Audit of the Student Activity and Service Fee
Report No. 13/14-09
January 7, 2014
Date: January 7, 2014

To: Larry Lunsford, Vice President for Student Affairs

From: Allen Vann, Audit Director

Subject: Audit of the Student Activity and Service Fee Report No. 13/14-09

Pursuant to our approved annual plan, we have completed an audit of the Student Activity and Service Fee. During the 2012-2013 fiscal year, the University collected $14,768,293 in Activity and Service Fees revenues. The objective of our audit was to ensure that Activity and Service (A&S) Fees collected by the University were appropriate and that funds were disbursed properly as designated by Florida Statute and University policies and procedures.

Overall, our audit disclosed that there were adequate controls and procedures over the use of A&S fees. Our audit analytically analyzed the revenues received from A&S fees collected and tested expenditures during the 2012-2013 fiscal year. No audit exceptions were noted relating to revenue but the calculation of the A&S fee increase cap can be refined, commingling of A&S fees funds with Auxiliary funds should be avoided, and the manner in which expenditures are accounted for and processed can be improved.

The audit resulted in eight recommendations which management agreed to implement. Management’s responses to each of our recommendations are included after each set of recommendations in the report.

We 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
   Douglas Wartzok, Provost and Executive Vice President
   Kenneth A. Jessell, Chief Financial Officer and Senior Vice President
   Javier I. Marques, Chief of Staff, Office of the President
   Eric Arneson, Assistant Vice President, Student Affairs
   Matilde Gramling, Director, Budget & Personnel, Student Affairs
   Silvana Rogelis-Figueroa, Assistant Director, Budgets, Student Affairs
   Diane Singh, Director, Office of Financial Planning
   Kelly Loll, Director, Purchasing Services
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBJECTIVES, SCOPE, AND METHODOLOGY</td>
<td>1</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>2</td>
</tr>
<tr>
<td>FINDINGS AND RECOMMENDATIONS</td>
<td>5</td>
</tr>
<tr>
<td>1. Fee Increase Tuition Cap Calculation</td>
<td>6</td>
</tr>
<tr>
<td>2. Commingling of Funds</td>
<td>7</td>
</tr>
<tr>
<td>3. Expenditure Controls</td>
<td>8</td>
</tr>
<tr>
<td>4. Travel Expenditures</td>
<td>11</td>
</tr>
</tbody>
</table>
OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to our approved annual plan, we have completed the audit of the University’s Activity and Service Fees. The primary objective of our audit was to ensure that Activity and Service Fees collected by the University were appropriate and that funds were disbursed properly as designated by Florida Statute and University policies and procedures.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and included an evaluation of internal controls as those controls relate to the accomplishment of the audit objectives, as well as the performance of testing on samples of expenditures from the 2012-2013 fiscal year. Audit fieldwork was conducted from July to October 2013.

During the audit, we reviewed Florida Statutes, University policies and procedures, 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.

This was the first audit conducted of the activity and service fees. Nevertheless, we reviewed other internal and external audit reports issued during the last three years to determine whether there were any applicable prior recommendations related to the scope and objectives of this audit. There were no prior recommendations related to the activity and service fees.
BACKGROUND

In addition to tuition and other fees, the University charges students activity and service (A&S) fees. The A&S fees affords benefits for the students, and provides for membership, and maintenance of the recreation centers and student centers on both the Modesto Maidique Campus (MMC) and Biscayne Bay Campus (BBC). They also provide funding for student organizations and clubs, as well as various departments within the University’s Student Affairs division.

The University’s A&S fees are authorized by Florida Statute Chapter 1009.24. Along with the health and athletic fees, A&S fees are to be accounted for separately from other funds and the total fees charged students should not exceed 40% of the set tuition. Increases to the A&S fees can only be done once a year and can't increase more than 5%. Any increases must be recommended by an A&S Fee Committee comprised of at least one-half students appointed by the student body president. The Committee’s recommendations take effect only after approval by the University President and the final approval of the University Board of Trustees (BOT). Any increase is implemented beginning with the fall term. During the 2012-2013 fiscal year, the University collected $14,768,293 in A&S fees revenues.

The A&S fees must be expended to benefit the student body in general. This includes, but is not limited to, student publications and grants to duly recognized organizations, the membership of which is open to all students at the University without regard to race, sex, or religion. The fund may not benefit activities for which an admission fee is charged to students, except for student-government-association-sponsored concerts. The allocation and expenditure of funds is determined by the student government association (SGA) but the University President may veto any line item or portion within the budget submitted by the SGA.
Beginning in the fall semester of 2012, the A&S Fee Committee, with the President and BOT’s approval, established the A&S fees to be $12.87 per credit hour. The fees established compared favorably to some of the other State University System’s (SUS) institutions as illustrated below.

