



Office of Internal Audit

**Audit of the Nicole Wertheim College of Nursing
and Health Sciences**

Report No. 15/16-01

July 2, 2015



FLORIDA
INTERNATIONAL
UNIVERSITY

OFFICE OF INTERNAL AUDIT

Date: July 2, 2015

To: Ora L. Strickland, Dean, Nicole Wertheim College of Nursing and Health Sciences

From: Allen Vann, Audit Director

A handwritten signature in blue ink that reads 'Allen Vann'.

Subject: Audit of the Nicole Wertheim College of Nursing and Health Sciences
Report No. 15/16-01

Pursuant to our approved annual plan, we have completed an audit of the Nicole Wertheim College of Nursing and Health Sciences. The primary objective of this audit was to determine whether revenue and expenditure streams were properly accounted for and were applied towards their intended educational purposes in accordance with relevant laws, rules, regulations, and policies.

For the fiscal year 2013-14, the College generated tuition revenues totaling \$19.1 million and auxiliary revenues totaling \$630,000 and incurred expenses of approximately \$15.1 million in Education & General (E&G) funds and \$354,000 in Auxiliary funds.

Overall, our audit disclosed that financial controls and procedures were adequate; however, there were opportunities to improve internal controls, particularly in: auxiliary revenue controls, payroll approvals, expenditure controls, monitoring of materials and supplies and asset management. The audit resulted in eight 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.

C: Albert Maury, Chair, FIU Board of Trustees
Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Members
Mark B. Rosenberg, University President
Kenneth G. Furton, Provost and Executive Vice President
Kenneth A. Jessell, Chief Financial Officer and Senior Vice President
Kristina Raattama, General Counsel
Javier I. Marques, Chief of Staff, Office of the President
Barbara Manzano, Assistant Vice Provost, Planning & Finance
Helen Cornely, Associate Dean of Administrative Affairs, NWCNHS
Victor Martinez, Assistant Dean of Budget & Finance, NWCNHS

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OBJECTIVE, SCOPE AND METHODOLOGY

Pursuant to our approved annual plan, we have completed an audit of the Nicole Wertheim College of Nursing and Health Sciences (College or NWCNHS). The primary objective of this audit was to determine whether revenue and expenditure streams were properly accounted for and were applied towards their intended educational purposes. We also evaluated compliance with relevant laws, rules and regulations and University policies and procedures.

Our audit was conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*, and included test of the accounting records and such other auditing procedures as we considered necessary under the circumstances. We reviewed the College's financial transactions for fiscal year 2013-2014. Audit fieldwork was conducted from January to May 2015.

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

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. There were no prior audit recommendations related to the scope of this audit requiring follow-up.

BACKGROUND

In 2006, the schools of Nursing and Health Sciences at Florida International University (FIU or University) joined forces to become today's Nicole Wertheim College of Nursing and Health Sciences. The vision for the NWCNHS is to be globally recognized for the achievements of its alumni and faculty in healthcare, education, leadership and research with a focus on the needs of the underserved populations.

The NWCNHS, as depicted is located in the Academic Health Center 3 (AHC3) building on the Modesto Maidique Campus, but also has a satellite operation on the Biscayne Bay Campus.



The College offers degrees in the areas of nursing, nurse anesthetist, athletic training, communication sciences and disorders, health services administration, occupational therapy and physical therapy. The College's total enrollment for fall 2014 was 2,258 undergraduate and 869 graduate students.

Graduates from the NWCNHS's programs play a key role in meeting the demand for healthcare professionals. The College's initiatives and programs are committed to:

