Audit of the Steven J. Green School of International and Public Affairs (SIPA)

Report No. 18/19-02

October 25, 2018
MEMORANDUM

DATE: October 25, 2018

TO: John F. Stack, Dean, Steven J. Green School of International and Public Affairs

FROM: Trevor L. Williams, Chief Audit Executive

SUBJECT: Audit of the Steven J. Green School of International and Public Affairs (SIPA)

We have completed an audit of the Steven J. Green School of International and Public Affairs ("School") for the period July 1, 2016, through June 30, 2017, with comparative financial data presented through June 30, 2018. The objectives of the audit were to ensure that financial and operational controls were adequate and effective, being adhered to, and were in accordance with established University policies and procedures, and applicable laws, rules, and regulations.

The School's operating revenues totaled $44.2 million and operating expenditures totaled $43.8 million for the fiscal year ended June 30, 2017. The School had more than 450 faculty members and approximately 150 staff members. It offers 38 interdisciplinary programs at the Bachelor, Master, and Doctoral levels, as well as 35 undergraduate and graduate certification programs. Enrollment for academic year 2016-2017 consisted of 6,961 students (5,980 undergraduate and 981 graduate/post graduate).

Our audit concluded that the School's financial management needed improvement, particularly in the areas of: revenue controls; approving payroll and extra compensation; expenditure controls and asset management. Better oversight of the use of lab and equipment use fees collected is needed. The audit resulted in 16 recommendations, which management agreed to implement.

We would like to take this opportunity to express our appreciation to you and your staff for the cooperation and courtesies extended to us during the audit.

Attachment

C: FIU Board of Trustees
   Mark B. Rosenberg, University President
   Kenneth G. Furton, Provost and Chief Operating Officer
   Kenneth A. Jessell, Chief Financial Officer and Senior Vice President
   Javier I. Marques, Chief of Staff, Office of the President
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OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to the Office of Internal Audit approved annual audit plan for fiscal year 2017-2018, we have completed an audit of the Steven J. Green School of International and Public Affairs ("SIPA" or "School") for the period July 1, 2016, through June 30, 2017, with comparative financial data presented through June 30, 2018. The objectives of our audit were to ensure that financial and operational controls were adequate and effective, being adhered to, and were in accordance with established University policies and procedures, and applicable laws, rules, and regulations.

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 April 2018 through July 2018. Our audit focused on revenue transactions from auxiliary operations, and expenditure transactions from Education & General (E&G), auxiliary operations, and other funds, including three selected grants.

During the audit, we:

- reviewed University policies and procedures and Florida statutes;
- interviewed responsible personnel;
- observed current practices; and
- tested selected transactions.

Sample sizes and transactions selected for testing were determined on a judgmental basis applying a non-statistical sampling methodology.

As this is the first internal audit of SIPA and no other external audit reports were issued during the last three years, there are no prior audit recommendations related to the scope and objectives of this audit, requiring follow-up.
BACKGROUND

Launched in 2008, the Steven J. Green School of International and Public Affairs brings together many of the University's international disciplines to provide cutting-edge research, first-rate teaching, and innovative training necessary for the globalized world of the 21st century. The School is composed of multiple departments, with eight signature departments:

- Criminology and Criminal Justice
- Politics and International Relations
- Public Policy and Administration
- Global and Sociocultural Studies
- Economics
- History
- Modern Languages
- Religious Studies

Prior to February 2016, the School existed within the former College of Arts and Sciences. In 2015, the School was renamed the “Steven J. Green School of International and Public Relations” in honor of Ambassador Steven J. Green who made a $20 million gift to the School. Effective February 2016, the School began to operate as an independent School with its own Dean.

Today, the School houses many of the University’s most prominent international centers, institutes, and programs. It offers 38 interdisciplinary programs at the Bachelor, Master, and Doctoral levels, as well as 35 undergraduate and graduate certification programs. The School also supports a variety of community outreach programs and study abroad opportunities and is an affiliate member of the Association of Professional Schools of International Affairs (APSIA).

The School's enrollment for fiscal year 2016-2017 consisted of 6,961 students (5,980 undergraduate and 981 graduate/post graduate), enrolled in the following departments:

![2016-2017 SIPA Undergraduate and Graduate Enrollment](chart)

- Criminology and Criminal Justice: 2,246
- Politics and International Relations: 2,111
- Public Policy and Administration: 733
- Global and Sociocultural Studies: 552
- Economics: 536
- History: 358
- Modern Languages: 199
- Asian Studies: 120
- Religious Studies: 76
- Other: 30

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Financial Information

For fiscal year 2016-2017, the School’s operating revenues totaled $44.2 million and operating expenditures totaled $43.8 million. The major components of operating revenues and expenditures are from Educational & General (E&G), Auxiliary, Foundation, and Sponsored Research funds. Payroll and fringe benefits is the largest single expense. As of June 30, 2017, the School had more than 450 faculty members and approximately 150 administrative and staff members. The following chart below details the School's revenue and expenditures by funding source for the audit period.