The Activity and Service Business Office monitors the revenue receipts monthly. They also monitor expenditure variances (by fund). Depending on actual flows, there is flexibility to transition any revenue shortages from one year to the next if the actual revenues are less than the budgeted expenditures.
Funds are allocated by the SGA during spring for the following academic calendar year. Departments and student organizations submit Base Budget Request forms to the SGA for review. These forms include how the prior year’s allocation was used and their request for funding for the following year. For the 2012-2013, $14,981,327\textsuperscript{1} was allocated by SGA as follows:

\begin{center}
\begin{tabular}{|c|c|}
\hline
\textbf{Function} & \textbf{Allocation} \\
\hline
Salaries - A&P and USPS & $2,232,506 \ 15\% \\
\hline
Student Centers/Rec. Sports & $6,669,842 \ 44\% \\
\hline
SGC - MMC, BBC and Broward & $4,129,886 \ 28\% \\
\hline
Student Groups & $1,299,899 \ 9\% \\
\hline
S.A. Departments & $649,194 \ 4\% \\
\hline
\end{tabular}
\end{center}

\textbullet \textit{Student centers/recreation sports} includes funding for the Graham Center, Wolfe Center, the MMC and BBC recreation centers, and the BBC aquatic center, including salaries and benefits.

\textbullet \textit{Salaries} includes salaries and benefits for positions in Student Affairs, Campus Life, and the A&S Business Office.

\textbullet \textit{SGC} includes the student government council for the University campuses and OPS salaries. This includes organizations such as Speech and Debate, Student Bar Association, Career Services, lectures, Model United Nations, etc.

\textbullet \textit{Student Groups} includes University wide events like Homecoming, Freshman Luau, Alternative Breaks, Miss FIU Scholarship, student organizations, the radio station, The Beacon, Honors College, etc.

\textbullet \textit{S.A. Departments} includes Orientation and Parent Program, Center for Leadership, Women’s Center, Student Conduct & Conflict Resolution, and Multicultural Program & Services.

\textsuperscript{1} In addition, SGA also set aside $221,136 for bad debt expenses to account for uncollected A&S fees.
FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that there were adequate controls and procedures over the use of A&S fees. Our audit analytically analyzed the revenues received from A&S fees collected and tested expenditures during the 2012-2013 fiscal year. No audit exceptions were noted relating to revenue but the calculation of the A&S fee increase cap can be refined, commingling of A&S fee funds with Auxiliary funds should be avoided, and the manner in which expenditures are accounted for and processed can be improved.

Our overall evaluation of internal controls over the A&S fee is summarized in the table below.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>SATISFACTORY</th>
<th>FAIR</th>
<th>INADEQUATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Controls</td>
<td>Effective</td>
<td>Opportunities exist to improve effectiveness</td>
<td>Do not exist or are not reliable</td>
</tr>
<tr>
<td>Policy &amp; Procedures</td>
<td>Non-compliance issues are minor</td>
<td>Non-compliance issues may be systemic</td>
<td>Non-compliance issues are pervasive, significant, or have severe consequences</td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect</td>
<td>Not likely to impact operations or program outcomes</td>
<td>Impact on outcomes contained</td>
<td>Negative impact on outcomes</td>
</tr>
<tr>
<td>Information Risk</td>
<td>Information systems are reliable</td>
<td>Data systems are mostly accurate but can be improved</td>
<td>Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions</td>
</tr>
<tr>
<td>External Risk</td>
<td>None or low</td>
<td>Potential for damage</td>
<td>Severe risk of damage</td>
</tr>
</tbody>
</table>
1. **Fee Increase Tuition Cap Calculation**

Per Florida Statute Chapter 1009.24, the sum of the A&S, health, and athletic fees a student is required to pay to register for a course shall not exceed 40% of the tuition established in law or in the General Appropriations Act. Within the 40% cap, universities may not increase the aggregate sum of A&S, health and athletic fees more than 5% per year. Any increases to A&S fees must be recommended by an A&S Fee Committee, of which one-half are students, before approval by the President and BOT.

