



**Audit of Payments
to Separated Employees**

**Report No. 23/24-03
November 15, 2023**



Date: November 15, 2023

To: El pagnier K. Hudson, Senior Vice President, Human Resources
Carlos B. Castillo, General Counsel

From: Trevor L. Williams, Chief Audit Executive

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

Subject: Audit of Payments to Separated Employees – Report No. 23/24-03

We have completed an audit of Payments to Separated Employees for the period of January 1, 2022, through December 31, 2022.

Florida Statute, FIU Regulation, and FIU policies govern the separation from employment process. The governing documents provide limitations on the amount and types of payments an employee may receive at separation. During the audit, we determined whether policies and procedures that outline processes, practices, and employee responsibilities are in place and in compliance with applicable laws and regulations; and verified the accuracy and timeliness of payments made to separated employees. While specific units within the Department of Human Resources hold administrative oversight, the Supervisors and Department Heads of other departments in FIU have a critical role in ensuring the accuracy and timeliness of the separation process. Failing to exercise due diligence in carrying out their responsibilities related to the process could adversely impact the accuracy and timeliness of payments to separated employees.

In summary, we concluded that the University has established internal controls and processes related to the payments made to separated employees but noted instances of noncompliance and opportunities for improvement. We offered 17 recommendations to address the issues identified in the audit. Management has agreed to implement all recommendations offered.

We want 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

Kenneth A. Jessell, University President

Elizabeth M. Béjar, Provost, Executive Vice President, and Chief Operating Officer

Aime Martinez, Chief Financial Officer and Vice President for Finance and Administration

Javier I. Marques, Vice President for Operations & Safety and Chief of Staff, Office of the President

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EXECUTIVE SUMMARY

Introduction

FIU employs over 10,000 faculty and staff. Employment separations can occur either by choice or involuntarily and may require payment of wages, unused leave, compensatory time, notice period, and settlements. Conversely, departing employees may also have outstanding financial obligations to the University, which can be deducted from their final paycheck.

What We Did

We performed this audit to assess the alignment of our policies and procedures with relevant laws and regulations, ensuring there are well-defined processes, practices, and employee responsibilities.

What We Concluded

FIU has implemented policies and procedures related to the separation of employees and the related payments. Our review of the University's separation process identified opportunities for improvement. Although Payroll has overall administrative responsibility for the process and are being charged with implementing many of said improvements, individual departments have a key role in ensuring controls operate effectively.

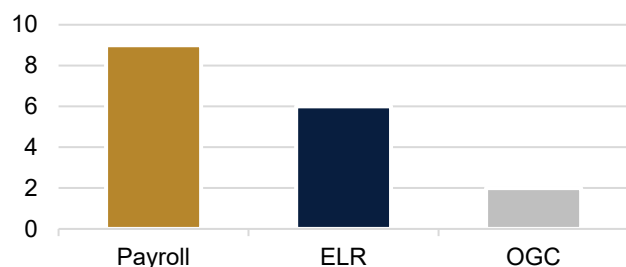
Recommendations

17

Departments

3

Recommendations by Department



Policies, Procedures, and Controls

- Review and revise the FIU policy to align with the State statute.
- Update policies, procedures, forms, and websites to ensure they are consistent and reflect current business practices.
- Implement a second-level review process for separation payment calculations. Ensure worksheet formulas and auto-filled cells are restricted and not subject to editing.

Employment Contracts, Separation Agreements, and Letters

- Ensure employment contracts and agreements that contain severance/liquidated damages indicate evidence of OGC review.
- Ensure employment contracts, separation agreements, and notice period payments comply with the FIU Policy and Florida Statute.

Payments Due to/from Employees at Separation

- Ensure leave balances reflect a zero balance at the time of separation or final payout, as applicable.

Separation from Employment/ Transfer Clearance Form

- Evaluate the Clearance Form submission deadline against business practice. Communicate and update the submission deadline requirements across all available resources.
- Update the Clearance Form to include pertinent checklist items and a method for reporting outstanding items. Consider including instructions/contact information for checklist items.
- Explore creating an online Clearance Form and submission process that incorporates automated workflows.
- Provide training for the separation process. Then, monitor the completion of key components to identify areas in need of improvement and accountability.