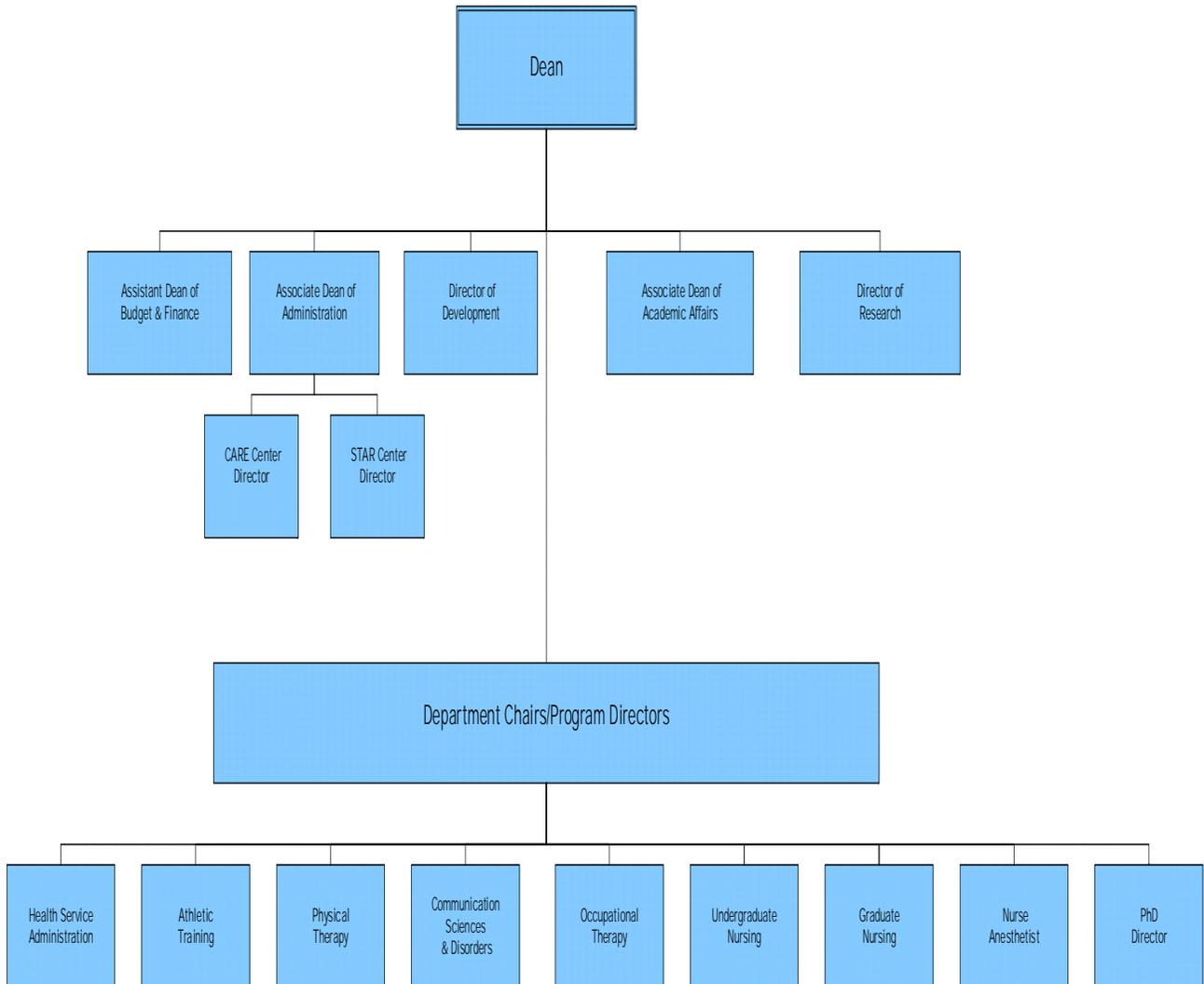
- Helping the undeserved and vulnerable;
- Creating leaders to face our healthcare challenges;
- Providing multi-cultural solutions for learning and practice;
- Engaging communities to actively care for people during the learning process;
- Embracing technology and research in education; and
- Pursuing innovation to solve problems and create opportunities.

The College also has two state of the art facilities that provide students and faculty across each of the healthcare disciplines opportunities to learn under various real-life, real-time scenarios and clinical settings. These include the Simulation Teaching and Research (STAR) Center and the Center for Advanced Rehabilitation/Research Education (CARE). These centers allow for a variety of training to give faculty and students the resources needed to become skilled nursing and healthcare professionals, researchers and leaders in today's complex healthcare environment.



