



Office of Internal Audit

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

Report No. 19/20-03

October 28, 2019



OFFICE OF INTERNAL AUDIT

Date: October 28, 2019

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

From: Trevor L. Williams, Chief Audit Executive

Subject: Audit of the College of Nursing and Health Sciences – Report No. 19/20-03

A handwritten signature in blue ink, appearing to read "Trevor L. Williams".

We have completed an audit of the College of Nursing and Health Sciences for the period of July 1, 2017, through December 31, 2018, and an assessment of current practices through June 30, 2019. The objective of our audit was to determine if established operational and financial controls and procedures over the College's auxiliary operations were: (a) adequate and effective; (b) being adhered to; and (c) in accordance with established University policies and procedures, and applicable laws, rules, and regulations.

Our audit included an examination of revenues and expenditures emanating primarily from the operation of the College's continuing education programs. For the period audited, revenues and expenditures for the six in-scope auxiliary operations (for credit and non-credit) totaled approximately \$4.7 million and \$3.7 million, respectively. Total enrollment for the 2017-2018 academic year for the in-scope auxiliary credit programs was 3,078 students.

Our audit identified opportunities for improvement over operational and financial controls related to: auxiliary operations, reconciling revenues, payroll and personnel administration, expenditures, and compliance with University policies and procedures. The audit resulted in 18 recommendations, which management has 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, Executive Vice President, and Chief Operating Officer

Kenneth A. Jessell, Senior Vice President and Chief Financial Officer

Javier I. Marques, Vice President and Chief of Staff, Office of the President

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OBJECTIVE, SCOPE, AND METHODOLOGY

Pursuant to our approved annual audit plan for the 2018-2019 fiscal year, we completed an audit of the Nicole Wertheim College of Nursing and Health Sciences (“College” or NWCNHS) for the period of July 1, 2017, through December 31, 2018, and an assessment of current practices through June 30, 2019.

The objective of our audit was to determine if established operational and financial controls and procedures over the College’s auxiliary operations were:

- (a) adequate and effective;
- (b) being adhered to; and
- (c) compliant with established University policies and procedures, and applicable laws, rules, and regulations.

The audit was conducted in conformance 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. The audit also included an assessment of internal controls within the context of the audit objectives. Audit fieldwork was conducted from January 2019 to June 2019.

Our audit included an examination of revenues and expenditures emanating primarily from the operation of the College’s continuing education programs. The auxiliary operations included in our audit scope were as follows:

- Master of Health Service Administration (MHSA) Hybrid
- MHSA Fully Online Program
- Bachelor of Health Services Administration (BHSA)
- NWCNHS RN-to-BSN (RNBSN) Undergrad Online
- NWCNHS Simulation Teaching and Research (STAR) Center Auxiliary
- NWCNHS General Activities

During the audit, we observed current practices of the auxiliary operations and assessed the implementation status of recommendations from our prior internal audit, Report No. 15/16-01, Audit of the Nicole Wertheim College of Nursing and Health Sciences, issued July 2, 2015. Any repeated observations or improvements are indicated throughout this report. In addition, we interviewed responsible personnel and tested selected transactions against the College and University’s policies and procedures, applicable Florida Statutes, and Board of Governors (BOG) regulations. Sample sizes and transactions selected for testing were determined on a judgmental basis applying a non-statistical sampling methodology.

BACKGROUND

The Nicole Wertheim College of Nursing and Health Sciences at Florida International University (FIU or “University”) comprises six departments offering bachelor’s, master’s, and doctoral degrees in the fields of Nursing, Athletic Training, Communication Sciences and Disorders, Health Services Administration, Occupational Therapy, and Physical Therapy. The College is located on FIU’s Modesto A. Maidique Campus (MMC) and has a satellite location on the Biscayne Bay Campus (BBC), which houses the Health Services Administration programs and the Foreign-Educated Physician Nurse program.



The College offers continuing education programs at the undergraduate, graduate, and doctoral levels, as well as provides specialty certifications. BOG Regulation 8.002(1) defines continuing education as:

“an Auxiliary Enterprise of the university providing non-state fundable, self-supporting college credit courses or programs, non-credit professional development courses or programs designed to upgrade existing technical or professional skills, and courses that are provided primarily for personal enrichment or as a public service to the community.”

In addition, the University’s *Auxiliary Enterprises Operating Guidelines* categorizes auxiliaries by the type of goods and services they provide and the customers who are served. The six academic auxiliaries evaluated were categorized as follows:

- two self-supporting programs (MHSA Hybrid and MHSA Fully Online);
- two online and distance learning programs (BHSA and RNBSN); and
- two non-credit academic activities (STAR Center and NWCNHS General Activities).

The MHSA is a master's degree program of the Health Services Administration department that prepares students for executive leadership positions in a variety of healthcare organizations. The program is offered along two tracks:

- (1) the MHSA Hybrid, which is split between online content delivered through FIU Online and on-campus classroom learning; and
- (2) the MHSA Fully Online, which is geared towards the working professional and is offered solely through the FIU Online platform.

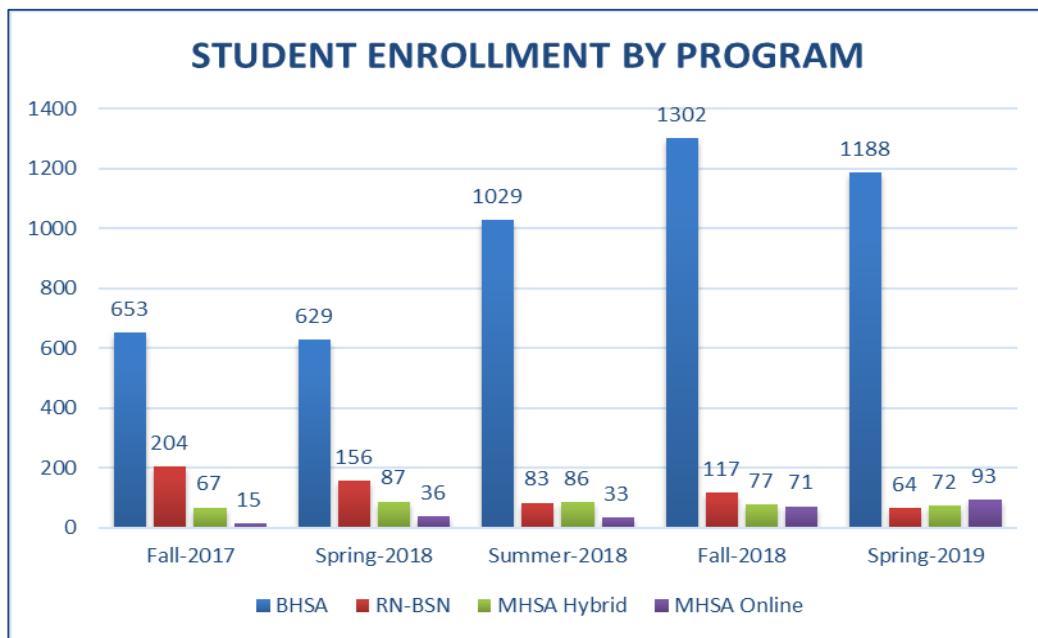
These are nascent programs with the MHSA Hybrid starting in fall 2016 and the MHSA Fully Online starting in fall 2017.

