a contracted service fee for certain non-employee expenses such as a boat captain.

Implementation date: October 1, 2014

- 2.3 The direct charging of payroll expenses to grants, recharge facilities and all other funds will be applied in accordance with University effort reporting and payroll policies.

Implementation date: October 1, 2014.

- 2.4 The two employees in question are supported by grants, one through National Park Services and one through a series of EPA and LTER grants. Both employees are located at the Key Largo National Park Service facility that FIU uses. We are currently reviewing the entire NPS-FIU agreement and finalizing an MOU. As part of that effort, we are reviewing the time and effort (T&E) reports for employees involved including the two specific cases and will amend past T&E reports as well as reclassify job descriptions, time and efforts, as deemed necessary.

Implementation date: November 1, 2014

- 2.5 DOR AVPR and the SERC Director have made arrangements to discuss with the CFO the appropriateness of maintenance fees and parking fees assessed to SERC.

Implementation date: December 31, 2014

- 2.6 All checks will be endorsed and deposited within the prescribed time lines provided in the University's policies.

Implementation date: October 1, 2014

3. Financial Management Controls

In order to ensure that grant expenses incurred by PIs and researchers are properly accounted for and recorded in the University's financial records (project ledgers), SERC's administrative office staff is assigned to review costs charged and reconcile the project ledgers on a monthly basis. We were informed by SERC that the project ledgers were not being reconciled, as the SERC accountant was under the assumption that DOR performed such reconciliation.

University Policy No. 2350.010, *Cost and Payroll Transfers on Sponsored Projects*, states that "the PI should monitor the ledgers for his/her sponsored project(s) at least on a monthly basis to ensure the proper posting of expenditures and the timely discovery of an error". Both SERC's Director and Associate Director informed us that SERC did not currently have personnel to handle such reconciliation. The Director said his plan is to hire an accountant with technical knowledge and grant experience to handle SERC's overall accounting.

Recommendation

SERC should:	
3.1	Review grant expenses monthly to ensure costs charged are in compliance with grant and University requirements and reconcile with project ledgers.

Management Response/Action Plan

3.1 DOR will provide a link to the monthly reports that will be available for Administrators and Investigators at the end of each accounting period. DOR and SERC will identify the appropriate personnel to provide grant management assistance.

Implementation date: March 31, 2015

4. Administrative Costs

Unapproved indirect costs such as general purpose equipment and data processing supplies were directly charged to sponsored grants. According to University Policy No. 2320.065, *Only Allowable Direct Costs may be Charged on Federally Sponsored Project Proposals*. The policy states that personal computers and electronic devices with a unit cost of less than \$5,000 will not be allowed as an approved expenditure on research funds unless unlike circumstances have been documented. The policy also states in part “The PI must ensure that any approved computer or software is purchased as early in the performance of the sponsored project as possible because any purchases made later in the project period may put into question the allowability of the purchase”.

Our review indicated that several unallowable purchases were made for Federal Grant Project ID# 205001572 in the same month that the grant ended (November 2013). We reviewed 30 credit card purchases from the grant in question, totaling \$7,758, and concluded 22 (47%) of the purchases, totaling \$4,293, were unallowable and/or did not benefit the project as they were purchased at project end. The expenditures appeared



to be unnecessary and wasteful. As of July 2, 2014, most of the items in question were observed un-used and still in the original boxes being stored at the Long Term Ecological Research (LTER) program office. The picture above shows some of these items which were all procured between November 10 and 18, 2013, and included:

- 5 tripod speaker stands and 3 cases for camera (\$261);
- handheld microphone and USB cable (\$162);
- 3 microphones and accessories (\$375);
- 4 power adapters (\$566); and
- 4 2TB portable external hard drive USB 3.0 (\$460).

In addition, the University has developed a policy and procedures requiring PIs to obtain an approval from DOR via the Direct Charge Exemption Form before Facilities and Administrative costs can be charged to grants as direct costs. The request for direct-charge exemption submitted in September 2008 for the above grant for data processing and computer supplies had been disapproved by DOR.

Recommendations

SERC should:	
4.1	Comply with grant and University requirements and discontinue the purchase of unallowable items on grants.
4.2	Work with PIs to ensure that grant costs are not incurred at the end of a grant period where the grant does not benefit from such costs.
4.3	Reimburse all unallowable costs charged to the grant.

Management Response/Action Plan:

4.1 Unallowable costs will not be charged to grants.

Implementation date: Implemented

4.2 The grants management structure described in Management’s Response 3.1 above will review all grant expenditures to ensure all costs are allowable and allocable to grants. The costs incurred at the end of the grant year for the LTER were reviewed and it was determined that the costs were allowable. The LTER project will continue for several years.