Personnel

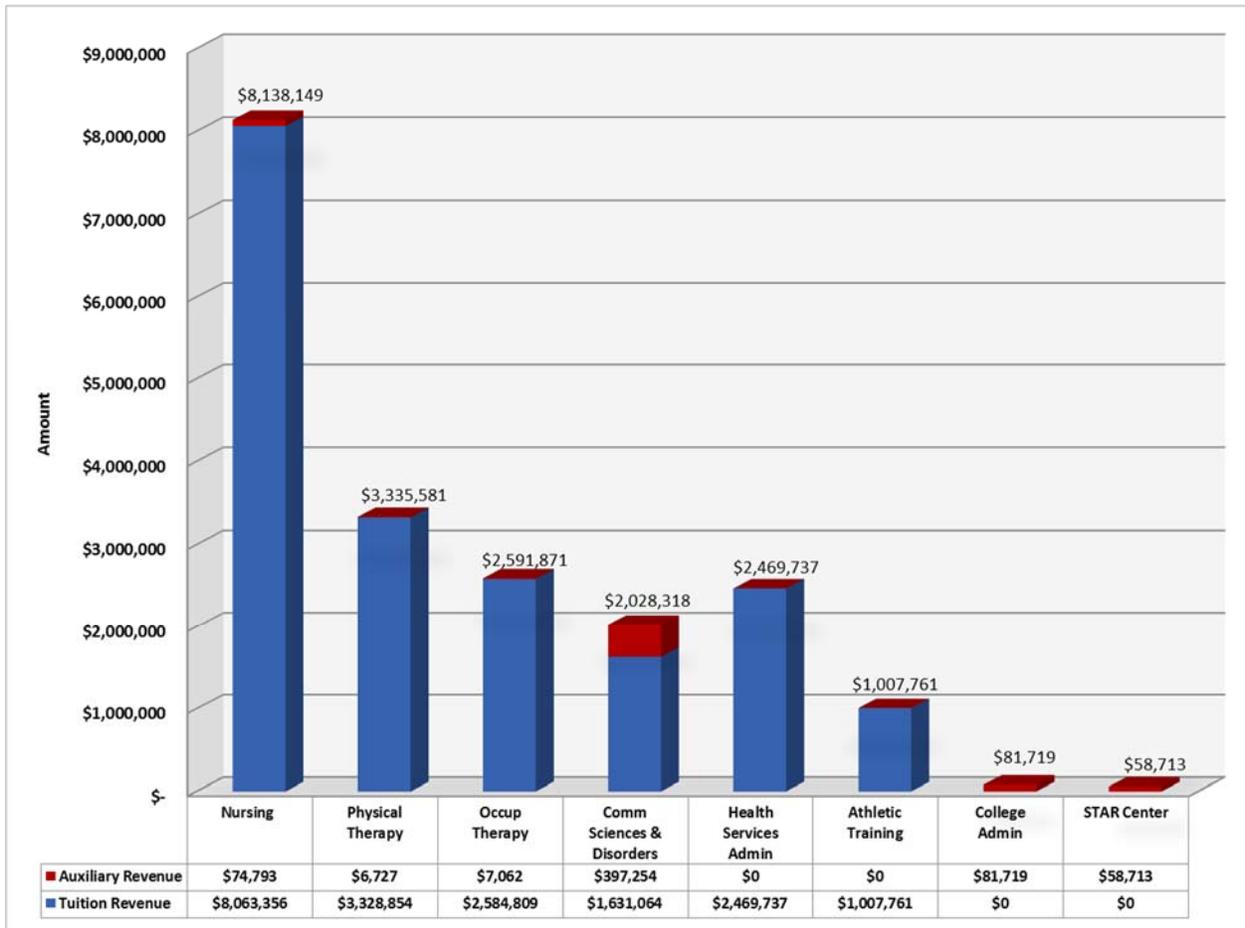
As of May 2015, the College had 75 faculty, 77 adjuncts, 27 administrative personnel, 24 staff, 21 graduate assistants, 45 student assistants and 14 temporary employees. The College's key areas, as well as their departments and programs are shown below.



Financial Information

For the fiscal year 2013-14, the College's revenues totaled \$19.7 million¹, consisting of approximately \$19.1 million from tuition and fees and \$630,000 from auxiliary operations. The Nursing programs generated approximately 42% of the College's tuition revenues and the Communication Sciences and Disorders program generated 63% of auxiliary revenues. Total tuition and auxiliary revenues are depicted in the following chart.