The BHSA and RNBSN are undergraduate degree programs. The BHSA prepares students for entry-level management positions in the healthcare industry and is offered either through the traditional or online track. The RNBSN is a fully online program that is designated for licensed registered nurses (RNs) who wish to obtain a Bachelor of Science in Nursing (BSN) degree.

Additionally, the STAR Center is one of the College's state-of-the-art facilities that is designed as a simulated hospital and clinical settings to give students a real-world, hands-on learning experience. The STAR Center is also an American Heart Association (AHA) training center that provides courses in Basic Life Support (BLS), Advanced Cardiovascular Life Support (ACLS), and Pediatric Advanced Life Support (PALS).

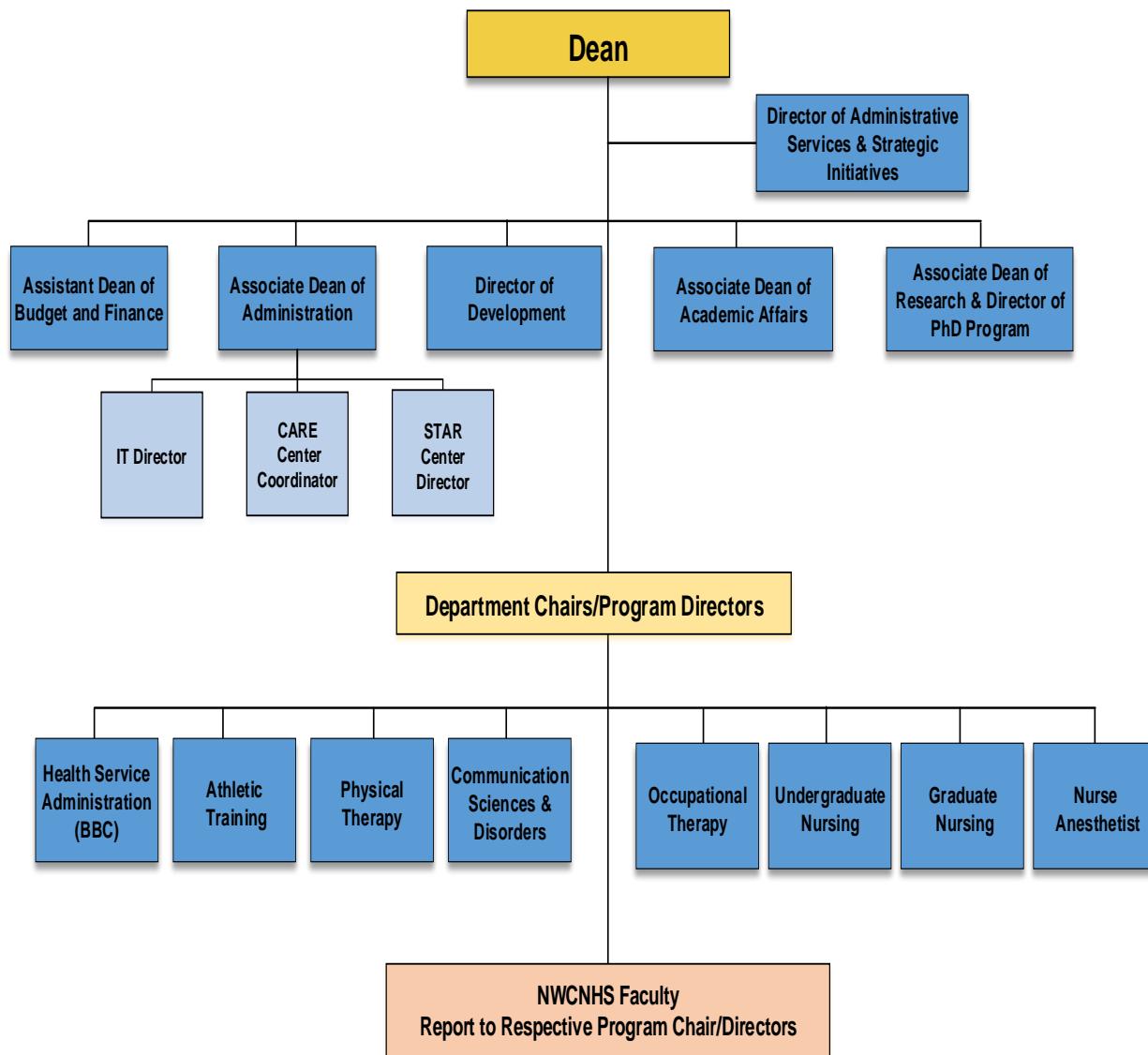
Student Enrollment

Total enrollment for the 2017-2018 academic year for these four in-scope auxiliary credit programs was 3,078 students. The chart below provides a breakdown of student enrollment by program for the 2017-2018 academic year, as well as the fall and spring semesters of the 2018-2019 academic year.