The University’s Office of Financial Planning calculated the projected fee cap using projected Spring semester student counts. The projection is performed in early spring in order to provide the A&S Fee Committee with sufficient time to complete its approval process, although the recommended fee increase is not presented to the BOT until June. The calculation used to approve the fee increase prior to the Fall 2012 semester had projected the 5% increase to result in a tuition cap of $1.81 per credit hour. Fortunately, the same $1.81 per credit hour cap was calculated with the actual total Spring 2012 student count figures. However, using the actual Spring 2012 billable student count resulted in a lower cap increase of $1.75 per credit hour. Although this calculation used billable student count figures, which would not be available prior to the BOT June meeting, it is indicative of the potential variance and should be taken into consideration. It should be noted that the requested fee increase that was subsequently approved was only $1.27 per credit hour. Nonetheless, to reduce the risk of exceeding the cap, the BOT should be provided with calculations based on actual rather than projected student count numbers and with due consideration given to using billable student counts instead of total student counts.

**Recommendation**

| 1.1 | The Office of Financial Planning should perform an analysis of the fee increase calculation for the maximum cap before the BOT meeting using actual rather than projected figures to ensure that approved increases do not exceed statutory limits. |

**Management Response/Action Plan:**

1.1 The Office of Financial Planning will review the methodology used to develop the fee increase so that the calculation could be adjusted for implementation. An action plan will be provided by January 31, 2014.

Implementation date: February 28, 2014
2. **Commingling of Funds**

The A&S fees support the University’s recreation and student centers at both MMC and BBC, both of which are auxiliary operations. Currently, A&S fees allocated to these auxiliary operations ($6,669,842) are commingled with their regular auxiliary operating funds. During our testing, we were not always able to distinguish how A&S funds were used so as to confirm compliance with Florida Statute. For example, during the audit we noted stacked chairs totaling $62,629 were purchased for use in the Graham Center. SGA had allocated $52,500 for the purchase of 350 chairs. However, since the funds were commingled, we were unable to determine if the $10,129 difference came from auxiliary funds, or if A&S fee funds were used for the entire purchase. The segregation of such funds would provide for more transparency in the use of funds and provide assurance to the SGA that funds are used only for their intended and approved purpose.

Since the fees are currently commingled, A&S funds within auxiliary operations are charged the auxiliary overhead rate of 7.5%, while other A&S funds in non-auxiliary operations are charged the A&S overhead rate of 5.5%. Based on the 2012-2013 allocation, had the commingling not occurred, $133,400 in overhead cost savings would have been realized.

**Recommendation**

| 2.1 | The Office of Student Affairs should consult with the Office of Financial Planning with a view towards the establishment of separate activity numbers for A&S funds allocated to auxiliary operations. |

**Management Response/Action Plan:**

2.1 The Executive Director from the Office of Student Affairs will consult with the Assistant Vice President from the Office of Financial Planning by Friday, January 31 to examine the ability/feasibility of opening separate activity numbers for A&S funds. If we are able to open new activity numbers, it will have to become effective the beginning of the 2014-15 fiscal year.

Implementation date: July 1, 2014
3. Expenditure Controls

A total of 79 transactions, totaling $1,753,909, were tested to ensure that A&S funds were used as designated by Florida Statute. In general, most expenditures tested were deemed appropriate and allowable per statute, but the following exceptions were noted during our testing:

- Per the University’s Purchasing Manual, all contracts for the purchase of commodities or contractual services exceeding $75,000 shall be awarded pursuant to a competitive solicitation, unless otherwise authorized or exempt by BOG Regulation 18.001(5). The University paid one vendor a total of $325,841 during the 2012-2013 fiscal year but no competitive solicitation was obtained based on the exceptions stated in BOG Regulation 18.001(5). The Regulation states that purchases are exempt from competitive solicitation when, vendors are providing artistic services, or when programs, conferences, workshops, continuing education events or other university programs that are offered to the general public for which fees are collected to pay all expenses associated with the event or program.

This vendor provided staging and lighting services for a few events at the University. One of the events was for a concert ($256,979), which fees were collected and was open to the general public; however, the fee was not setup to pay for all expenses associated with the concert. Revenues generated by the sale of tickets amounted to $111,000, while concert expenditures totaled $600,000. Thus, the BOG Regulation’s exemption would not be applicable for this purchase.

In addition, the vendor also provided staging services for other events ($62,703). The University’s Purchasing Services department also stated that such services could have been exempt under the artistic exemption rule. Florida Statute 287.012 defines “artistic services” to mean the rendering by a contractor of its time and effort to create or perform an artistic work in the fields of music, dance, drama, folk art, creative writing, painting, sculpture, photography, graphic arts, craft arts, industrial design, costume design, fashion design, motion pictures, television, radio, or tape and sound recording. It does not appear that the services provided qualify under the artistic services exemption.