Revenues and Expenditures by Funding Source
FYE June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>2016-2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E&amp;G</td>
<td>Auxiliary1</td>
<td>Foundation</td>
<td>Sponsored Research</td>
<td>Other</td>
<td>Totals</td>
</tr>
<tr>
<td>Revenues</td>
<td>$33,243,895</td>
<td>$5,448,283</td>
<td>$3,075,262</td>
<td>$2,035,979</td>
<td>$397,665</td>
<td>$44,201,084</td>
</tr>
<tr>
<td>Expenditures</td>
<td>34,586,362</td>
<td>5,595,157</td>
<td>996,303</td>
<td>2,169,745</td>
<td>446,635</td>
<td>43,794,202</td>
</tr>
<tr>
<td>Difference</td>
<td>$ (1,342,467)</td>
<td>$ (146,874)</td>
<td>$2,078,959</td>
<td>$(133,766)</td>
<td>$(48,970)</td>
<td>$406,882</td>
</tr>
</tbody>
</table>

Our audit testing excluded those revenues and expenditures incurred through the Foundation as they were compromised of 60 individual project activities that were not individually significant. As such, our audit focused primarily on E&G, Auxiliary, Sponsored Research, and other funds.

1 Auxiliary revenues and expenditures generated by the School are presented on a consolidated basis. Approximately $1.4 million was eliminated within the School related to Auxiliary Overhead fees from Market Rate programs and for the distribution of online program fees.
Subsequent Financial Information

For comparative purposes, we present the revenues and expenditures for the fiscal year ended June 30, 2018.

### Revenues and Expenditures by Funding Source
**FYE June 30, 2018**

<table>
<thead>
<tr>
<th>Source</th>
<th>2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E&amp;G</td>
</tr>
<tr>
<td>Revenues</td>
<td>$33,573,184</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$33,522,266</td>
</tr>
<tr>
<td>Difference</td>
<td>$50,918</td>
</tr>
</tbody>
</table>

² Auxiliary revenues and expenditures generated by the School are presented on a consolidated basis. Approximately $1.3 million was eliminated within the School related to Auxiliary Overhead fees from Market Rate programs and for the distribution of online program fees.
FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that the School’s financial management needed improvement, particularly in the areas of: revenue controls; approving payroll and extra compensation; expenditure controls and asset management. The use of equipment use fees and material & supply fees collected needs to be closely monitored.

Our overall evaluation of internal controls 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></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Policy &amp; Procedures Compliance</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Effect</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Information Risk</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>External Risk</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

The areas of our observations during the audit are detailed in the following pages:
1. **Financial Management**

**Budget Management and Controls**

During the audit, we observed that in fiscal year 2016-2017, the School spent $1.3 million more than the $33.2 million budgeted in E&G. Management informed us that to better reflect actual expenditures after splitting from the former College of Arts and Sciences in February 2016, the budget continues to be adjusted. A review of the 2017-2018 results of operations reflected that, to its credit, the School reversed the deficit spending in E&G as well as two of the three other funds that were over expended in the prior fiscal year. However, the Auxiliary fund continued to be overspent to the tune of $305,171 in fiscal year 2017-2018.

During our audit, we reviewed 26 of the 61 (43%) auxiliary activities’ fund balances ended June 30, 2017, and found five activities with excess fund balances and one activity with a negative fund balance. For comparative purposes, we also obtained the fund balances for the same five accounts as of June 30, 2018. (See chart below for details.)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fund Balance (as of June 30, 2017)</th>
<th>Fund Balance (as of June 30, 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haitian Summer Institute</td>
<td>$118,548</td>
<td>$158,293</td>
</tr>
<tr>
<td>Intense Language Culture Conference</td>
<td>$54,849</td>
<td>$25,477</td>
</tr>
<tr>
<td>History Lab Fee</td>
<td>$48,885</td>
<td>$(1,795)</td>
</tr>
<tr>
<td>Study Abroad in Italy</td>
<td>$38,583</td>
<td>$30,860</td>
</tr>
<tr>
<td>Modern Language Equipment Lab Fee</td>
<td>$21,242</td>
<td>$35,811</td>
</tr>
<tr>
<td>Zanzibar Study Abroad</td>
<td>$(8,803)</td>
<td>$(7,395)</td>
</tr>
</tbody>
</table>

The fund balances in excess of working capital needs and future capital outlay are related to either student lab fees or study abroad programs (including conferences and institutes) and are explained as follows:

- The lab fees charged students have exceeded costs by $70,127.
- Three study abroad programs charged students $211,980 in excess of costs.
- One study abroad program’s costs were underestimated by $8,803.

Management explained that these excess fund balances were created many years before, and that they have been working to reduce the excess balances. However, a review of the same activity fund balances from June 30, 2014, to June 30, 2017, reflects a mix of results, as follows:

- Haitian Summer Institute increased 61% during the period.
- Intense Language Culture Conference and Study Abroad in Italy have decreased 9% and 16%, respectively, during the period.
- History lab fee decreased 78%, but as noted below, some of the costs charged against the fee were determined to be improper.
- Modern Languages Equipment lab fee, which began in academic year 2015-2016, increased 65% after the first year.
In addition, as noted on pages 20 – 22 of this report, some of the costs charged against the lab fee account were improper, which effectively make the excess fund balance for certain lab fees even higher than reflected on the preceding page. For example, the History lab fee was charged with salaries exceeding $102,000 in 2016-2017 that were determined to be partly improper.