Personnel

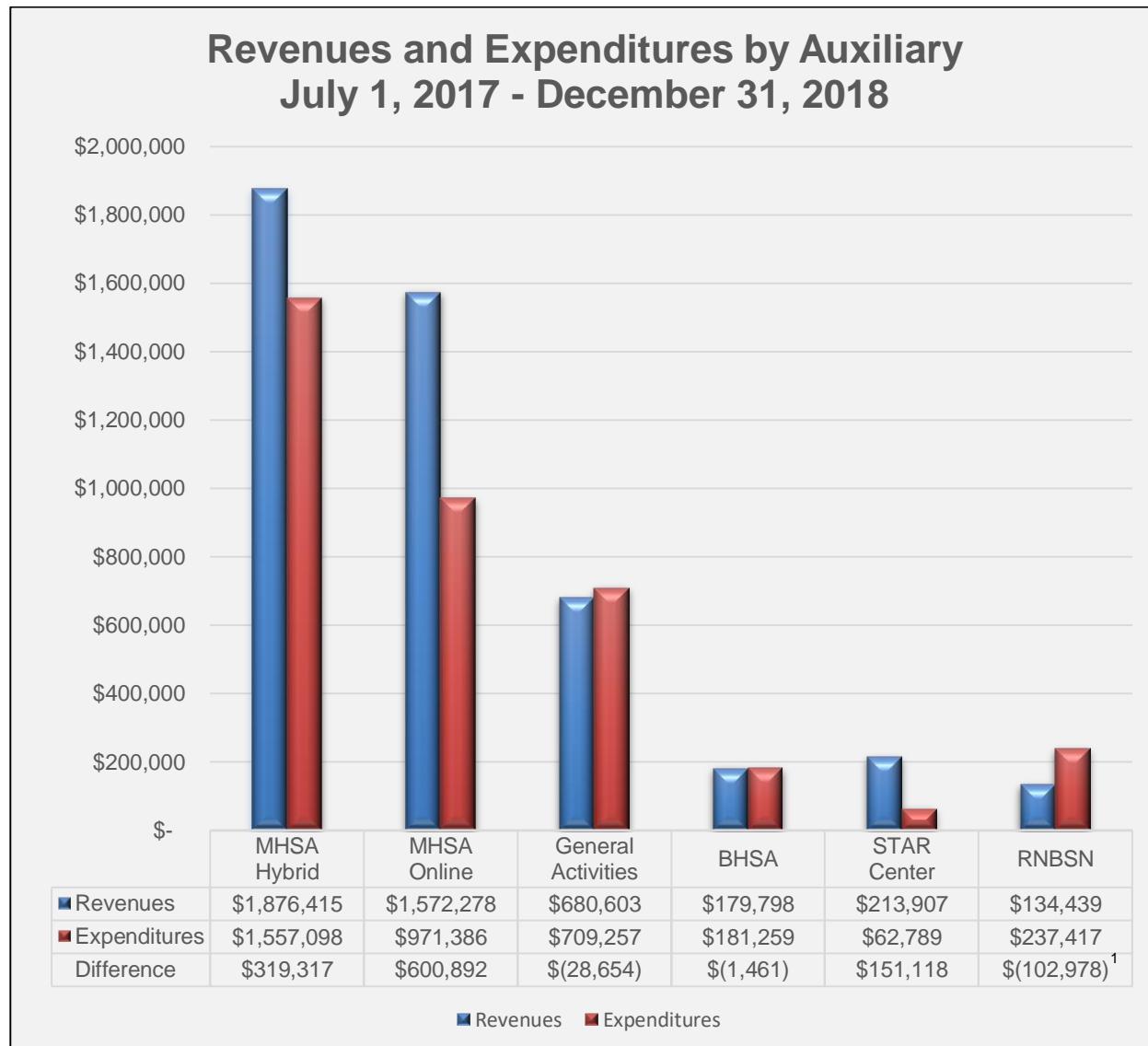
As of July 2019, the College had approximately 326 employees, including 91 faculty, 59 staff, 91 adjuncts, and 85 student assistants. The College's key administrative areas and departments are shown in the organizational chart below. The Auxiliary Operations we reviewed fall under the Health Service Administration department, Undergraduate Nursing department, and the Dean's Office.



Financial Information

For the period audited, revenues and expenditures for the six in-scope auxiliary operations (for credit and non-credit) totaled approximately \$4.7 million and \$3.7 million, respectively. The MHSA Hybrid and MHSA Online programs generated 74 percent of the total revenues earned. The College collects 25 percent of gross revenues earned from the self-supporting programs as an overhead fee. This fee is transferred into the College's General Activities account and is used to support other operations of the College.

The following chart depicts the total revenues and expenditures by auxiliary operation.



¹ In fiscal year 2017-2018, there were significant decreases in student enrollment for the RNBSN program, which resulted in lower revenues than forecasted. As a result, the College reassigned personnel to a different program to help reduce expenditures in the upcoming fiscal year.

The following chart depicts the total revenues and expenditures by category for the auxiliary operations.

Revenues and Expenditures by Category		
July 1, 2017 - December 31, 2018		
	Amount	Percentage
Revenues:		
Self-Supporting/Cost Plus	\$3,328,693	71%
Transfers In - Within University ²	1,098,577	24%
Sale of Services	204,182	4%
Non-Operating Revenue	16,262	1%
Private Revenue	9,726	-
Total Revenues	\$4,657,440	100%
Salaries & Benefits Expenditures:		
Salaries & Benefits	\$1,787,274	48%
Faculty & Administrative Overload	35,162	1%
Total Salaries & Benefits	\$1,822,436	49%
Other Operating Expenditures:		
Transfers Out - Within University ²	\$800,663	22%
Professional Services	482,300	13%
Admin. Overhead Expense	365,229	10%
Shared Service/Other Professional Fees	166,098	4%
Promotional Advertising	29,558	1%
Miscellaneous Charges	12,067	1%
Materials & Supplies	9,972	-
Scholarships	8,890	-
Bad Debt Expense	7,928	-
Telecommunications	5,233	-
Travel	3,668	-
Food Products	1,841	-
Clothing and Uniforms	984	-
Printing/Copies	642	-
Bus Passes	580	-
Rental of Facilities	400	-
Computer Equipment/F&E under \$5,000	386	-
Repairs & Maintenance	175	-
Freight	157	-
Total Other Operating Expenditures	\$1,896,771	51%
Total Expenditures	\$3,719,207	100%
Excess of Revenues over Expenditures	\$938,233	

² Revenues and expenditures generated through Transfers In and Transfers Out included \$790,417 of off-setting transfers between audited auxiliaries.

OBSERVATIONS AND RECOMMENDATIONS

Our overall assessment of internal control is presented in the table below. In summary, our audit identified opportunities for improvement over operational and financial controls related to: auxiliary operations, reconciling revenues, payroll and personnel administration, controls over expenditures, and compliance with University policies and procedures. Our observations and recommendations pertaining to these identified areas are detailed on the following pages of this report. We also included management's response to our observations and recommendations.

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	Moderate	High

The areas tested during the audit and our observations and recommendations are detailed below.

Areas Within the Scope of the Audit Tested Without Exception:

Budget Management

In establishing a new auxiliary activity, the University's Auxiliary Enterprises Operating Guidelines requires the unit to first submit a pro forma financial package to the Office of Auxiliary & Enterprise Development for approval. In addition, the guidelines state, "the primary responsibility for managing and operating each auxiliary shall rest with the unit's Operating Manager (or Chair). Each Operating Manager shall work with the unit's Finance Manager (or Director) to develop budgets and operating plans and shall monitor the financial health of the unit."