Implementation date: March 31, 2015

4.3 Costs were determined to be allowable, but any future costs determined to be an unallowable charge to a grant will be removed from the grant immediately.

Implementation date: Implemented

5. Credit Card Controls

As of February 2014, SERC had 20 active purchasing cardholders and 2 credit card approvers, one of the two approvers approved 19 cardholders and her card was approved by the other approver. There were also 9 cardholders whose cards were cancelled, but nonetheless made credit card purchases prior to the cancellation during the audit period.

During the audit period, from July 1, 2012 through December 31, 2013, \$718,926 in credit card purchases were made. We reviewed SERC's credit card approval process, and reviewed 119 credit card transactions, totaling \$64,256. The following were our observations:

- We observed that SERC maintained documentation of credit card purchases' supporting documentation for each cardholder and receipts were signed by the cardholder.
- We noted that the approver (SERC's accountant) approved the former Interim Director's purchases in violation of University Departmental Card Guidelines and Procedures which states that the approver assigned to a cardholder cannot be a subordinate. Approval of one's credit card purchases should be assigned to a supervisor or completely independent approver who can act without repercussions. The accountant who approved the Interim Director's purchases is not in a position of sufficient authority to challenge the cardholder in the event of inappropriate purchases or lack of adequate documentation.
- A review of 6 payments totaling \$328 to Shell Oil revealed that a cardholder, SERC's vehicle service supervisor, was purchasing fuel outside the University, within close proximity of the campus. The University dispenses fuel for all University owned vehicles at the University operated Vehicle Services Department. As a control against fuel misuse, Vehicle Services pumps require a vehicle to be fitted with a special sensor called an Automated Information Module System (AIM), which allows it to pump and measure fuel dispensed. All of SERC's vehicles are fitted with AIM. We noted that only the vehicle used by the cardholder was not pumping fuel at Vehicle Services when within close proximity of the University. The cardholder said that he was trying to save SERC money as the fuel cost is more expensive on campus. Purchasing fuel from an outside vendor circumvents the control put in place against fuel misuse as the cardholder could pump fuel into any vehicle when purchasing from outside vendors.
- We noted a total of 5 payments made by two cardholders totaling \$2,870 for FedEx bills which were not sufficiently supported. The credit card approver only reviewed a summary page of the billing. Without reviewing the detailed bills showing recipient of the shipment, the business purpose of the payment could not be determined. During the audit, we requested the detailed billing, however, the cardholder said he was unable to provide it as too much time had passed and he only reviews the billing online.

- During the audit period SERC incurred \$4,050 for SunPass toll charges. Although no misuse was found, we observed that SERC vehicles had the old style of SunPass transponders which are transferable between vehicles and could potentially allow their use for personal purpose. The newer SunPass sticker transponders can only be used by one vehicle, as once affixed they cannot be removed without damage. These nontransferable transponders provide control against unallowable use by non-SERC vehicles.

Recommendations

SERC should:	
5.1	Ensure that credit card approvers are not subordinates of the credit cardholder and have the level of authority to question the cardholder regarding improper purchases.
5.2	Purchase all fuel from University Vehicle Services when within close proximity of the University and not in the field.
5.3	Ensure that all credit card charges are properly approved after carefully reviewing all supporting documentation and verifying business purpose.
5.4	Change all SERC SunPass transponders to the newer SunPass sticker transponders and make sure they are affixed to SERC vehicles only.

Management Response/Action Plan:

- 5.1 SERC has cross-trained all SERC office staff so that we can have multiple people approving credit cards, time cards and HR actions so as to not put any subordinates in uncomfortable and incompliant positions.

Implementation date: Implemented

- 5.2 Grant sponsors have an expectation that all grant expenditures will be incurred at the best possible price. SERC and DOR will discuss with the CFO the possibility of approving an exception to University policy when purchasing fuel for SERC vehicles.

Implementation date: December 31, 2014

- 5.3 As part of our cross-training, we have multiple staff, including a person now housed on our BBC campus that are aware of the importance and expediency of this activity and actively solicit receipts from PIs, graduate students and technicians. As part of our SPI, we will remind all SERC affiliates of the importance of processing credit card transactions.

Implementation date: December 31, 2014.

- 5.4 It is reasonable to change all transportable SunPass transponders to non-removable transponders that will be permanently affixed to individual vehicles. SERC will therefore accommodate the transition to the newer style self-adhering SunPass responders.