Our subsequent review found that two of the activities with excess fund balances at June 30, 2018, had even higher fund balances, while two others had improved but still maintained excess fund balances. Lastly, we examined the expenditure details for the History lab fee activity and found nearly $49,000 of payroll expenses improperly charged to the account resulted from one employee who had been previously identified.

The University’s Auxiliary Enterprises Operating Guidelines states that, “funds generated by for-credit academic activities are restricted in that fees charged should approximate costs with reserves generally allowed for working capital needs and future capital outlays. Accumulating general reserves to guard against adverse market demand conditions or to fund new auxiliary opportunities are expressly prohibited.” The School has not identified working capital needs or future capital outlays for these activities. In addition, Academic Affairs requires that instructional fees should be reevaluated on a yearly basis, and that such course fees are to be expended during the term collected. Our analysis found that any such review did not result in an adjustment of the fees, which could have caused the excess fund balances.

The University’s Auxiliary Enterprises Operating Guidelines also 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.” We noted that the School does not have a comprehensive manual for these operations. A manual for auxiliary operations not only could address issues similar to the finding herein, for example reviewing student fees every year, but would help to provide direction to new personnel, provide clarification of responsibilities, and help assure consistent application of management expectations.

**Recommendations**

<table>
<thead>
<tr>
<th>The School of International and Public Affairs should:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.1</strong> Continue to monitor E&amp;G expenditures to ensure positive results of operations are achieved and review student-related fees and study abroad program fees to ensure fees charged approximate costs, while working to reduce related excess fund balances.</td>
</tr>
<tr>
<td><strong>1.2</strong> Develop an operations manual to document current policies and procedures for auxiliary operations.</td>
</tr>
</tbody>
</table>
Management Response/Action Plan:

1.1 We will continue to monitor E&G expenditures to ensure continued positive results as E&G Budget continues to be adjusted to adequately reflect budgetary needs post-split from former College of Arts & Sciences. We would however point out that while the graph on page 4 of this report reflects a negative difference between Revenues and Expenditures at FYE June 30, 2018, the Fund Balance available in Auxiliary funds at the beginning of FY17-18 is not accounted for in this calculation. Fund Balance available in Auxiliary funds are precisely those funds that are utilized in the event of overspending in a current year. The inclusion of Fund Balance would indicate that Auxiliary funds ended in a positive difference.

Study Abroad program fees are reviewed on a yearly basis through the program proposal process. We will both re-examine the costs of future programs and expense additional costs. Student related fees will be reviewed annually. An initial review will be accomplished by February 15, 2019.

Implementation date: February 15, 2019.

1.2 We will complement the Auxiliary Enterprises Operating Guidelines manual and will work on an internal manual for policies and procedures.

Implementation date: March 1, 2019.
2. Revenue Controls

The School generated $5.4 million in revenues from auxiliary operations in fiscal year 2016-2017, of which 44% was derived from Market Rate Tuition programs and 23% from Special Programs. Additionally, the School also generated ticket sales revenues from conferences and concerts in which each department is responsible for collecting and depositing funds.

The areas of revenues tested are as follows:

Market Rate Programs

The School generated revenues from three market rate programs: Executive Master of Public Administration (EMPA), Masters in Disaster Management, and Master of Arts in Global Affairs (MAGA). We reviewed revenues collected totaling $2.4 million to determine if they were properly assessed, collected, reconciled, and recorded. We found that the departments do not reconcile their revenues based on the number of students enrolled in the programs to the revenues reported in PantherSoft. However, we recalculated the revenues collected and found that revenues were properly assessed and recorded. The absence of a reconciliation of enrolled students to revenues collected increases the risk of errors or loss of revenue.

Transfers-In

Transfers-in totaled $2.2 million and were mainly composed of auxiliary overhead fees for market rate self-supporting programs in which the School receives a percentage of the department’s revenues. Similarly, a percentage of revenue is also collected for distance learning online courses and engineering courses. We judgmentally selected four transfers, totaling $483,393, and determined transfers-in were allowable and properly recorded per funding requirements.

Ticket Sales

The School’s Cuban Research Institute (CRI) and the Institute for Public Management and Community Service (IPMCS), generated ticket sales revenues totaling $262,680 from conferences and concert events. We reviewed the cash handling process for revenues collected and found the exceptions noted below. (See also Finding No. 6 – Information Systems Security Controls.)

Every two years, CRI organizes a conference on Cuban-American studies and an annual concert series featuring music by Cuban and other composers. Cash collected for the events are processed online, through Eventbrite³, or at the door at the time of the event. Our review of revenues totaling $25,152 disclosed the following:

---
³ Eventbrite is a third-party website for event management services to organize events, sell tickets, and collect payment.
• A generic administrative e-mail account was utilized by more than one department employee to access the Eventbrite system. Additionally, the “payout options” within the account were editable allowing any employee to change or add new payout methods, such as a new bank routing number. The result is a lack of accountability and the risk of possible asset misappropriation.

• Per University Policy No. 1110.010, Cash Control Policy Statement, the cash handling and recordkeeping functions must be separated. We noted the employee in charge of collecting the cash payment at the door is also reconciling the records for the events. This lack of segregation of duties increases the risk of errors or irregularities occurring undetected.