Since the MHSA auxiliary self-supporting programs were established after our last audit of the College, we confirmed that FIU Office of Academic Planning and Accountability reviewed and approved the program's Budget and Feasibility Study. During our audit, we also observed that the College's Assistant Dean of Budget and Finance has an adequate process in place to monitor and discuss the financial and operational status of the auxiliaries with the respective chairs or program managers.

Procurement of Good and Services

Non-payroll related auxiliary operating expenditures totaled \$1.1 million, net of transfers out, representing 29 percent of total other operating expenditures during the audit period. We reviewed 21 expenditures, totaling \$156,717, for the purchase of goods and services costing over \$1,500. We noted that all expenditures tested were allowable, adequately supported, and provided a direct benefit to the respective auxiliary operation.

In addition, we reviewed the Auxiliary's purchases to verify that the proper procurement procedures were followed for competitive solicitations or qualified exemption. Per the FIU Office of the Controller's *Procurement Manual*, purchases of \$10,000 to \$74,999 require a minimum of two written quotations from two suppliers attached to the requisition in PantherSoft. We identified two vendors that provided advertising services and training and educational services that met this spend threshold; however, both services were exempt from the competitive solicitation requirements, per the manual. Thus, no exceptions were noted in this area.

Employee Classification and Job Duties

We selected 10 employees who were paid directly from the auxiliary accounts to ensure they had job duties related to the operations of the respective auxiliaries. We noted that all employees tested had related job duties and identified no exceptions.

Final Payment to Separated Employees

We selected eight employees who separated from the University during the audit period and reviewed the Payroll Detail report to ensure that the last pay received was in accordance with their effective date of termination. We found no exceptions in this area.

Areas Within the Scope of the Audit Tested With Exception:

1. Operational Controls

Fund Balances

The University's *Auxiliary Enterprises Operating Guidelines* categorize fund balances as either restricted or unrestricted. 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. Funds generated by non-credit academic activities are unrestricted, in that fees charged may be used to support other activities at the unit/college level.

According to the College's Assistant Dean of Budget and Finance, a minimum working capital reserve to meet short-term cash flow needs and/or unforeseen emergencies of three to four months is considered reasonable for operating purposes. Based on this measure, we noted two auxiliaries, the BHSA and STAR Center, had high fund balances as of June 30, 2018. The Assistant Dean of Budget and Finance noted that the fund balances decreased significantly in the fiscal year ended June 30, 2019. We subsequently reviewed the fund balances for the fiscal year ended June 30, 2019, and found that although the fund balances decreased for three auxiliaries, the BHSA and STAR Center still had high balances. The auxiliary fund balances and estimated months of reserves as of June 30, 2018, and June 30, 2019, are depicted below:

	As of June 30, 2018					
	MHSA Auxiliary (Restricted)	MHSA Online (Restricted)	BHSA (Restricted)	RNBSN (Restricted)	STAR Center (Unrestricted)	General Activities (Unrestricted)
Actual Expenditures FY 2017-2018	\$931,482	\$432,519	\$106,974	\$192,702	\$48,099	\$364,134
Average Monthly Expenditures	\$77,623	\$36,043	\$8,914	\$16,059	\$4,008	\$30,345
Fund Balance as of June 30, 2018	\$231,968	\$142,646	\$173,276	\$9,206	\$137,215	\$63,623
Estimated Months of Reserves	3	4	19	1	34	2

	As of June 30, 2019					
	MHSA Auxiliary (Restricted)	MHSA Online (Restricted)	BHSA (Restricted)	RNBSN (Restricted)	STAR Center (Unrestricted)	General Activities (Unrestricted)
Actual Expenditures FY 2018-2019	\$1,255,947	\$1,276,702	\$166,132	\$96,867	\$107,415	\$797,325
Average Monthly Expenditures	\$104,662	\$106,392	\$13,844	\$8,072	\$8,951	\$66,444
Fund Balance as of June 30, 2019	\$10,863	\$347,465	\$117,845	\$26,490	\$448,242	\$171,028
Estimated Months of Reserves	0	3	9	3	50	3

Auxiliary Operations

The University's *Auxiliary Enterprises Operating Guidelines* require every auxiliary to have written policies and procedures, which guide the day-to-day operations of the activity, document the rate development methodology or other noted information, and

direct its business processes. As part of our assessment of internal controls, we observed that the STAR Center did not have policies and procedures in place to govern its operations. We made the same observation during our previous audit and noted that the recommendation had not been implemented.

During our audit, we were informed that the STAR Center recently became an official American Heart Association (AHA) Training Center. We identified operating control weaknesses specifically related to the management of the AHA courses offered at the STAR Center. Issues were identified in the following areas:

- **Recruiting and paying instructors.** We identified 15 instances in which student assistants or adjuncts (University employees) were paid for teaching AHA courses via PayPal using the department's credit card, rather than through the University's Payroll system. *Refer to Observation No. 3 of this report: Expenditure Controls - Credit Card Purchases for greater details.*
- **Purchasing, selling, and tracking of BLS course completion cards.** A completion card is emailed to participants once they successfully complete a BLS course. According to the STAR Center Coordinator, instructors can also purchase BLS completion cards from the Star Center and use them for classes held outside the University. We noted that the STAR Center does not reconcile the number of cards purchased against course participant lists, cards sold for classes held outside the University, or cards available on-hand. Performing a reconciliation can strengthen controls over the issuance and tracking of BLS cards as well as the revenue related to their sale.
- **Course scheduling and awareness of availability.** Although there are departments within the University that send their staff to take AHA courses at the STAR Center, we noted that there was no particular schedule of course offerings or registration details. In addition, we identified discrepancies between the dates instructors were paid for teaching courses and the dates courses were actually held. *This is also in Observation No. 3 of this report: Expenditure Controls - Credit Card Purchases.*

Having written policies and procedures could address issues similar to those noted above, in addition to serving as a reference for new personnel and helping to assure consistent application of management's expectations and compliance with University policies and procedures.

Recommendations:

The Nicole Wertheim College of Nursing and Health Sciences should:	
1.1	Develop a plan to reduce fund balances in excess of reserves for working capital needs and future capital outlays for the BHSA and STAR Center auxiliary operations.

1.2	Develop written policies and procedures to document the STAR Center's auxiliary operations.
1.3	Periodically reconcile cards purchased against course participant logs, cards sold for classes held outside the University, and cards available on-hand.
1.4	Develop a schedule of AHA course offerings and applicable registration details.

Management Response/Action Plan:

- 1.1 The STAR Center plan is already being executed with permanent personnel payroll already shifted to the auxiliary as of the beginning of the 2019-2020 fiscal year. Capital equipment investment assessments are currently being made by the STAR Center. The auxiliary online fund balances are also being reviewed and realigned as needed presently.