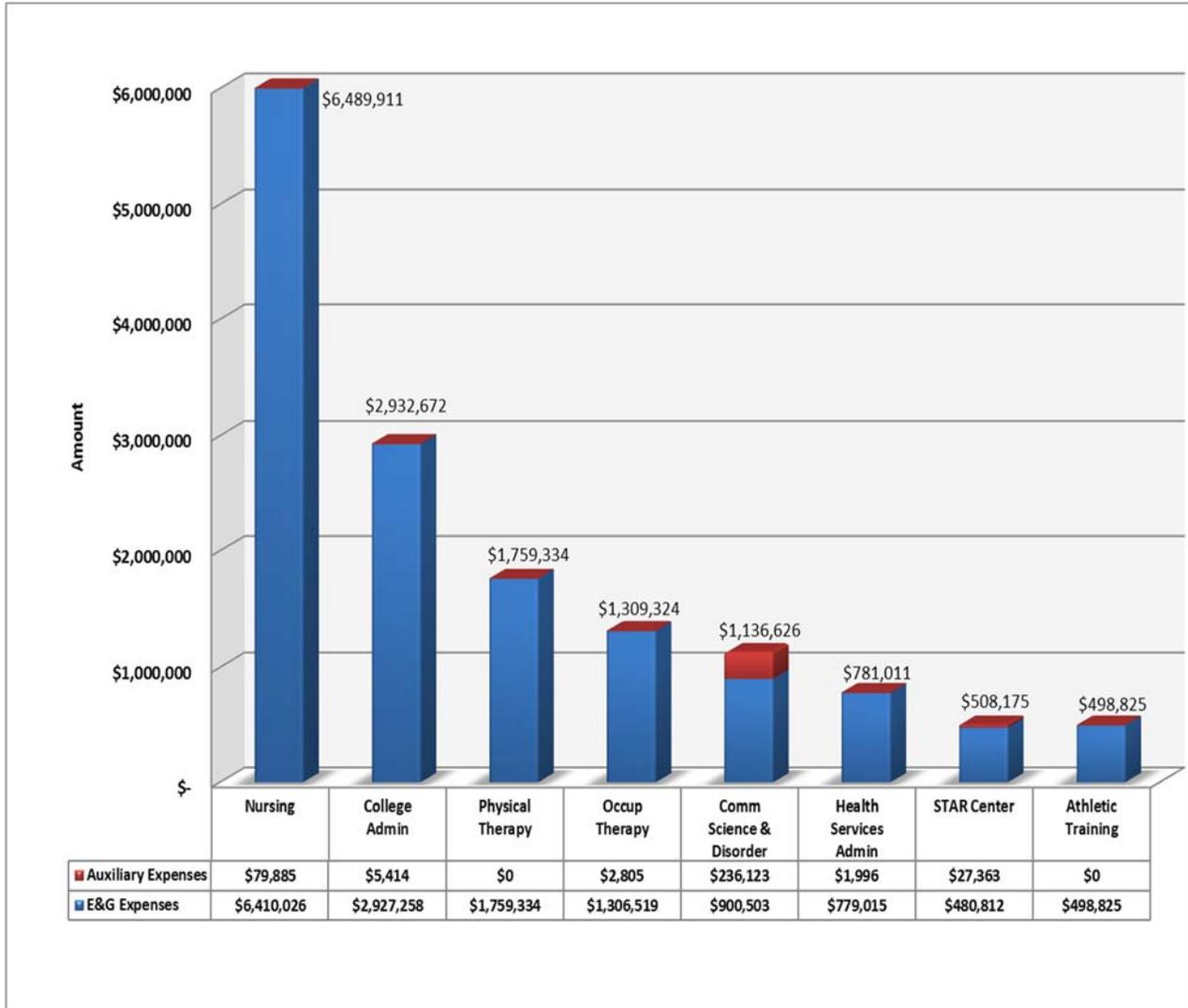
Tuition and Auxiliary Revenues by Department



¹ \$19.7 million does not include non-operating revenues such as state appropriations.

