



## Office of Internal Audit

**Audit of the University Technology Fee**

**Report No. 11/12-10**

**May 3, 2012**

**Date:** May 3, 2012  
**To:** Robert Grillo, Vice President of Information Technology & CIO  
**From:** Allen Vann, Audit Director   
**Subject:** **Audit of the University Technology Fee  
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We have completed an audit of the University Technology Fee. The Fee set at 5% of per credit hour tuition has generated over \$19 million since its inception in the fall term of the 2009-2010 academic year. The revenue from this fee is used to enhance instructional technology resources for students and faculty. The primary objective of the audit was to assure the effective and efficient acquisition of approved goods and services within established University policies and procedures, applicable laws, rules and regulations and Technology Fee guiding principles.

Overall, our audit disclosed that there were areas where controls need to be strengthened particularly as they relate to documenting the alignment of approved proposals and related expenditures to the program's guiding principles. The audit resulted in three recommendations, which management agreed to implement.

We wish to express our appreciation for the cooperation and courtesies extended to us by the Division of Information Technology, specifically the Business Services Office and the individual units contacted during the audit.

C: Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Members  
Mark B. Rosenberg, University President  
Kenneth A. Jessell, Chief Financial Officer and Senior Vice President  
Javier I. Marques, Chief of Staff, Office of the President  
Kristina Raattama, General Counsel  
Ciara Perez, Coordinator, UTS Business Services Office

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

The objective of our audit of the University Technology Fee was to assure the effective and efficient acquisition of approved goods and services within established University policies and procedures, applicable laws, rules and regulations, and Technology Fee guiding principles.

Our audit included Technology Fee transactions for the period from July 1, 2010 through April 30, 2011. The 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 July 2011 to December 2011.

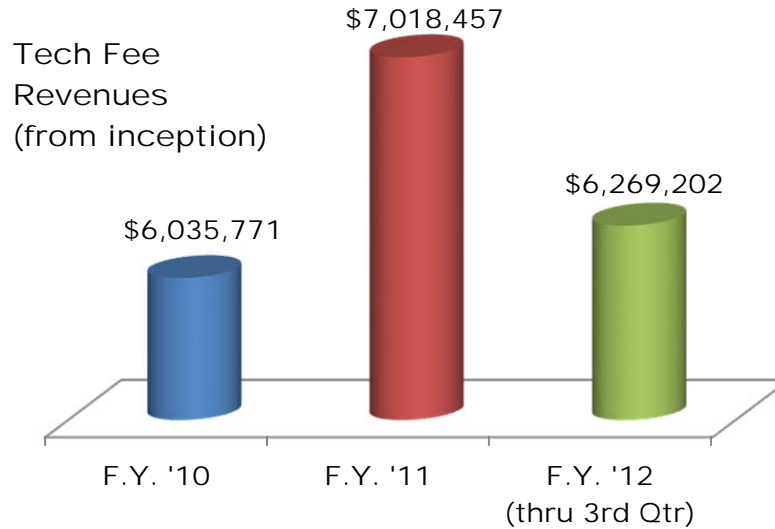
The audit included tests of the accounting records and such other auditing procedures as we considered necessary. We observed current practices and processing techniques, interviewed responsible personnel, and tested selected transactions. Sample sizes and transactions selected for testing were determined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

As part of our audit, we reviewed internal and external audit reports previously issued to determine whether there were any prior recommendations related to the scope and objectives of this audit but there were no prior recommendations applicable to the University's Technology Fee.

## **BACKGROUND**

On March 31, 2009, FIU's Board of Trustees approved the collection of a technology fee in accordance with Florida Statutes Section 1009.24. Per Section 1009.24(13): "Each university board of trustees may establish a technology fee of up to 5 percent of the tuition per credit hour. The revenue from this fee shall be used to enhance instructional technology resources for students and faculty." BOT Regulation 1101 established the technology fee at 5 percent of the tuition per credit hour beginning with the fall term of the 2009-2010 academic year.

The Division of Information Technology's Business/Project Management Office administers FIU's Technology Fee program. For the fiscal year ended June 30, 2011, the University generated \$7,018,457 in revenue from the technology fee assessment.



A Technology Fee Advisory Council was established to provide advice to the University Administration on the investments of the technology fee fund. Members of the Technology Fee Advisory Council are appointed by its Chair, the Vice President of Information Technology and Chief Information Officer (CIO) in consultation with the University Administration and Student Government Councils.