The STAR Center fund balance increase was mainly due to revenues from simulation activities provided for the federally sponsored Aeromedical Evacuation Training (AET) as a subcontractor for FIU Disaster Medicine in FY 18-19. Prior to FY 18-19, the three year ending fund balance change averaged a positive \$35K whereas in FY 18-19 the ending fund balance grew by \$311K or 789% versus the prior three year average. AET simulation activities for FY 19-20 are projected to continue and the College's Budget Office during the FY 19-20 budget development cycle back in March/April of 2019 shifted personnel cost from E&G to the STAR Center auxiliary ID. This action increased the budgeted permanent personnel budget by 388% from \$75K in FY 18-19 to \$366K in FY 19-20 in an effort to spend down some of the funds and to help the College balance its E&G budget as well.

Additionally, the College's Budget Office is coordinating with the STAR Center since some of the funds will be used to replace simulator mannequins, which can cost up to \$100K for one high fidelity unit. The College does not have sufficient E&G funds to allocate an OCO budget for equipment replacement of this nature so some of the fund balances are being earmarked to facilitate the purchase of these capital equipment investments.

The BHSA fund balance is related to auxiliary online activities and balances are deposited into this ID as a central deposit point and then transferred by the College. The College will make an effort to improve the timing of online transfers between its two auxiliary online IDs.

Implementation date: Immediately

- 1.2 The STAR Center will develop and implement policy and procedure manuals to ensure compliance with University policies.

Implementation date: January 31, 2020

- 1.3 The STAR Center is currently in compliance with the American Heart Association (AHA) Program Administration Manual (PAM) record keeping requirements. The STAR Center currently maintains a list of course completion cards, course participant logs and records of electronic cards distributed. Periodic reconciliations will be implemented, as recommended.

Implementation date: January 31, 2020

- 1.4 Presently, the STAR Center is evaluating web-based registration systems for adoption in the near future. The goal is for the web-based system to list training dates/times for American Heart Association (AHA) courses or other courses that individuals will be able to register for anytime via the internet. The STAR Center will also maintain the ability to offer customized training sessions as requested in order to meet the needs of organizations or individuals requiring specific training evolutions.

Implementation date: February 28, 2020

2. Revenue Controls

Auxiliary revenues totaled approximately \$4.7 million during the audit period. This total consisted of \$3.3 million (71%) derived from self-supporting programs, \$1.1 million (24%) derived from transfers within the University, and \$0.3 million (5%) derived from Sale of Services, Non-Operating Revenue and Private Revenue.

Reconciliations

Although the College has tools in place to keep track of student enrollment and expected revenues for the self-supporting programs (MHSA Hybrid and MHSA Fully Online), we noted that a reconciliation of expected and actual revenues posted in the PantherSoft systems was not being performed.

Upon examination, we identified a discrepancy between the actual revenues posted in PantherSoft and the expected revenues based on enrollment statistics from the College's Internal Tracking File. Upon our request, the Assistant Dean of Budget and Finance analyzed the revenues and identified a difference of \$52,924 (9%) more revenues recorded in PantherSoft than calculated in the consolidation performed for the MHSA Fully Online program for fiscal year 2017-2018. The MHSA Hybrid program had a difference of \$2,218 less revenues recorded in PantherSoft. As the Assistant Dean of Budget and Finance was unaware of the reasons for the differences, he planned to follow-up with Student Financial Services. The table below shows the comparison of actual revenues in PantherSoft and the expected revenues from the College's Internal Tracking File.

Revenue Comparison for Self-supporting Programs Fiscal Year 2017-2018				
Program	PantherSoft	Internal Tracking File	Difference	Percentage
MHSA Hybrid	\$1,084,149	\$1,086,366	\$(2,218)	0%
MHSA Fully Online	\$575,165	\$522,241	\$52,924	9%

Additionally, during our follow-up on the previous audit recommendations, we noted our recommendation to perform a reconciliation of revenues collected was not implemented (for mask fittings for the College of Medicine's students). The STAR Center attempted to change the process, but according to the Coordinator, the College of Medicine continued to deposit money directly into the STAR Center's account, without providing the documentation (such as a list of students the deposits were made on behalf of) needed to complete a reconciliation.

Cash Collection

University Policy No. 1110.010, *Cash Control Policy Statement*, requires specific approval from the University Controller's Office for departments to collect cash or checks at an alternate location other than the University designated Cashiering locations. The policy states, "The Controller's Office shall review on a yearly basis each individual department procedure to ensure that the design of the cash collection and handling policy and procedures are in compliance with University cash control policy and have been updated for changes in personnel, locations, process, etc." In addition, University Policy No. 1710.257, *Background Check Requirements*, requires that the appropriate background investigation³ is conducted for all prospective and current employees based on the job-related requirements. Employee(s) within a department designated to accept cash must undergo a Level II background screening.

We selected 15 employees and noted that five (5) did not have the required Level I and/or Level II background screening on file with the University's Human Resources department. We also determined that the STAR Center had not undergone the Annual Verification of Departmental Cash Collections process for the 2018-2019 fiscal year required since they accept cash, check and/or credit card payments for the AHA courses. Upon our inquiry, the Controller's Office contacted the department to complete the Cash Collection Point forms and the STAR Center was approved as a Cash Collection Point.

Transfers

Approximately \$1.1 million was transferred in from departments within the University and \$0.8 million was transferred out to other academic and non-academic units of the College. Of these amounts, \$790,417 was transferred between audited auxiliaries. We tested six transfer transactions totaling \$450,033, representing 41 percent of the amount transferred in and 56 percent of the amount transferred out. We identified no exceptions with three of the six transfers (50%). However, we noted the following with the three remaining transfers:

- Two transfers were made from the MHSA Online to the MHSA Hybrid. One transfer, totaling \$40,000, was made to cover smart billing charges from FIU Online; and the other transfer, totaling \$80,000, was made to offset a fund balance deficit.
- One transfer, totaling \$6,076, was from the BHSA to the RNBSN Auxiliary to offset a fund balance deficit.

We acknowledge that the MHSA programs are relatively new and commend the College for identifying a shift in the programs, as more students preferred to take the online course. However, the University's *Auxiliary Enterprises Operating Guidelines*

³ A Level I Criminal Background Investigation searches for any criminal information at the federal, state and county levels on an individual within the last seven (7) years. A Level II Criminal Background Investigation consists of the Level I screening and requires fingerprinting that searches the Florida Department of Law Enforcement and the Federal Bureau of Investigation database in addition to the Level I search.

state that, "Auxiliary Operations are managed as self-supporting activities through the fees they charge their customers for products or services rendered and may not obtain any support from the Educational and General Fund (E&G)." Although, support was not obtained from the E&G fund, per our discussion with the Assistant Vice President, Division of Finance of the Office of Auxiliary and Enterprise Development, the MHSA Online, MHSA Hybrid, BHSA and RNBSN are separate, self-supporting programs that have approved budgets and should be self-supporting. If they are not self-supporting, then the solution should be to re-evaluate the programs budget and adjust them accordingly.