- Thirteen transactions, totaling $387,809, were posted to the incorrect account, eight of which were posted to “rental of equipment” when in actuality payments were for various bands, singers, speakers, and comedians, and therefore should have been posted to the “entertainment services” account.

- The contract for a vendor who provided services on October 7, 2012 for $100,000 was not completed (approved and signed) by the University until October 10, 2012, three days after the services were rendered.
Invoices for two transactions did not match actual payments made. One invoice provided a detailed total of $163,469, but the University paid $171,979. Supporting documentation for the $171,979 was provided at the auditor’s request but management should verify invoice accuracy prior to the payment to avoid incorrect payment. A second invoice contained a mathematical calculation error or the merchant rounded its numbers, resulting in a $485 overcharge.

**Recommendations**

| 3.1 | Competitive solicitation exemptions are strictly granted based on state regulations. |
| 3.2 | Expenditures are properly classified. |
| 3.3 | Service contracts are approved prior to receiving services. |
| 3.4 | Supporting documentation provided be accurate and agree with amounts paid. In the transactions noted, we should request accountability of the amounts charged, or if vendor is unable to provide, request reimbursement for the difference of $485. |

**Management Response/Action Plan:**

3.1 The Assistant Director from the Activity and Service Business Office will work with the Director of Campus Life to ensure that personnel are aware of competitive solicitation requirements. A meeting will be held no later than January 31, 2014 for immediate enforcement.

Implementation date: January 31, 2014

3.2 The Assistant Director from the Activity and Service Business Office will consult with the Director of Purchasing and a representative from the Controller's Office to identify a process to ensure that expenditures are properly classified. Such conversation will take place no later than June 30, 2014.

Implementation date: June 30, 2014

3.3 The Assistant Director of the Activity and Service Business Office will meet with the Director of Campus Life and send out a compliance requirement letter to all Directors in the Division of Student Affairs whose office receives Activity and Service Fee funding. Please know that wherever the A&S Business Office can be a part of the service contract process, they will follow-up to ensure compliance. However, there are departments that might prepare a service
contract who work directly with the University’s Purchasing and Controller’s Offices where the A&S Business Office cannot be held accountable.

Implementation date: January 31, 2014

3.4 The Assistant Director for the Activity and Business Office will work with the Director for Campus Life to ensure follow-up on this issue.

Implementation date: January 31, 2014
4. **Travel Expenditures**

Fifteen of the 79 expenditures tested included travel expenditures totaling $24,413, eight of which contained an exception(s). When traveling on behalf of the University, employees and others must create and submit a Travel Authorization (TA), allowing sufficient time for online approval prior to the trip. University students may be considered allowable University travelers when travel has been specifically authorized for a University business purpose. Once the TA is approved, travelers can then proceed to make travel arrangements, including flight, hotel, and car rental reservations.

Five purchases for travel expenses were made 6 to 42 days prior to the TA approval. Additionally, six purchases included in one transaction, totaling $3,501, for hotel and airline tickets for five students’ travel to Washington DC were not purchased with the proper approval, as no travel authorization was created, submitted, or approved.

The Travel Manual states that after returning from a trip, reimbursement is made by completing an expense report with accompanying receipts. The expense report should be submitted within 5 days and not later than 30 days after the completion of the trip. There were three expense reports that were submitted from 9 days to 4 months after the Expense Report due date.

**Recommendations**

<table>
<thead>
<tr>
<th>The A&amp;S Business Office should convey to all units using A&amp;S fee funds that:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4.1</strong></td>
</tr>
<tr>
<td><strong>4.2</strong></td>
</tr>
</tbody>
</table>

**Management Response/Action Plan:**

4.1 The Executive Director from the Office of Student Affairs will consult with the Assistant Director for the Activity and Service Fee Business Office, along with the Director of Campus Life to determine a change in procedures to ensure that such approval is captured. We expect this conversation to be completed by January 31 so that implementation can take place no later than June 30, 2014.

Implementation date: June 30, 2014

4.2 The Executive Director from the Office of Student Affairs will meet with the Assistant Director for the Activity and Service Fee Business Office, along with the Director of Campus Life to identify what changes in procedures can be made to facilitate that traveler's comply with the required approval. We expect this conversation to be completed by January 31 so that implementation can take place no later than June 30, 2014.

Implementation date: June 30, 2014