• Per University Policy 1710.257, Background Check Requirements, a Level 2 background screening is required for those employees handling/managing cash transactions. Employees are required to obtain a Level 2 screening prior to performing those duties. We found that one employee did not have the required background check prior to handling cash. The employee’s position description did not reflect cash handling duties; as such, Human Resources had not conducted a Level 2 background screening. Management has since adjusted her position description to include cash handling duties and HR has since completed a Level 2 background screening.

IPMCS worked with Miami-Dade County to organize the Inter-American conference of mayors and local authorities. Our review of revenues totaling $237,528 disclosed the following:

Per University Policy No. 1110.010, Cash Control Policy Statement, specific approval to accept cash by a department must be requested in advance and approved by the University Controller. Cash processing areas should be secure from entry by unauthorized people and be stored in a safe, a locked drawer, or lockbox when not in use. Cash handling and recordkeeping functions must be separated. Furthermore, all collected cash and checks must be deposited in the Cashier’s Office within two days of receipt, with deposits in excess of $5,000 brought by FIU Police escort. The following exceptions were found to the Cash Control Policy:

• The department did not submit an approval form to the Office of the Controller for cash collection, and were unaware of this procedure.

• The cash for the event was stored in a hotel room safety-box where the staff was lodging. The cash is not considered to be kept in a secure place, as unauthorized people (such as hotel staff) can obtain access to it.

• The conference event ran from Monday through Thursday at the Downtown Miami Hilton. Money collected was not deposited until the event was over, four days after collection, and no police escort was present.
• There was no proper segregation of duties, as the same employees had access to both cash handling during the event and recordkeeping functions.

• Complimentary tickets were distributed based on the employees’ discretion. We found that there was no process in place to determine the amount and to whom complimentary tickets were distributed. We were unable to determine if the distribution of complimentary tickets was appropriate.

• Per the University’s Background Check Requirements, a Level 2 background screening is required prior to an employee handling/managing cash transactions. We found that two of the five employees that worked during the event did not have the required background screenings at the time of the event. The employees’ position descriptions did not include cash handling duties; as such, Human Resource had not conducted a Level 2 background screening. Management has since adjusted the position description for one employee and Level 2 background screening was completed. However, the second employee position description has not been adjusted, but based on our finding a Level 2 background screening was completed in May 2018.

In addition, we reconciled cash collected per department records for the IPMCS conference to the cash collected per the PantherSoft system, and noted a difference of $7,630. Management explained that the differences were mainly due to cash payments to suppliers and volunteers that were executed without being processed in the PantherSoft system, as follows:

• $4,380 to foreign suppliers to help recruit and organize the event. Subsequent invoices from suppliers were provided; however, any potential tax consequences were ignored, as it was not processed in PantherSoft.

• $1,050 to the Latin American National Municipal Association (LANMA). Based on a verbal agreement, LANMA received the cash equivalent of one registration for every 20 individuals recruited and registered. The department kept no support of payment.

• $1,920 in cash payments to four volunteers. The department kept no support of payment.

• $163 for parking and international calling cards.

• $117 difference that management states could have been used for tips, but no support was maintained.

The lack of adequate controls over revenue transactions, including ticket sales, increases the risk of errors and irregularities that may result in accounting records being incomplete and inaccurate, and loss of assets.
Recommendations

The School of International and Public Affairs should ensure:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Eventbrite user accounts are uniquely identified.</td>
</tr>
<tr>
<td>2.2</td>
<td>Departments reconcile departmental records against PantherSoft to ensure completeness of revenues recorded.</td>
</tr>
<tr>
<td>2.3</td>
<td>All staff with cash-handling duties receive proper training and adhere to the <em>Cash Control Policy Statement</em>, and their position descriptions accurately reflect such cash handling duties.</td>
</tr>
<tr>
<td>2.4</td>
<td>Written guidelines and procedures for managing complimentary tickets are developed.</td>
</tr>
<tr>
<td>2.5</td>
<td>All forms of employee/supplier compensation are processed through the PantherSoft system and appropriate support is maintained.</td>
</tr>
</tbody>
</table>

Management Response/Action Plan:

2.1 We will ensure that Eventbrite users are uniquely identified.

   Implementation date: December 20, 2018.

2.2 We will ensure Departments reconcile departmental records against PantherSoft to ensure completeness of revenues recorded.

   Implementation date: December 20, 2018.

2.3 Institute of Public Management and Community Service (IPMCS) submitted appropriate documentation to Controller's Office during June 2018 and have already attended training.

   Implementation date: December 20, 2018.

2.4 We will request assistance from Department to develop guidelines and procedures for complimentary tickets. The activity that generated the possibility of complimentary tickets is being reconsidered for future occurrence.

   Implementation date: March 1, 2019.

2.5 We have contacted the staff of IPMCS concerning the audit findings. Furthermore, IPMCS has been inactivated. Staff are being allocated to other responsibilities. All
SIPA departments will be reminded that all compensation must be handled through PantherSoft system.