Guiding Principles established for the program state that the fee is to be used to “enhance instructional technology resources for students and faculty.” More specifically to:

- Broaden students’ access to the University’s technology services that are needed in support of instruction and learning;
- Enhance the quality of students’ learning experience at FIU through the use of technology;
- Raise students’ technology competency; and
- Promote the integration of technology into FIU’s curriculum.

Each proposal is to include the resource requirements as appropriate: hardware, software, personnel costs, and other costs such as furniture, network drops, spacing, construction, etc. On June 30, 2011, the Technology Fee Advisory Council approved 58 projects with year one costs totaling \$5,224,572, and rejected 39 projects with year one costs totaling \$4,981,227. Approved projects ranged in year one costs from \$3,000 to \$460,000, averaging just over \$90,000 per project.

## FINDINGS AND RECOMMENDATIONS

The Division of Information Technology's Business/Project Management Office's established controls and procedures for administering the University Technology Fee were mostly adequate. Nevertheless, we found weaknesses in internal controls that need to be addressed. Our overall evaluation of internal controls is summarized in the table below.

| <b>INTERNAL CONTROLS RATING</b> |   |  |   |
|---------------------------------|---|--|---|
| <b>CRITERIA</b>                 | <b>SATISFACTORY</b>                                 | <b>FAIR</b>  | <b>INADEQUATE</b>   |
| Process Controls                |   | x  |   |
| Policy & Procedures Compliance  |   | x  |   |
| Effect                          |   | x  |   |
| Information Risk                |   | x  |   |
| External Risk                   |   | x  |   |
| <b>INTERNAL CONTROLS LEGEND</b> |   |  |   |
| <b>CRITERIA</b>                 | <b>SATISFACTORY</b>                                 | <b>FAIR</b>  | <b>INADEQUATE</b>   |
| 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   |

## **1. Review of Expenditures**

Expenditures for the Technology fees collected from students need to be better documented as to their purpose. UTS, as the primary custodian, needs to ensure that the funds are not used to supplement or supplant funding for other necessary but unrelated University needs. Twenty-three percent of non-payroll related expenditures tested were questionable. Expenditures tested often lacked sufficient documentation to corroborate whether the actual charges fell within the parameters of the specific proposal. In other instances expenditures did not appear to qualify under the guiding principles of the program and/or were not within the scope of the approved proposals. Payroll related expenditures included permanent employees, contrary to current guiding principles, who sometimes performed work unrelated to the program.

### **Non-Payroll Related Expenditures**

Fifty-three non-payroll related transactions from 30 proposals were reviewed. The 30 proposals collectively had an approved budget of \$11.1 million (\$9.4 million, net of payroll). During our audit test period \$5 million was expended for these projects and we tested \$2.5 million in non-payroll related expenditures. Audit tests were designed to verify that the amounts charged to the projects were sufficiently supported and conformed to the program's criteria.

Of the 30 proposals, expenditures tested for 21 of the proposals valued at \$1.2 million (77%) were fully supported and complied with the program requirements. For the remaining 9 projects there were exceptions:

- Proposals 10.016 and 10.017 totaling \$445,036 were actually component parts of two much larger renovation projects relating to GC140 & GC150 totaling \$1.3 million. In reviewing these two proposals it was evident that Technology Fees were commingled with other funding sources to provide the balance of funding needed for the renovation projects. The Technology Fee components were for the Audio Visual (AV) components and included AV equipment and other related architectural components, such as AV infrastructure, acoustical treatment, lighting, electrical, etc. There was a lack of adequate accountability for over half of the expenditures:
  - The Project Manager identified \$509,530 in AV equipment of which \$201,190 was actually paid for using American Recovery and Reinvestment Act (ARRA) funds.
  - There were also expenditures paid for with Technology Fee funds, which were not within the scope of the approved proposal including: 1) \$11,000 allocated to complete the funding necessary to purchase a \$33,000 fire alarm system; and 2) an invoice for \$51,285 included closed circuit television (CCTV) for security surveillance.