Overpayments and Employee Debt Collection

- Monitor the causes of overpayments and use the data to gain insight on process improvements and provide departments with focused training and/or a basis for ensuring accountability.
- Notify employees of the intent to set off debt against wages by certified mail as required by the FIU Regulation.
- Timely contact employees to coordinate a payment plan. If payment is not received by the established deadline, follow collection procedures set forth in the FIU Regulation and Human Resources website.
- Properly record employee debts in accounts receivable.

The reportable conditions found and the background giving rise to the foregoing recommendations are detailed in the Observations and Recommendations section beginning on page 8 of this report. We have also included the mitigation plans management has proposed in response to our observations and recommendations, along with their implementation dates and complexity ratings.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to the Office of Internal Audit (OIA) approved annual plan for the 2023-2024 fiscal year, we completed an audit of Payments to Separated Employees. The primary objectives of our audit were to determine whether (1) policies and procedures that outline processes, practices, and employee responsibilities are in place and in compliance with applicable laws and regulations; and (2) to verify the accuracy and timeliness of payments made to separated employees.

Our audit period was January 1, 2022, through December 31, 2022.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, promulgated by The Institute of Internal Auditors. The audit included tests of the supporting records and such other auditing procedures, as we considered necessary under the circumstances. Sample sizes and transactions selected for testing were determined on a judgmental basis applying a nonstatistical sampling methodology. Therefore, our test results are limited to our sample and might not be representative of the population from which the sample was selected. Audit planning and fieldwork was conducted from February through September 2023.

During the audit, we:

- reviewed University policies and procedures, applicable laws, rules, and regulations,
- interviewed responsible personnel,
- obtained an understanding of the controls and processes related to the calculation and processing of amounts due to/from separated employees,
- reviewed and evaluated in-scope controls, and
- tested a selection of transactions.

We reviewed all internal and external audit reports issued during the last three years and found no reports with recommendations related to the scope and objective of this audit, which otherwise would have required follow-up.

BACKGROUND

Overview

The Division of Human Resources (HR) is responsible for the separation from employment process (“separation process”). Separations from employment can occur at any time with or without cause and may be voluntary or involuntary. Voluntary separations include resignation with or without notice, job abandonment, and retirement. Involuntary separations include layoff, end of appointment, completion of contract, and discharge. Table 1 below summarizes the separations that occurred between January 1, 2022, and December 31, 2022.¹

Table 1 — Summary of Separations During the Audit Period		
Reason	Count	Percentage
End of Appointment	1,145	63%
Resignation	541	30%
Retirement	80	4%
Discharge	31	2%
Other	27	1%
Total	1,824	100%

Prevailing Authority

The separation process is designed to follow the statute, regulation, and policies noted in Table 2 below. In addition, there are five Collective Bargaining Agreements, which must be taken into consideration when an in-unit employee is separating from the University.