Implementation date: December 1, 2018.
3. **Payroll and Personnel Administration**

Payroll and fringe benefits totaled $36.8 million or 84% of the School’s total expenditures. Our examination of payroll expenditures primarily focused on the approval process, amounts paid for extra compensation (overload), and the documentation required for separated employees. (Please refer to pages 21 - 22 for a discussion of our review of lab fee-related payroll expenditures.) Based on our examination, we noted opportunities for improvement in the following areas:

**Payroll Approval**

FIU’s Human Resources Department requires that all employee time/leave entries must be signed off by their manager by 2:00 p.m. on the Monday of the pay week; otherwise, the Payroll Department automatically approves the entries. Additionally, Managers shall avoid delegating their time approval function to a direct report.

We reviewed 23,131 entries, representing 100% of the approved employees’ hours worked and leave taken during fiscal year 2016-2017 and noted the following:

- An appropriate level supervisor approved 17,878 entries (77%);
- 3,315 entries (14% of all entries) were approved directly by the Payroll Department without approval from School personnel having first-hand knowledge of the hours worked and leave taken by the employees;
- 1,375 entries (6% of all entries) were approved by a proxy without written confirmation from the supervisor of the hours worked or leave taken;
- 374 entries (2% of all entries) were self-approved; and
- 189 entries were batch-approved by an employee of SIPA, without written support (1% of all entries). When payroll is batch-approved, the approver does not check with managers or verify time reported prior to completing the batch approval.

Not properly approving payroll may result in employees being compensated for work not performed and/or failure to properly record leave.

**Extra Compensation Appointments**

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 approval must be requested and granted by Human Resources prior to commencement of the secondary employment. For faculty members, approval for extra compensation must be secured from the employee’s supervisor, prior to
contracting for services, including instructional and non-instructional activities. For twelve-month administrative employees who have been approved for extra compensation conducted during normal working hours, the individual must use accrued vacation leave for these hours."

We reviewed 50 secondary employment contracts totaling $145,463 and found the following:

- For two contracts totaling $8,000 (two weeks each) for the same employee, we found that the duties performed during the employee’s secondary employment were associated with their primary job duties. The employee was leading the Latin American and Caribbean Center (LACC) Study Abroad programs. However, the employee’s primary job description duty is to be responsible for all associated administration in conjunction with the Study Abroad programs and Student Financials, which Human Resources has determined included traveling abroad. During this same period, the employee was paid $11,526 in salary and benefits for her primary job duties. Furthermore, regardless of whether her secondary duties were part of her primary duties as HR has determined, when the employee traveled abroad for the secondary employment, she did not use any vacation leave time and her adjusted work schedule conflicted with her secondary duties. Thus, the employee was paid for working both jobs during the same time. Although her approved secondary employment form shows she adjusted her work schedule to perform her primary job duties, a review of the agendas and courses for these two travel abroad programs reflected that the revised primary job hours conflicted with the study abroad program schedules. These revised schedules had her working her primary job duties from 2 p.m. to 10 p.m. and 4 p.m. to 10 p.m. every weeknight during the program. However, it was routine for the study abroad activities to end after those hours, and on one occasion there was a full two-day excursion.

- Twenty-eight administrative employee contracts (56%), totaling $83,940, were approved by HR from four (4) to 340 days after the secondary employment had begun. In 17 of these instances, the employee began the electronic Request for Additional Compensation (eRAC) ranging from one (1) to 276 days after the contract start date, while an additional nine (9) contracts were delayed at the departmental approval level, ranging from one (1) to 52 days after the contract start date. University policy requires approval from HR prior to commencement of the secondary employment. Although management stated that these eRAC approvals were delayed because they were to be paid as lump-sum payments at the end of the contract rather than periodic payments during the contract period, we note that lump-sum payments are processed for payment by HR during the pay period in which the contract end date falls, regardless of when the eRAC is approved.
Delays in the overload approval process and providing employees extra compensation appointments that are part of their regular job duties may have an adverse impact on the School’s budget and expenditures.

Employee Separation

All employees separating from FIU or transferring between departments are required to complete a Separation from Employment/Transfer Clearance Form (“Form”). The Form needs to be completed by both the employee and their supervisor. The employee is required to return all University property issued during his/her tenure and to settle all outstanding accounts with the University prior to his/her last day.

On the last day of employment, the supervisor must collect all University property including, but not limited to:

- Panther ID Card
- Uniforms
- Equipment (such as laptops, materials, etc.)
- Pro-Card
- Keys (returned directly to Key Bank and obtain original receipt for departmental records)

We reviewed 11 of the 18 non-adjunct faculty and administrative employees who separated from the School during the audit period to ensure completion of the Form and found that all 11 employees had properly completed the Form.

Recommendations

<table>
<thead>
<tr>
<th>The School of International and Public Affairs should:</th>
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<tbody>
<tr>
<td>3.1 Ensure that managers/supervisors timely approve the biweekly payroll for their direct reports. If a proxy is self-approving his/her time, the proxy should obtain written approval from his/her supervisor, prior to time submission.</td>
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<tr>
<td>3.2 Ensure that employees’ adjusted schedule are sufficient to compensate for the time taken while performing extra compensation duties during normal work hours and that secondary employment does not create a conflict of interest with primary responsibilities.</td>
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<td>3.3 Obtain approval for extra compensation appointment prior to commencement of secondary employment.</td>
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</table>
Management Response/Action Plan:

3.1 We have already rearranged proxies of direct supervisors where possible so that direct reports do not have Time Approval for their supervisor. We will implement eLeave request (vacation and planned sick leave) throughout SIPA therefore, addressing the issue of written approval from supervisor for proxy of direct supervisor. We will require email communications from proxy to supervisor (supervisor to acknowledge) for unexpected sick leave, addressing the issue of written approval from supervisor for proxy of direct supervisor. HR Payroll already sends out communication to manager/supervisors of timely approval of direct reports payroll, will follow up with communication to encourage manager/supervisors to approve on a timely manner for Payroll deadline.