The College's expenses totaled \$15.4 million, consisting of approximately \$15.1 million in Education & General (E&G) funds and \$354,000 in Auxiliary funds². The Nursing programs consumed approximately 43% of the College's E&G expenditures. Total E&G and Auxiliary expenditures by department are depicted in the following chart.

Expenditures by Department for FY 2014



² Expenses are limited to annual budget allocations provided by the University.

FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that the College’s established financial controls and procedures were mostly adequate. However, there were areas where internal controls need strengthening, particularly in the areas of: auxiliary revenue controls, payroll approvals, expenditure controls, monitoring of materials and supplies, and tracking attractive/sensitive property.

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	Medium	High

The areas of our observations during the audit are detailed below.

1. Revenue Controls

As part of revenue testing, we selected auxiliary revenues earned from the STAR Center (Center) to review. The Center earns auxiliary revenues primarily from CPR/AED courses offered and mask fittings provided to students to ensure a proper fit and prevent air-borne diseases. During the audit period, the Center's auxiliary revenues totaled \$58,713.

We selected 22 transactions totaling \$4,285 and noted that no documentation existed to support the revenues earned (invoices, logs, etc.) or deposits made (receipts) for 19 of 22 (86%) transactions tested. Additionally, necessary reconciliations were not being performed to ensure the accuracy of funds collected and deposited into the Center's account (activity number).

Per discussion with the Coordinator, all the transactions were related to mask fittings provided to students from the College of Medicine. The College of Medicine deposited funds directly into the Center's account, but the Center did not determine the accuracy of the funds deposited.

In addition, we observed that the Center did not have policies and procedures to govern their auxiliary operations. The University's Auxiliary Enterprises Operating Guidelines states that "every auxiliary must have written policies and procedures which guide the day-to-day operations of the activity, document the rate development methodology or other noted information about the activity and direct its business processes."

Written policies and procedures serve as a reference for all employees, provide direction to new personnel, provide clarification of responsibilities, help assure consistent application of management's expectations and is a valuable guide in case of employee substitution and/or turnover.

Recommendation

The Nicole Wertheim College of Nursing and Health Sciences should:

- | | |
|-----|--|
| 1.1 | Ensure that revenues are supported by appropriate documents (i.e. invoices) and are accurately recorded in the Center's account in accordance with written policies and procedures that need to be developed for that purpose. |
|-----|--|

Management Response/Action Plan:

- 1.1 The main issue centered around College of Medicine (COM) Students receiving mask fitting training in the NWCNHS STAR Center. Previously COM was charging its students and depositing the revenues into the NWCNHS STAR Center auxiliary activity ID. Effective July 2015, NWCNHS will take full control of

the process which will include the billing of COM students in the STAR Center directly. This will significantly improve the ability of the STAR Center to track who has been billed and for what date(s) and types of service. Subsequently, a Tran-Data report will be run to reconcile deposits with general ledger postings. Written policies and procedures that govern auxiliary operations in the STAR Center will also be developed and shared with staff.

Implementation date: July 2015

2. Payroll and Personnel Administration

For the fiscal year 2013-14, salaries and fringe benefits were \$13.4 million or 89% of the College's total expenditures. We focused our review primarily on payroll approval, additional compensation and employee background checks.

a) Payroll Approval

The University's payroll guidelines require managers/proxies to have first-hand knowledge of the employee's time and leave hours or obtain written confirmation from the employee's supervisor of the hours being reported prior to approving the payroll.

We reviewed time and attendance records for the entire 2013-14 fiscal year, which represented 26 pay periods and included 23,476 transactions. Our review revealed that 18% or 4,290 transactions were not approved by a manager or supervisor within the College. As a result, they were approved by default by the University's Payroll Department who does not have direct knowledge of the College's employee hours worked or leave taken.

The table below illustrates the number and percentage of payroll transactions by department that was not approved by a manager or supervisor within the College.