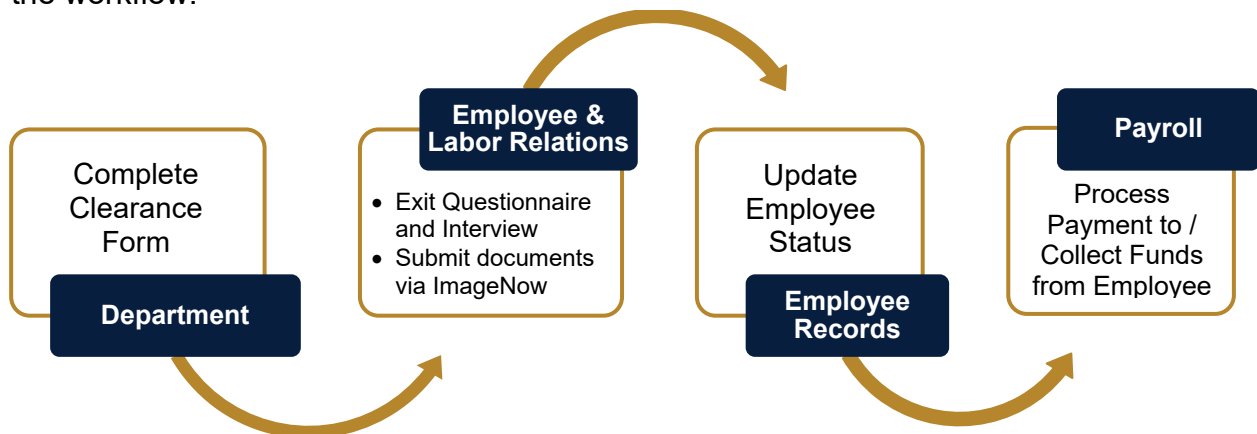
Table 2 — Statute, Regulation, and Policies Governing the Separation Process	
Category	Number and Title
Settlements and Severance (Notice Period)	Florida Statute, Section 215.425 <i>Extra claims prohibited; bonuses; severance pay</i> FIU Policy No. 1710.280 <i>Separations of Employment</i>
Vacation Leave	FIU Policy No. 1710.330 <i>Vacation Leave</i>
Sick Leave	FIU Policy No. 1710.295 <i>Sick Leave</i>
Debt Collection	FIU Regulation FIU-1111 <i>Employee Debt Collection</i>
Compensatory Time	FIU Policy No. 1710.230 <i>Overtime Pay and Compensatory Time</i>

¹ The table includes all employees who separated from the University and were eligible for a separation payment. However, the ‘End of Appointment’ classification includes 1,074 temporary employees who may not have been eligible for payment. Additionally, the table excludes 76 employees who either resigned from their primary job role but remained in an active status to complete secondary job duties unrelated to their terminated primary job role or were rehired after the audit period.

Employee Clearance Procedures

The University has established clearance procedures to ensure that all University property assigned to an employee during their term of employment has been returned, all outstanding balances have been settled, and all actions necessary to protect the University community are timely and appropriately taken. These procedures must be completed prior to the release of any final funds due to the employee.

The separation process begins with the employee's Supervisor or Department Head completing a Separation from Employment/Transfer Clearance form ("clearance form"). For employee transfers and voluntary separations, the separating employee is invited to complete an Exit Review Questionnaire and Exit Interview. Then, the clearance form along with all relevant documentation is uploaded to ImageNow for further processing. The employee's status is then updated to 'Terminated' in the PantherSoft Human Resources application ("PantherSoft HR"). Next, the amount due to/from the separating employee is calculated, leave adjustments are recorded, and the payout and/or collection of funds due is completed, as applicable. Refer to the illustration below for a summary of the workflow.



An employee may be due funds at the time of separation for reasons including, but not limited to unused leave accruals, unused compensatory time, severance (notice period), and settlement payments. During the audit period, the University paid \$6,740,678 in separation payments as detailed in Table 3 below.

Table 3 — Amounts Paid to Separating Employees During the Audit Period		
Category	Amount	Percentage
Vacation Leave	\$5,188,010	77%
Sick Leave	766,943	11%
Compensatory Time	48,655	1%
Notice Period (Severance)	628,248	9%
Settlement	108,822	2%
Total	\$6,740,678	100%

In contrast, an employee may owe the University funds at the time of separation. The most common reasons include overpayment of wages, outstanding fines, refund of an allowance/bonus, and/or not returning University property at the time of separation. In these cases, either the Payroll Department ("Payroll") or the corresponding department will work with the separating employee to recover the funds. If the separating employee fails to settle the amounts owed, the University may employ any legal means to collect the debt as allowed by FIU Regulation FIU-1111 *Employee Debt Collection*.

OVERALL ASSESSMENT OF INTERNAL CONTROLS

Our overall assessment of internal controls is presented in the table below.