Implementation date: December 15, 2018.

3.2 A College-wide communication will be sent to all Chairpersons and Directors to reiterate University policy. Additional Compensation Requests will be thoroughly reviewed.

Implementation date: November 25, 2018.

3.3 We will communicate to Departments that extra compensation requests must be approved prior to commencement of secondary employment.

Implementation date: December 15, 2018.
4. Expenditure Controls

In fiscal year 2016-2017, the School incurred non-payroll related expenditures totaling $6 million, representing 14% of its total expenditures. We tested 142 disbursements totaling $2.5 million, representing 42% of non-payroll related expenditures. These disbursements included travel, credit card, other expenditures and lab fee transactions, and were tested for compliance with University policies and procedures and applicable laws, rules, and regulations. The results of our testing are as follows:

Travel Expenditures

We reviewed 30 travel-related expenditures, within 15 Expense Reports (ER), totaling $290,674, representing 5% of non-payroll related expenditures, and found the following exceptions:

- There were five instances totaling $5,539 where airline tickets were purchased without an approved Travel Authorization (TA). In four of the five instances, the traveler paid for their own tickets. An approved TA is the traveler’s permission to incur expenses and travel on behalf of the University. Payment of travel expenses using the procurement card or by the traveler is prohibited without an approved TA per the University Travel Manual.

- There was one instance where lodging extending beyond what was approved on the group TA was not adequately documented. A Research Fellow attended a conference that lasted from June 13, 2016, through June 16, 2016. However, the Research Fellow stayed through June 21, 2016, incurring an additional $842 in lodging costs. According to management, the extended stay was to plan several regional seminars. Although we have since received documentation to support the extended stay, this support should have been provided at the time the ER was submitted.

  The University’s Travel and Other Expenses Manual (Travel Manual) states that the travel period commences no earlier than a day before an event and concludes no later than a day after the event. In this case, the Research Fellow stayed four days beyond the allowable period as documented on the group TA; as such, the reason for the extended stay should have been documented in the ER to account for the exception to the general rule.

- There was one instance totaling $179 where the hotel rate of $226 per night was above the allowable $200 rate. The Travel Manual states that the most economical means should be considered for hotel accommodations. Justification is required if the hotel rate is in excess of $200. However, no such justification is required if the rate complies with the U.S. General Services Administration (GSA) rates. Additionally, if the stay is at the official hotel of the conference/convention and the rate claimed is less than or equal to the stated conference/convention rate, justification is not needed. Since the rate charged exceeded the allowable rate and the stay was not at the
official hotel of the conference, justification was required. However, no documentation for the justification was provided.

- There were six instances where ERs totaling $45,840 were submitted between six (6) and 95 days late. In addition, we found one instance, totaling $4,039, in which no expense report was created. Therefore, we were unable to determine the total cost of that trip.

The Travel Manual also indicates that after returning from a trip or incurring an expense, reimbursement is made by completing an ER with accompanying receipts. The ER must be submitted within 10 business days for individual travel or 30 days for group travel after the completion of the trip or incurrence of the expense.

- The Travel Manual states that Cash Advances should be resolved within 10 business days after the completion of the trip. If a traveler does not resolve the Cash Advance within 30 days, the traveler will not be allowed another Cash Advance for 12 months. If a Cash Advance is not resolved within 60 days, the amount of the advance will be deducted from the employee's salary. There were two instances totaling $2,495 where the amounts due were reimbursed 64 and 65 business days, respectively, after completion of the trip.

Credit Card Purchases

We reviewed 24 credit card expenditures totaling $124,774, representing 2% of non-payroll related expenditures, and found the following exceptions:

- Five instances totaling $50,070 in which the expenditures were either unallowable per University expenditure funding guidelines or not in compliance with the University Departmental Card Guidelines and or Procurement Manual.
  - For one instance totaling $2,290, E&G funds were used to purchase e-mail lists for promotional purposes, which is not allowed per E&G expenditure funding guidelines. In addition, University Departmental Card Guidelines and Procedures prohibits credit card purchases of promotional items unless paid from student fees, auxiliaries, or grant funds, as allowed.
  - For two instances totaling $7,430 for survey services, an advance deposit of $4,000 was paid for the services to be provided with no approval. Contractual services and advance deposits are not allowed per University Departmental Card Guidelines and Procedures, unless approved in advance.
  - For two instances totaling $40,350, catering services were provided at an off-site location, and the purchases exceeded the $15,000
threshold for requiring quotes. Per the Procurement Manual, purchases over $15,000 require two or more quotes prior to purchase. No quotes were obtained for these transactions.