Department	Total Transactions	Total Exceptions	Percentage
Nursing BBC	1,205	534	44%
Nursing Grad	1,432	616	43%
Health Services Admin	715	201	28%
Physical Therapy	1,157	239	21%
Nursing PhD	1,383	262	19%
Dean's Office	6,659	1,127	17%
Nursing Anesthesiology	633	96	15%
Student Services	876	118	13%
Communication Sciences & Disorders	2,014	268	13%
Occupational Therapy	1,530	203	13%
Nursing Undergrad	5,278	584	11%
Athletic Training	573	42	7%
Health Sciences	21	0	0%
Total	23,476	4,290	18%

The absence of an adequate payroll approval process leaves the University vulnerable to paying employees for time not worked and maintaining inaccurate leave records, which can be costly in the long term.

b) Additional Compensation

University Policy No. 1710.110, *Dual Employment and Compensation*, states “all employees may be approved for secondary employment which constitutes dual employment provided such employment does not interfere with the regular work of the employee, does not result in any conflict of interest between the two activities, and is determined to be in the best interest of the University. Approval must be requested and granted by Human Resources prior to commencement of the secondary employment.”

We reviewed the Additional Compensation Request Form and Overload Contract for 20 faculty employees from the College’s Nursing departments, representing \$30,000 of additional pay received for the fall 2013 and spring 2014 semesters. We noted that the overload work and pay was justified and did not result in conflict of interest. However, all of the contracts reviewed were approved an average of 55 days after the commencement of the employee's appointment dates for the secondary employment.

Delays in the approval of additional compensation and overload assignments may have an adverse impact on the College’s budget and expenditure controls.

Recommendations

The Nicole Wertheim College of Nursing and Health Sciences should:	
2.1	Ensure that manager or supervisors who have direct knowledge of their employees’ time and leave approve bi-weekly payrolls.
2.2	Ensure the Additional Compensation Requests forms are approved prior to commencement of the employee’s appointment dates.

Management Response/Action Plan:

- 2.1 All managers and supervisors will be retrained regarding their role and responsibility to review and approve time and leave hours on a bi-weekly basis. Training will also include steps managers and supervisors must take if they are unable to review and approve employee time and leave hours in a timely basis. Additionally, any new or existing employee hired or promoted to a rank of manager or supervisor will receive one on one training regarding review and approval of employee time and leave hours. HR reminders will continue to be forwarded to all supervisors by the College in addition to the HR communication. The approvals will be tracked at a minimum quarterly and any manager or supervisor out of compliance will receive additional individual training. All managers and supervisors will have received training by September 2015. The September date takes into account the fact that individuals take vacation over the summer.

Implementation date: September 2015

- 2.2 The College has requested that academic programs submit additional employee compensation requests several weeks ahead of the academic term start date, in order to provide adequate time for the workflow approvals necessary. This process will be monitored and the timing of deadlines adjusted as necessary to ensure compliance. Additionally, a communication will be sent to all academic program Chairs/Directors and staff regarding the steps necessary to process additional compensation request so that all individuals involved understand the workflow points and timing involved. ESC forms will be date stamped with an origination date and then date stamped again once returned to the College's HR area with signatures for processing. The aforementioned will facilitate identifying bottle necks and efforts to streamline the process.

Implementation date: August 2015

3. Expenditure Controls

We selected and tested 82 transactions totaling \$203,421. Except for some of the observations noted below, our audit concluded that the College's non-payroll related expenditures tested were appropriate, allowable, and in accordance with University policies and procedures, applicable laws, rules and regulations.

a) Procurement of Good and Services

We reviewed the College's top three vendors in which total expenses for each of them exceeded \$75,000 during the fiscal year 2013-2014. We verified that the proper procedures were followed for competitive solicitations or a qualified exemption. No exceptions were noted.

However, for 5 transactions totaling \$53,047, goods and services were received prior to securing a contract or purchase order. Each of the transactions was related to expenses for consulting services or subcontracts. A requisition was not created until after the invoice was received requesting payment for the services already rendered. As such, the purchase order was issued after the date of service.

Per the University's Purchasing Services Procedures Manual, Section 3.1, "requisitions should be submitted to Purchasing Services sufficiently in advance of need for the goods and/or services in order to permit adherence to normal purchasing processing procedures." In addition, Section 1.7 states "purchases made by employees without first securing a purchase order or a contract are a violation of University and state policy."