Recommendations:

The Nicole Wertheim College of Nursing and Health Sciences should:	
2.1	Obtain the information necessary from Student Financial Services to perform a reconciliation of revenues collected from the MHSA Fully Online program against revenues posted in PantherSoft Financials.
2.2	Consider invoicing the College of Medicine using Smart Billing to allow the STAR Center to ensure the accuracy of revenues collected from student mask fittings.
2.3	Work with Human Resources to ensure that all employees obtain the required background screenings for their position.
2.4	Re-evaluate the MHSA Hybrid and RNBSN program budgets and make the necessary adjustments to avoid significant fund balance deficits.

Management Response/Action Plan:

- 2.1 The College's Budget Office has reviewed the enrollment/revenue forecasting tracking file that was built to help track auxiliary self-supporting program activities. The file was originally created by the College to facilitate fiscal forecasting during the budget development cycle in an effort to minimize variances during the forecasted budget period. The fiscal year 2017-2018 revenue variance for both the MHSA Hybrid and the Fully Online program is due to the fact that the College's Internal Tracking File calculated revenues based on students coded with their respective major codes (i.e. MHSA Hybrid or MHSA Fully Online) and thus did not capture any student credit hours (SCHs) generated by students coded with a different major code. A revision to that methodology results in an exact match in revenues collected from the University (recorded in PantherSoft system) and the College's Internal Tracking File.

Implementation date: Immediately

- 2.2 The NWCNHS STAR Center will be coordinating with the College of Medicine (COM) regarding the switch to Smart Billing in order to improve the accuracy of revenues collected from COM student mask fitting trainings as recommended by this audit.

Implementation date: March 31, 2020

- 2.3 The College's HR team is currently coordinating with the University's Central HR office to implement a strategy that addresses this finding in a timely manner. The goal is to identify all employees who require background screenings and ensure that the necessary documentation is on file.

Implementation date: January 31, 2020

- 2.4 The College currently meets with the program Chairs/Directors and their respective staff on a term basis and during the Budget Development cycle to try to forecast the next fiscal year's enrollments and expenditures as accurately as possible. In the case of the MHSA, the students have been preferring to register for the Fully Online track versus the Hybrid track. Since the programs are relatively new with the Fully Online MHSA track starting just two years ago, the information to perform trend analysis has been limited. Therefore, the College's solution is to realign the payroll allocations of faculty and staff during the fiscal year to better align with student behavior as they decide which track to enroll in. The adjustment of payroll allocations which is one of the main cost drivers between the two MHSA tracks will help align cost with respective revenues that will also minimize the occurrence of a fund balance deficit. As the College compiles more history to perform trend analysis from the forecasted budget, variance for both revenues and expenditures should improve. The RNBSN Online ID budget deficit is a timing matter with deposits made to the BHSA Online ID from FIU Online and transferred internally thereafter. This is also addressed in Recommendation 1.1.

Implementation date: Immediately

3. Expenditure Controls

Non-payroll related auxiliary operating expenditures totaled \$1.1 million, net of transfers out, representing 29 percent of total other operating expenditures during the audit period. We tested 88 disbursements, totaling \$186,006, to determine whether expenditures were appropriate, properly authorized, adequately supported, and compliant with University policies and procedures and applicable laws, rules and regulations. These disbursements included the procurement of goods and services (please refer to page 8 for our observation on the process for procuring of goods and services), travel expenditures, credit card purchases and scholarships.

Travel Expenditures

According to the Office of the Controller's *Travel & Other Expenses Manual* (Travel Manual), an approved Travel Authorization (TA) is the traveler's permission to incur expenses and travel on behalf of Florida International University. The Travel Manual states that the TA must include all travel expenses that are known or can be projected before the trip. In addition, after returning from a trip or incurring an expense, reimbursement is made by completing an Expense Report with accompanying receipts. The Travel Manual states that the expense report must be submitted within 10 days after the completion of the trip or incurrence of the expense and all expense reports over 90 days old that have not been processed will be deleted from the system by the Travel and Expense staff.

We reviewed the TA and Expense Report for four travel periods, consisting of 33 transactions, totaling \$4,155. We found that the TA for three of the four (75%) travel periods tested did not properly include all estimated expenses related to the travel. According to the Program Coordinator, she was initially instructed to use \$25 as the expense amount on the TA. A total difference of \$3,559 was found between the approved TA and Expense Report amounts, as detailed below:

	Travel Authorization	Expense Report	Difference
1	\$25	\$1,070	\$1,045
2	25	463	438
3	25	2,101	2,076
Total	\$75	\$3,634	\$3,559

In addition, when reviewing the TA submitted for an interview candidate, (a non-employee at the time), we were unable to find the associated Expense Report or related travel expenses on the general ledger. Upon further inquiry, it was determined that although submitted, the Expense Report was not approved by the department's delegate within 90 days and was deleted from the system. Thus, the candidate (now an employee of the University) was never reimbursed for their out-of-pocket expenses of \$121. As a result of our observation, the department worked with the

Travel and Expense staff and created a new Expense Report to allow the employee to be reimbursed.

Properly estimating travel expenses and timely approving expense reports allows funds to be appropriately encumbered and improves budgetary controls over the related expenses.

Credit Card Purchases

The University's *Departmental Card Guidelines & Procedures* states that "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. Accurate and detailed records of Departmental Card purchases allows the Credit Card Solutions Accountants, FIU and State auditors to verify and audit Cardholder purchases for compliance with University, State and Federal policy, statutes, rules and regulations."

We reviewed 30 credit card expenditures, totaling \$16,244, representing 78 percent of auxiliary related credit card expenses during the audit period. Our testing revealed that 11 out of 30 (37%) expenditures tested were allowable, properly approved and adequately supported. For the remaining 19 (63%) expenditures reviewed, we found the following exceptions:

- Fifteen expenditures, totaling \$2,216 were for seven employees (student assistants or adjuncts) who were paid with the Departmental Card via PayPal for teaching AHA courses offered at the STAR Center, rather than through the University's Payroll system. Of these, we also noted the following:
 - Thirteen expenditures were not approved by the cardholder's supervisor and were approved by the Credit Card Solutions Administrator (CCSA). According to the CCSA, transactions that are not timely approved by the Business Unit Approver(s) go into default to be reviewed and approved by her at month-end.
 - Nine invoices did not specify the course and/or date taught by the employee on the invoice.
 - Five expenditures were for payment on dates that were not listed on the AHA schedule of courses provided.
 - Four expenditures included a total of \$16 in additional fees to process the payment.