Other Expenditures

We reviewed 66 other expenditures, totaling $1,603,501, representing 27% of non-payroll related expenditures, and found the following exceptions:

- One instance totaling $5,000 where funds were used to sponsor a community event. The funds were paid to the Rhythm Foundation, a non-profit organization, to sponsor their annual music festival “Big Little Night in Haiti,” which took place in November 2016. Management states that sponsorship support was for the Latin American and Caribbean Center “LACC” to receive promotional and marketing benefits, which support we have since obtained. However, the documentation provided to Payment Services when the invoice was submitted for approval was insufficient to demonstrate that a direct benefit, in goods or services, were received from this event. Per the University Procurement Manual, at a minimum, invoices submitted must contain the description of goods and services received that would better support the purpose of the payment.

- One instance totaling $5,000 where the School purchased a sponsorship package to promote the School at a conference using E&G funds. The use of E&G funds for the purchase of promotional items is prohibited.

- The required quotes were not obtained for one contract, which included four payments totaling $30,104 for survey services. The actual amount of the expense totaled $35,100 of which $4,996 was charged through the Marketing and New Media Department. CARTA (Communication, Architecture + The Arts), the President’s Office, LACC, External Relations, and SIPA all contributed to the survey. Per Procurement Manual, purchases over $30,000 should obtain three or more quotes prior to purchase. No quotes were obtained for these transactions.

In addition, per our review we found that the supplier/owner is also a CARTA adjunct faculty employee, which created a conflict of interest. No outside activity form was completed by the employee according to both Human Resources’ Employee and Labor Relations (ELR) Department and the Provost’s Office. Furthermore, we noted total expenditures of $264,269 with the supplier since 2011, including $106,990 since the time the employee became an adjunct faculty for the University in 2016.

Lab Fees Expenditures

The University may assess optional student fees, such as an equipment fee, lab fee, or material and supply fee, provided the proceeds are used for the instruction of the course and equipment or material/supply are used directly by the students.
As previously noted, such course fees are to be expended during the term collected. These fees are to be reevaluated on a yearly basis. Although management states that these fees are reevaluated yearly, no adjustments of the fees or their purposes has occurred, in some cases since 2004 and 2005, resulting in excess fund balances (as noted in Finding No. 1) and expenditures not provided for in the original approval by Academic Affairs as noted below.

During our audit, we found that the School currently has three different activities in which revenue is derived from student fees. These fees include History lab fee ($10 per course), Modern Languages lab fee ($15 per course), and Modern Languages equipment use fee ($5 per course). The proposals received for History and Modern lab fees were dated in 2004 and 2005, respectively, while the Modern Languages equipment use fee proposal was dated in 2015.

We reviewed 22 lab fees expenditures totaling $456,922, representing 8% of non-payroll related expenditures, to ensure they complied with the purpose per the fee proposal and found the following exceptions:

- Eight instances totaling $2,049 where History lab fees were used for travel expenditures related to conferences. Per review of the approved History lab fee proposal, student fees are to be used for the hiring of additional lab tutors, not for conference travel expenditures.

- Two instances totaling $12,310 where Modern Languages equipment lab fee were used for software license and computer equipment expenditures. Per review of the approved Modern Languages equipment fee proposal, student fees are to be used for headphones equipment and related expenditures, not for software licenses or computer equipment.

- One instance totaling $2,500 where History lab fee funds were transferred to the National Endowment for the Humanities (NEH) cost research project. The total transfer was for $5,000 of which $2,500 occurred during our audit period. BOG Regulation 7.003(23)(d), states that revenue generated from student fees may not be transferred to an auxiliary enterprise or a direct-support organization.

In addition, we reviewed payroll related lab fees expenditures for 28 employees, totaling $205,937, and found the following exceptions:

- Salaries and wages totaling $59,484 for 20 employees were paid from the Modern Languages lab fee. These fees are to be used for the purchase of material and supplies only, not payroll. According to BOG Regulation 7.003(7), material and supply fees can be assessed to offset the cost of materials or supply items that are consumed in the course of the student’s instructional activities, excluding the cost of equipment and equipment repairs and maintenance.
Per the approved proposal for the History lab fee, fees should be spent for the hiring of additional tutors. Tutors hired should be advanced undergraduate and/or graduate students who do not currently work as teaching assistants. We found transactions totaling $102,176, related to four employees, which did not conform to the proposal's intent:

- A portion of one 9-month faculty staff’s salary, totaling $8,676, was paid from lab fees. The staff member was neither an active graduate student nor an advanced undergraduate student, as required.

- Nearly $93,500, representing the full salary for two 9-month faculty staff members, were paid from lab fees in 2016-2017. The staff members had teaching and research assignments, as well as tutoring. One of the two faculty members was paid $48,704 in 2017-2018 entirely from the lab fees. Based on their assignments, only a fraction of their payroll should have been charged to the lab fee.

Non-compliance with the BOG regulations and the University Guideline increases the risk that the fees collected will be expensed inappropriately.

**Recommendations**

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<tr>
<th>The School of International and Public Affairs should ensure:</th>
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<td><strong>4.1</strong> Employees receive training on the University’s travel policies and procedures.</td>
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<td><strong>4.2</strong> That the supplier/CARTA adjunct faculty member have an approved Outside Activity/Conflict of Interest form on file prior to being selected as a supplier in the future.</td>
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<td><strong>4.3</strong> Compliance with the <em>Procurement Manual, University’s Department Card Guidelines</em> and University funding guidelines.</td>
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<td><strong>4.4</strong> Student lab fees are used for their intended purpose.</td>
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**Management Response/Action Plan:**

4.1 We have provided all SIPA Chairpersons, Directors and Office Managers with a copy of the University Travel Manual available through the Controllers Website. We will instruct Chairpersons, Office Manager, and all SIPA employees of requirement that approved TA be obtained prior to incurring expenditures or traveling.