Purchase orders being issued after-the-fact circumvent the intent and purpose of established procedures and weakens control over the procurement and budget processes.

b) Travel Authorizations and Expenses

In one instance an airline ticket was purchased for a consultant before obtaining an approved travel authorization (TA). The airline ticket was purchased on June 18, 2013 for \$616, but the TA was not approved until June 28, 2013, after the travel had taken place.

According to Florida Statute Section 112.061(3)(a), "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." In addition, the University's Travel Expense Policy No. 1110.060 states that, "Travelers are not to make commitments to travel or to incur travel expenses without first obtaining the appropriate approval." Using travel authorizations benefits the College by encumbering funds resulting in better budgetary control over its funds.

c) Credit Card Controls

During the audit period, the College had 19 active cardholders. We tested 32 credit card transactions, totaling \$36,427 and noted the following:

- One transaction was for a payment to Pronto Car Wash of FL for \$20. No receipt or invoice was provided to detail the purchase or determine the direct benefit of this expense to the College.
- Three other transactions totaling \$3,640 to Hollywood Mask Masters were processed without an invoice. The department maintained the PayPal receipt, but it did not contain a description of the item purchased, date of purchase or the vendor's address. Upon request of the invoice, the Coordinator stated that the company closed down shortly after the purchase and they had no other paperwork for that payment. We were informed that the items purchased were used for simulations, as part of the College's operations.

Per the University's Departmental Card Guidelines & Procedures, "all receipts/invoices must contain vendor name and address, date of purchase and/or date of good received, description of each item purchased, unit cost of each item purchased and total cost of the purchase charged to the departmental card...if the receipt does not clearly indicate the purpose of the purchase, then documentation should be attached to state the reason for the purchase." It is essential that all credit card transactions are adequately supported with invoices or receipts.

d) Use of Student Fees

We reviewed the College's activity numbers that accounted for expenses from the lab fees collected and tested 11 transactions totaling \$19,269. Our test disclosed that the fees were appropriately used to purchase materials and supplies for students and no exceptions were noted.

e) Foundation Expenses

The College's Foundation expenses totaled \$365,704 for the fiscal year 2013-2014. We selected and tested 10 transactions totaling \$21,979. Our testing disclosed that all expenditures were appropriate, allowable and in accordance with Foundation policies and procedures.

Recommendations

The Nicole Wertheim College of Nursing and Health Sciences should:	
3.1	Remind departments of the importance of following purchasing requirements for securing a purchase order or contract prior to receiving goods or services.
3.2	Ensure that departments obtain approved Travel Authorizations prior to incurring travel expenses and/or traveling.
3.3	Ensure that all approved credit card purchases are accompanied by adequate invoices/receipts.

Management Response/Action Plan:

- 3.1 All employees who procure goods and/or services will receive instruction and communications regarding University procurement policies. The aforementioned will be communicated via an email from the Assistant Dean of Budget and Finance in July of 2015 in addition to referencing this matter at the staff training session scheduled for August 2015. This matter will also be referenced on the July 2015 budget statement that will be distributed to all College program Chairs/Directors and support staff in August of 2015 as well as mentioned at Chair and Directors meetings which are held regularly. Purchasing guideline links are currently available on the NWCNHS website and employees will also be reminded of this resource.

Implementation date: July 2015

- 3.2 All employees who prepare and/or submit Travel Authorization Request (TAR's) will receive instruction and communications regarding TAR University policies and procedures. The aforementioned will be communicated via an email from the Assistant Dean of Budget and Finance in July of 2015 in addition to referencing this matter at the staff training session scheduled for August 2015. This matter will also be referenced on the July 2015 budget statement that will be distributed to all College program Chairs/Directors and support staff in August of 2015 as well as mentioned at Chair and Directors meetings which are held regularly. Travel Authorizations and Travel policy will be added to the quarterly staff meetings held by the Associate Dean of Administration for ongoing consistent communication of travel policies and procedures.

Implementation date: July 2015

- 3.3 All employees who procure goods and/or services will receive instruction and communications regarding University guidelines and procedures for receipts and invoices. The aforementioned will be communicated via an email from the Assistant Dean of Budget and Finance in July of 2015 in addition to referencing

this matter at the staff training session scheduled for August 2015. This matter will also be referenced on the July 2015 budget statement that will be distributed to all College program Chairs/Directors and support staff in August of 2015 as well as mentioned at Chair and Directors meetings which are held regularly.