According to the STAR Center Coordinator, in the past, the AHA courses were contracted through an outside vendor, who delivered course content and managed all payments for instructors. However, when the STAR Center

became an official AHA Training Center, they began hosting courses and paying the instructors for services rendered. The instructors invoiced the Coordinator for their services through PayPal, and he used the p-card to pay those invoices. Bypassing the University's Payroll systems can lead to inaccurate reporting of the employee's total earnings and can also have tax implications.

- Two invoices did not agree with the expense amount per the general ledger (GL). One was for the purchase of Panther Dining Meal Vouchers. The expense amount on the GL was \$875, but the invoiced amount was \$743.75. The other was a PayPal purchase for t-shirts. The expense amount on the GL was \$209, but the invoiced amount was \$201.
- One expenditure for \$630 was coded under medical supplies, but the original invoice was not included as supporting documentation in the system and the payment notification provided did not have a description of the item(s) purchased. It was also noted that the payment to the vendor was over 90 days past the transaction date. *[This was also a similar finding in our prior audit.]*
- One expenditure for \$398 was for the purchase of Panther Dining Meal Vouchers for students participating in the PantherNurse Experience program. However, the supporting documentation provided with the course date and list of attendees did not agree with the date and amount of vouchers purchased on the invoice. *[This was also a similar finding in our prior audit.]*

Scholarships

We reviewed four scholarship awards, totaling \$8,890, representing 100% of the scholarships paid from the auxiliary accounts during the audit period. We found the following exceptions:

- Two scholarships totaling \$1,890 were funded by the College's General Activities account and provided to two students. With the Dean or Program Chair approval, the College provides need-based financial assistance to qualifying students depending on the availability of funds, as determined through consultation with the budget office. However, we noted that this process was not formally documented.
- Two merit scholarships totaling \$7,000 were funded by the MHSA Program. The scholarships were provided to one student during the fall 2017 and spring 2018 semesters; but the Program Chair had neither the scholarship eligibility criteria nor the related support to justify how the scholarships were awarded.

Not having a documented process in place for financial assistance or scholarships provided by each program increases the risk that scholarships are awarded to

students who do not meet the eligibility requirements. Also, it creates a less transparent award process.

Recommendations:

The Nicole Wertheim College of Nursing and Health Sciences should ensure that:	
3.1	Travel Authorizations include all known and estimated expenses, and that expense reports are reviewed and approved within 90 days of submission.
3.2	Credit card purchases are timely reviewed and approved by the delegated Business Unit Approver.
3.3	The hiring of all employees and the paying of their compensation is only handled through the University's Division of Human Resources.
3.4	The College staff comply with the <i>University's Departmental Card Guidelines and Procedures Manual</i> for maintaining accurate and detailed records of credit card purchases.
3.5	A documented process is in place for scholarships awarded, including eligibility requirements.

Management Response/Action Plan:

- 3.1 The College will be sending out a communication to all faculty and staff reminding them of the need to list all of the related projected trip expenses on the TAR. The College will also be reminding faculty and staff of the need to have expense reports reviewed and approved within 90 days.

Implementation date: October 31, 2019

- 3.2 The College will be reminding all P-Card approvers to review and approve their respective transactions in a timely manner. The Budget Director for the College will also review cardholder transaction approval statuses in the PantherSoft Financials system to determine if a reminder needs to be sent to the primary cardholder approver. It is the College's intent that the Credit Card Solutions Administrator (CCSA) not have to approve transactions on behalf of the College under normal business operations.

Implementation date: October 31, 2019

- 3.3 This was an isolated incident and this matter has been raised with the specific unit and will not be recurring again.

Implementation date: Immediately

- 3.4 The College will be emailing all cardholders and their respective approvers an electronic copy of the current P-Card Manual. The College will also ask all cardholders to attend P-Card training sessions once a year as a refresher on current P-Card policies and procedures. The College's Budget Office has been and will continue to perform independent audits of cardholder binders, etc. in order to minimize the occurrence of findings.

Implementation date: October 31, 2019

- 3.5 The College will be developing a formal process for auxiliary funded need-based and merit-based scholarships that details scholarship eligibility criteria.

Implementation date: December 31, 2019

4. Payroll and Personnel Administration

Salaries and benefits totaled \$1.8 million, representing 49% of the audited program's total expenditures during the audit period. We focused our testing in the areas of payroll and time approval, extra compensation pay, employee separation process, and conflict of interest reporting in the three departments—Health Services Administration, Nursing Undergraduate, and the Nursing and Health Sciences Dean's Office—with auxiliary operations.

Payroll and Time Approval

FIU's Human Resources Department requires managers to approve all employee time and leave entries reported by 2:00 p.m. on the Monday of the pay week. In addition, the payroll and compensation guidelines states that managers/proxies should have first-hand knowledge of the employee's hours reported or should obtain written confirmation from the employee's supervisor of the hours being reported. Proxies should have their supervisor document the approval of their time before submission.

We reviewed 11,052 entries, representing 100 percent of the time and leave hours approved during the audit period for all employees within the three departments mentioned above. We noted the following:

- 6,808 entries (62%) were approved by an appropriate level supervisor;
- 3,937 entries (35%) were approved by the Payroll Department, which indicates that reported hours were not approved by the employee's supervisor before the required approval deadline; and
- 307 entries (3%) were self-approved or approved by an HR liaison or proxy without written confirmation or support maintained by the employee's supervisor.

Proxies, HR Liaisons and the Payroll department do not always have first-hand knowledge of the hours worked and leave taken by employees. Absence of this knowledge may result in employees being compensated for time not worked, and can lead to inaccurate time and leave records, which can be costly to the University in the long term. *[This was also a similar finding in our prior audit.]*

Extra Compensation

In addition to extra compensation provided to faculty for teaching assignments outside of their normal work load (i.e., overload pay), the College's Faculty Assignment/Workload policies allow for any faculty teaching an online section to receive an extra \$1,125 (online differential pay), plus \$60 per student for any section that has over 50 students enrolled. The College's Administration department determines the online differential amount payable and creates an employee contract.

During the audit period, the College paid \$258,940 in extra compensation, specifically for courses taught in the MHSA, BHSA, and RNBSN programs, of which, \$35,162 was paid from auxiliary funds. We selected the five faculty members who received the highest overload pay and tested 56 contracts, totaling \$169,617 (66%). Overall, we found no issues with 47 of these contracts (84%). In addition, we noted that the electronic request for additional compensation (eRAC) was approved prior to the commencement of the secondary employment for the contacts reviewed, as is required. This was an improvement from our last audit.