Implementation date: December 20, 2018
4.2 We have already contacted supplier/CARTA adjunct faculty requesting completion of the Outside Activity/Conflict of Interest Form. The form is currently in Academic Affairs pending approval and routing to Central HR.

Implementation date: November 25, 2018.

4.3 We have provided all SIPA Chairpersons, Directors and Office Managers throughout SIPA departments with the Procurement Manual available through the Controllers Website.

Implementation date: December 20, 2018.

4.4 The Dean’s Office will meet and review student lab fees with impacted departments. We will ensure future expenses are allowed with related purpose.

Implementation date: January 31, 2019.
5. **Asset Management**

Per the University’s Asset Management system, as of April 2, 2018, the School had five capital assets with an associated cost of $85,100. All of the School’s controlled capital assets with individual cost of $5,000 or greater were accounted for during the audit period without exception.

However, we noted opportunity for improvement related to the proper accounting and safeguarding of “attractive property.” The University’s Property Control Manual defines attractive property as “University property costing less than the threshold amount of $5,000, but which are particularly vulnerable to theft and misuse. ‘Attractive’ items will vary from department to department but might include such things as laptops, iPads, or video recorders. Departments should evaluate ‘attractiveness’ in the context of their own environment. Factors they should consider include the security of the property location, the size and portability of the item, and its potential resale value if stolen. These items should be marked as University property and cataloged by the user department. Special property tags are available upon request from Property Control.”

During the audit, we noted that maintaining and tracking attractive property is decentralized and is the responsibility of each department within the School. We selected three departments for physical observation and found the following:

- International and Public Affairs department did not maintain and track their attractive property items. For example, the department incurred $25,659 in purchases for computer equipment under $5,000 during the audit period, which was not tracked.

- African Diaspora Studies department provided an attractive property list that included 23 items. However, the list was not being properly maintained or updated. We found the following:
  
  o Attractive property items did not have specific identifying information such as serial number and name of the person responsible for the items, as required.
  o Seven additional items, including laptops, desktops, and a camera recorder located in the rooms were not listed as part of their attractive property list.
  o We selected five (5) invoices totaling $18,215 out of $19,282 in purchases of computer equipment under $5,000 and noted that purchased items included laptops for faculty that were not listed on the attractive property list. Per inquiry with the department, they did not keep track of the attractive property items provided to faculty.

- Economics department maintained a list of 69 attractive property items. We selected 35 items to test and noted that attractive property list was being properly maintained. In addition, we selected five (5) invoices totaling $10,736 out of $15,735 in purchases of computer equipment under $5,000 and were able to locate the items on the attractive property list.

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

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<td>The School of International and Public Affairs should:</td>
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**Management Response/Action Plan:**

5.1 The College will review attractive assets and establish a master list. The College in combination with UTS will have a dedicated Technology Associate to manage this.

Implementation date: April 1, 2019.
6. Information Systems Security Controls

Malicious code if undetected in endpoint devices can be used by malware to disrupt computer operations, gather sensitive information, or gain access to private computer systems. Per University Procedure 1930.020c, *System and Application Management Policy*, all FIU owned endpoint devices that connect to FIU’s network must have anti-virus software running within 24 hours of their connection and must have current and appropriate operating system and applications software patches applied.

We selected the Cuban Research Institute’s three endpoint devices that are connected to the FIU network to process cardholder data. We determined that all three devices had their anti-virus installed within 24 hours of joining the network and were adequately patched. However, we identified opportunities for improvement in the following areas:

- We found that none of the devices has data loss prevention (DLP) installed, which increases the risk of sensitive data being extracted from the device without detection. DLP ensures that the Division of IT (DoIT) can monitor users’ actions when transmitting sensitive data in an unauthorized manner.

- Two of the three devices, including the laptop used to process payments at events were not encrypted. Hard drives should be encrypted to reduce the risk that the data could be compromised by unauthorized individuals in the event it is lost or stolen.

- Two of the three devices had a local generic administrator account. Generic accounts, specifically with administrator privileges, reduces the information systems’ ability to track individual user actions. Additionally, two student assistants had local administrator access privileges on one of the three devices. The administrator user accounts could be used to bypass existing identity management controls. Per University Procedure 1930.020a, *FIU Data Stewardship Procedure*, all highly sensitive data must be accessed by way of a unique name for identifying and tracking user identity. By assigning a unique identification (ID) to each user account, it ensures that individuals are accountable for their actions.

**Recommendation**

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<th>The School of International and Public Affairs should:</th>
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<td>6.1 Work with the Division of IT to install the DLP module, encrypt the laptop’s hard drive, and disable inappropriate local administrator accounts, as applicable.</td>
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</table>
Management Response/Action Plan:

6.1 We will work with the Division of IT to validate and update DLP and encryption on the systems. At the same time, we will request that the administrative accounts be reviewed and access removed if deemed unnecessary.

Implementation date: November 15, 2018.