Implementation date: July 2015

4. Monitoring of Materials and Supplies

The College currently collects lab fees from students enrolled in courses for the Bachelor of Science in Nursing program, as well as the Master of Science in Occupational Therapy. Fees from these courses are primarily utilized to purchase materials and supplies such as gloves, syringes, and medical gauges that are used in the STAR Center (Center). During the audit period, expenses from lab fees totaled \$53,003. Although our testing disclosed that the College properly utilized the fees for the purchase of materials and supplies, we identified opportunities to improve internal controls over the tracking and monitoring of these items.

The Center utilizes an inventory tracking software program with barcode technology to keep track of materials and supplies purchased and used. When items are taken from the storage room, employees should scan their FIU ID as well as the barcode on the item to update the system. Inventory usage reports are printed monthly and used to determine what items are low and need to be re-ordered. However, no analysis was performed to determine if there were significant variances between materials purchased, used and remaining in stock.

Subsequent to our request, the Center performed this analysis and provided an inventory report which indicated a variance of 535 items (2%) between the quantity of items that should be on hand and what was found on the shelf. The Coordinator expressed concern about being able to fully control inventory due to the amount of people who have master keys and access to the Center, including the storage room where the supplies are kept. Therefore, this can have a significant impact on the inventory count, specifically if they are not following and/or aware of the proper protocols when getting supplies.

Having knowledge about who has access to the Center, ensuring everyone is aware of the proper procedures when getting supplies and performing variance analysis inventory will strengthen internal controls over the usage of material and supplies and allow management to effectively track and monitor inventory.

Recommendation

The Nicole Wertheim College of Nursing and Health Sciences should:	
4.1	Ensure that Materials and Supply inventories are adequately controlled by the Center.

Management Response/Action Plan:

- 4.1 The STAR Center will provide training to employees who access the supply room regarding the proper protocols on how to properly check out supplies using the barcode technology currently in place. Additionally, an inventory variance analysis will be conducted semi-annually as a means of checks and balances. If

deemed necessary, the College may install a swipe access key on the supply room door further limiting who can enter the room and checkout materials and supplies.

Implementation date: August 2015

5. Asset Management

Per the University's Asset Management system, the College had 67 capital assets with associated costs totaling \$1.1 million. We confirmed with the Assistant Controller for Asset Management that the College's capital assets inventory recorded in the system was up-to-date and that no missing capital assets were observed while taking their annual physical inventory.

In addition to capital assets, every department should evaluate attractive/sensitive property in the context of their own environment. University Policy No. 1130.010, *Property Control*, defines attractive/sensitive assets as "tangible personal property that cost less than \$5,000 and can be characterized as "walk away" items. These items are prone to theft because they are either not secured, are easily portable, contain new technology and/or they are adaptable for personal use." The Property Control Manual recognizes that attractive property items may vary from department to department, but offers such things as laptops, iPads, or video recorders as examples. It also states that attractive items are to be marked as University property and catalogued by the user department. Special property tags are available upon request from Property Control.

The College's IT department maintains a database of attractive/sensitive property, particularly consisting of computer related items purchased and surplused for the College. We selected 15 items from the IT department's database to verify their existence. We noted the following:

- Ten items were physically observed and one item was properly surplused; however, four of the items observed were not marked as University property.
- Four laptops were missing. Three of the laptops were owned by former employees. Although the employees had left the University, the items description in the College's database still indicated them as the owner and/or having possession of the equipment.

The lack of accountability over attractive or sensitive property increases the likelihood of waste, fraud and abuse.

Recommendation

The Nicole Wertheim College of Nursing and Health Sciences should:	
5.1	Ensure that all attractive/sensitive items are properly accounted for in accordance with policies and recommended property control procedures.

Management Response/Action Plan:

- 5.1 The College's IT Director is currently reviewing asset management tracking software that can facilitate and improve the tracking and documentation of

attractive/sensitive items. The College anticipates purchasing and implementing asset management tracking software over the next 90 days. Additionally, a physical inventory of attractive/sensitive items will be conducted once a year in order to ensure that the new asset tracking software entries are current and accurate.

Implementation date: September 2015