However, for the remaining nine contracts (16%), faculty received a total of \$660 overpayments in online differential pay for teaching more than 50 students in a course. The overpayment was due to differences in the student count between the final class roster and the employee contract. According to the Senior Coordinator of Administrative Services, the student enrollment numbers used in the employee contracts are obtained from FIU Online, usually after the drop/add period. She did note, however, that the College was ending the online differential pay after the summer 2019 semester.

Employee Separation

FIU Policy 1710.125, *Exit Reviews*, states that all employees separating from the University are required to comply with the Exit Review Program, which includes the completion of the exit review questionnaire by the departing employee and the Separation Clearance Form by the supervisor of the said employee. The Separation Clearance Form ensures the retrieval of all University property and settlement of outstanding accounts prior to the release of final funds due to the departing employee.

We selected eight former employees who separated from the University during the audit period and found that the Supervisor of three (38%) of the employees tested did not complete the Separation Clearance Form. The documentation provided for these employees was a Separation of Employment Code form that is completed by Human Resources, but does not indicate whether the employee had returned University property assigned to him/her. Our inquiry with the College's Senior Coordinator of Administrative Services disclosed that none of the three employees had IT equipment or University property at the time of separation. Nonetheless, the Separation Clearance form needed to be completed.

Conflict of Interest Disclosures

According to FIU Policy Number 1710.075, *Conflict of Interest*, the *Report of Outside Activity Form* must be completed on an annual basis and/or when an outside activity begins or substantially changes, or has not been previously reported. Employee and Labor Relations (ELR) procedures require the form to be completed by all FIU faculty and staff members, whether or not the employee has an activity to report.

We noted that 61 of 76 (80%) employees tested had submitted an outside activity/conflict of interest disclosure for the fiscal year ended June 30, 2019. However, the remaining 15 employees (20%) had not completed the form.

Reporting outside activity via the *Report of Outside Activity Form* ensures that conflicts of interests are appropriately addressed by the University and that FIU's academic, research, and administrative affairs are conducted with the utmost integrity and in compliance with all legal requirements. Failing to identify conflicts of interest may result in the University's primary objectives being influenced by secondary interests.

Recommendations:

The Nicole Wertheim College of Nursing and Health Sciences should ensure that:	
4.1	Managers or supervisors approve payroll for their direct reports by the payroll approval deadline. If a proxy is self-approving his or her time, the proxy should obtain written approval from their supervisor prior to submitting hours.
4.2	Supervisors complete the Separation Clearance Form prior to employees terminating employment with the University.
4.3	All employees complete the Outside Activity/Conflict of Interest Form annually.

Management Response/Action Plan:

- 4.1 Every two weeks we remind supervisors in our College of the deadline to approve their employee(s) time in the Panthersoft HR system by sending out an email reminder to the NWCNHS Faculty and Staff List serv. In the upcoming months, we will initiate a new process where we will review the report that the HR Payroll Department sends by email to the Business Unit head in the morning of the day of time approval. Once we have the spreadsheet that lists the supervisors who have not yet approved their employee(s) time, we will reach out to each supervisor by phone call to ensure that they are reminded to approve their employee(s)' time by the 2pm deadline.

With regards to Proxy time approval, the College will be sending out communications as well as mentioning in meetings that employees must email their respective HR supervisor and copy the respective proxy when requesting leave time. This will ensure that the proxy is aware of leave time approved by the respective HR supervisor in the event that the HR supervisor is not available to review and approve leave occurrences in a timely manner.

Implementation date: December 31, 2019

- 4.2 In the upcoming months, we will design an Internal Separation Checklist. The Internal Separation Checklist will include the separation clearance exit interview prior to the employee's last day; return receipt confirmation of, if any, door keys,

and/or IT equipment and the FIU One Card. Once we receive the employee's notice of resignation or retirement, we plan on reaching out to the supervisor and employee with our internal checklist immediately by email. This will ensure that the Separation from Employment Clearance form is signed by both the supervisor and employee prior to their last day of work. The form will need to be provided to the HR Liaison for processing and a copy will be placed in the personnel file.

Implementation date: November 30, 2019

- 4.3 The annual reporting of the Outside Activity/Conflict is initiated every fall semester. To improve our participation percentage, we will be coordinating with Employee Labor Relations and request that an updated query be pulled to download a list of individuals specific to our business unit that have not completed the annual report. With this report, we can strategically implement our plan of reaching out to each individual and remind them of the completion deadline. The College will also reach out to individuals via email as a general reminder. We will initiate this new plan starting fall 2020 for the next reporting cycle.

Implementation date: August 31, 2020

5. Asset Management

According to the University's Asset Management system, as of May 28, 2019, the College had 123 capital assets with a total cost of \$2.1 million. All of the College's controlled capital assets with an individual cost of \$5,000 or greater were accounted for without exception.

In addition, we also tested control over asset management as part of our follow-up on our previous audit of the College. Since then, the College's IT department utilized the resources provided by the FIU Division of IT and developed an inventory module that allows them to track each item by type, owner, and registration details. They also developed an equipment signage/inventory form modeled after the online version implemented by Property Control.

As such, we noted an improvement in the tracking of attractive property (i.e., tangible personal property that cost less than \$5,000) and confirmed the existence of 52 out of 55 (95%) assets we reviewed from the College's inventory list. However, we noted opportunities for further improvement related to the updating of the inventory list with the proper location of the assets. *[This was also a similar finding in our prior audit.]*

Our review of the 55 assets selected to validate their existence revealed the following:

- 52 assets were located, but the owner or location of the asset did not match the information on the inventory list for seven (7) of those items.
- Three (3) laptops were not located, including one laptop that belonged to a faculty member who was on summer break. The IT Director was in the process of locating them, but had not found them by the end of our fieldwork.

Recommendations:

The Nicole Wertheim College of Nursing and Health Sciences should:	
5.1	Ensure that the inventory list contains the correct location and/or owner of all attractive property items.
5.2	Verify the existence of the laptops and properly update the inventory list with the status of the laptops that were not found.

Management Response/Action Plan:

- 5.1 Per a conversation with the IT Director, the inventory control document has been updated so that the correct location/owner of attractive property is accurately reflected on the College's inventory tracking document.

Implementation date: Immediately

- 5.2 While the College was able to ultimately account for 98% or 54 out of 55 assets selected, one computer remains missing. The IT Director has updated the inventory list to reflect that the one computer is missing at this time while efforts to locate the computer continue. The IT Director is currently evaluating operating procedures to further tighten controls towards a goal of 100% inventory tracking success.

Implementation date: Immediately