Implementation date: December 1, 2014

6. Travel Authorization and Expenses

Contrary to State law and University policy governing travel, for 30 of the 51 transactions we reviewed (59%), totaling \$16,149, travel expenses were incurred prior to the travel authorization (TA) being approved. The reimbursable expenditures associated with the 30 TAs totaled \$10,480. Travel expenses were incurred between 1 to 95 days prior to the TA approval. Additionally, in 3 of the 30 transactions travel expenses were incurred prior to TA approval, and grant administrator approval was not obtained.

Florida Statute section 112.061(3)(a) states, "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..." Also, University Travel Expense Policy, No. 1110.060, states, ". . . Travelers are not to make commitments to travel or to incur travel expenses without first obtaining the appropriate approval."

Additionally, we found a printing cost of \$136 which was paid out of a grant account which did not allow for such costs. Printing expense is considered an administrative expense and is not allowed to be direct-charged to a federal grant.

Recommendations

SERC should:	
6.1	Ensure that employees obtain a Travel Authorization prior to incurring travel expenses or traveling.
6.2	Ensure that unallowable, indirect costs are not directly charged to grants and the printing cost is reimbursed to the grant.

Management Response/Action Plan:

6.1 As part of our SPI, all SERC affiliates will be reminded of FIU policy. Repeat offenders will be singled out by the Director. DOR AVPR will provide a draft memo to address the importance of FIU travel policy.

Implementation date: October 1, 2014

6.2 SERC accounting staff will be more diligent regarding allowable costs and question PIs if there is a question. Unallowable direct costs will be reimbursed to the appropriate grant.

Implementation date: October 1, 2014

7. Asset Management

During the audit we noted that SERC did not maintain attractive property records. The lack of accountability over attractive or sensitive property increases the likelihood of waste, fraud and abuse. Examples of attractive property at SERC were laptops, cameras, and netbooks.

The University's Property Control Policy 1130.010 *Property Control* defines Attractive/Sensitive property as "... tangible personal property that costs less than \$5,000 and can be characterized as 'walk away' items". The Policy further describes these items as prone to theft because they are either not secured, are easily portable, contain new technology and/or they are adaptable for personal use. The Policy offers such items as audio visual equipment, televisions, projectors, communication equipment, cellular phones, data processing equipment, laptops, computer peripherals, scanners, cameras, and lab equipment as examples. In evaluating attractiveness in the context of their own environment the factors they are asked to consider include the security of the property location, the size and portability of the item, and its potential resale value if stolen. The University Property Control Manual requires attractive items to be marked as University property and catalogued by the user department. Special property tags are available upon request from Asset Management.

Recommendation

SERC should:	
7.1	Ensure that attractive property is properly accounted for.

Management Response/Action Plan:

7.1 As part of our SPI, all SERC faculty will be asked to provide an inventory of attractive property currently residing in their labs. We will procure inventory tags and distribute to faculty to inventory this equipment.

Implementation Date: June 30, 2015

8. Nepotism

Our review indicated that an employee, whose father is a professor/PI, did not have an approved Nepotism form clearing him to work in the same department as his father.

The University's Nepotism Policy No. 1710.205 states that one's relationship to another individual employed by the University shall not constitute a bar to hiring, promotion or appointment, provided, that no employee shall be under the direct or indirect supervision or control of a related individual. The University retains the right to refuse to appoint a person to a position in the same department, division or facility, whereby his/her relationship to another employee can create an adverse impact on supervision, safety, security, morale, or involves a potential conflict of interest. It also requires the prior approval from the Assistant Vice President and the Vice President of Human Resources for employees to be supervised by related employees or to work in the same division. The prior approval is obtained via a Nepotism form where the employee's personal relationship and supervisory relationship is documented. Additionally, employees working on sponsored projects are required to obtain prior approval from the Division of Research.

Similar findings relating to the approval of personnel actions by related individuals were made in our prior audit, Report No. 03/04-04 issued on June 30, 2004. The prior audit indicated that there were three employees related to an administrative assistant and the administrative assistant approved one of the employee's hiring and pay increase for the second employee, although she was not their direct supervisor.

Recommendations

SERC should:	
8.1	Obtain approval prior to hiring an individual who has a family member working at SERC.
8.2	Obtain HR and DOR approval via a nepotism form for the employee currently working at SERC with family ties.

Management Response/Action Plan:

8.1 It has always been SERC's policy to obtain prior approval for family member hiring. While we can document that we initiated that approval to the college, we have not done due diligence in terms of making sure we have the signed form in our files. We are currently tracking down all such forms and will have them on file.

Implementation Date: March 31, 2015

8.2 We are in the process of obtaining HR and DOR signed nepotism forms for the employee in question as well as all family members currently working in SERC.

Implementation Date: March 31, 2015