- For expenditures relating to Proposal 10.082 and 09.012, and to a lesser extent 09.015, the approved proposals were not specific enough in their descriptions to allow us to determine whether the expenditures to these projects were appropriate to their specific proposals. Of the \$228,584 in expenditures tested, \$104,133 in expenditures fell into this category.
- Under Proposals 09.004, 09.005, 09.006 & 09.007, \$2.5 million were approved to essentially blanket the entire University with wireless internet. The proposals were for installation of wireless access points within buildings across the University's MMC and BBC campuses but the actual records examined do not align the actual expenditures to the respective proposals:
  - 83 of the wireless access points installed at the Campus Support Complex, Management and Advanced Research Center, and the Kovens Conference Center did not align with the Technology Fee Guiding Principles. These wireless access points principally benefited University administrative staff and provided little or no direct benefit to students. In reviewing the entire project of wireless access points, we estimate that \$165,585 (@\$1,995) fall into this category.
  - Approximately 15% of Proposal 09-005 included \$131,670 for 66 wireless access points at the Kovens Conference Center. However, based on the actual need, only 11 were installed. The original budget overestimated the actual need by \$109,725. Conversely, Proposal 09-007 included \$33,915 for 17 wireless access points at the Campus Support Complex where a total of 45 were eventually installed at a cost of \$55,860 more than originally budgeted.
- \$1,827 was charged to Proposal 09.012, General e-Classrooms/Labs, for air conditioning duct work maintenance not covered in the original proposal.
- Technology Fees were used to pay for \$38,700 of a \$41,400 projector without an approved proposal. The projector, needed for commencements, was approved by the former Vice President and Chief Information Officer.

### **Payroll Related Expenditures**

The 2009 Bylaws and Procedures for the University Technology Fee allows for the funding of "supporting personnel" charges that support the development and delivery of instruction services. In 2011 the Bylaws and Procedures were amended as follows: "Proposals shall include resource requirements, as appropriate," and includes personnel costs for, "temporary employees or other time-limited appointments to complete project. Specific start and end dates must be included. Faculty salaries will not be paid from this fund."



For the audit period ended April 30, 2011, University Technology Fees were used to pay for \$790,008 in salaries and benefits. Five employees' salaries, representing 26%, were tested. The following was observed:

- All of the 5 employees tested held full-time positions, consistent with the 2009 guiding principles. However, their positions are actually time-limited dependent on direction of future Technology Fee funding. According to HR personnel, it is a best practice for employers to notify employees when their appointment is time-limited or for a specific period of time, so there is no implied contract for extended employment. Supervisory staff was unsure of their employees' status after their Technology fee funded proposals' were completed. One supervisor stated she planned to submit a new proposal and if that wasn't approved, she would retain the employee by other means.
- Two employees were fully funded using Technology Fee funds had other duties and responsibilities:
  - One employee's duties were related to licensing and server maintenance and included billing and Shop UTS. The supervisor estimated that the employee's duties were 75% Technology Fee related. This employee's annual salary and benefits during the audit period ended April 30, 2011 totaled \$42,700.
  - A second employee's duties included developing workshops and training, which partially benefited administrative and staff employees outside of the University Technology Fee proposal. This employee's annual salary and benefits total \$56,900 for the period from January through April 2011.
- One employee's duties related to the deployment of the wireless network across campus. As previously discussed, some of the wireless installation principally benefited University administrative and staff functions. This employee's annual salary and benefits during the audit period ended April 30, 2011 was \$67,300.

**Recommendations:**

|                                       |  |
|---------------------------------------|--|
| The Chief Information Officer should: |  |
| 1.1                                   | Ensure that expenditures adhere to and align with approved proposals.  |
| 1.2                                   | Ensure proposals comply within the Technology Fee Guiding Principles prior to their approval and are sufficiently detailed, e.g., vendor price quotes and budgets. |
| 1.3                                   | Ensure Technology Fee funds are only used for temporary and time-limited position employees and for related work.  |

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

- 1.1 When working with Facilities Management, a process will be developed to ensure Project Manager is knowledgeable of funding source which cannot be comingled and proper documentation is kept and to reduce the circumstances in which funds are transferred to a department ID. These occurrences will be kept at a minimum and transfer of funds will be allowed only when it's absolutely necessary.

Implementation date: July 1, 2012

- 1.2 Proposal submission process and form is enhanced every year based on feedback and occurrences. Additional fields have been incorporated including more details regarding the resources needed for the project. Form is currently fully online and allows submitters to attach supporting documentation including quotes or estimates for all expenses being requested.

Implementation date: Spring 2013

- 1.3 Positions funded by the Technology Fee are in place to implement, maintain, and sustain their corresponding project or initiatives. Each position is associated with a specific proposal and efforts related to such are within the spirit of the Technology Fee which is to enhance instructional technology resources for students and faculty. The strategy moving forward is to institutionalize the current recurring positions and ensure project based nonrecurring resources have specific start and end dates. The Bylaws and Procedures will be revised accordingly.

Implementation date: July 1, 2012