INTERNAL CONTROLS ASSESSMENT			
CRITERIA	SATISFACTORY	OPPORTUNITIES TO IMPROVE	INADEQUATE
Process Controls		X	
Policy & Procedures Compliance		X	
Effect	X		
Information Risk	X		
External Risk	X		
INTERNAL CONTROLS LEGEND			
CRITERIA	SATISFACTORY	OPPORTUNITIES TO IMPROVE	INADEQUATE
Process Controls: Activities established mainly through policies and procedures to ensure that risks are mitigated, and objectives are achieved.	Effective	Opportunities exist to improve effectiveness	Do not exist or are not reliable
Policy & Procedures Compliance: The degree of compliance with process controls – policies and procedures.	Non-compliance issues are minor	Non-compliance issues may be systematic	Non-compliance issues are pervasive, significant, or have severe consequences
Effect: The potential negative impact to the operations- financial, reputational, social, etc.	Not likely to impact operations or program outcomes	Impact on outcomes contained	Negative impact on outcomes
Information Risk: The risk that information upon which a business decision is made is inaccurate.	Information systems are reliable	Data systems are mostly accurate but need to be improved	Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions
External Risk: Risks arising from events outside of the organization's control; e.g., political, legal, social, cybersecurity, economic, environment, etc.	None or low	Potential for damage	Severe risk of damage

OBSERVATIONS AND RECOMMENDATIONS

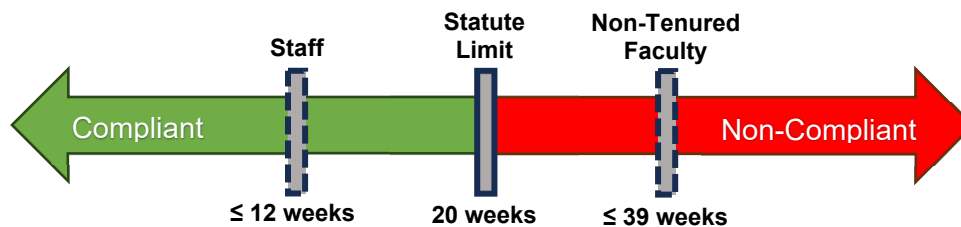
Areas Within the Scope of the Audit Tested With Exception:

1. Policies, Procedures, and Controls

Statutes, regulations, and policies govern the separation process, specifically the calculation of amounts due to/from separated employees. Additionally, each of the departments with a role in the process has implemented procedures, forms, and websites that serve as guidance in the execution of the process.

Compliance with State Statute

We compared FIU Policy 1710.280, *Separations of Employment*, to the Florida Statute 215.425, *Extra Compensation claims prohibited; bonuses; severance pay* and determined said FIU policy does not comply, in all respect, with the terms of the noted statute, especially as it relates to non-tenured faculty. Said FIU policy allows for a notice period payment between four (4) and 39 weeks of compensation to an employee who is terminated or not reappointed without cause, whereas the statute allows for a maximum of 20 weeks of compensation effective July 1, 2011, unless otherwise expanded through a preexisting lawful compensation agreement that has not been disturbed as of July 1, 2011. In addition, the cited statute limits payments related to settlements of employee disputes to six weeks of compensation.



Section 215.425, F.S., states in pertinent part:

“ . . . On or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an officer, agent, employee, or contractor must include the following provisions in the contract:

1. A requirement that severance pay provided may not exceed an amount greater than 20 weeks of compensation.

2. A prohibition of provision of severance pay when the officer, agent, employee, or contractor has been fired for misconduct, as defined in Statute 443.036(29), by the unit of government.”

In addition, FIU Policy 1710.280, *Separations of Employment*, states in pertinent part:

“ . . . if the separation from employment is due to termination without cause, the employee shall be given a notice period of four (4) weeks after one year of employment, plus two (2) weeks for every year thereafter, up to a maximum of twelve (12) weeks. The notice period for terminations of employment without cause for employees who were in the Administrative and Professional (A&P) pay classification prior to July 1, 2005, and had a minimum of 10 consecutive years of full-time employment with the University as of June 30, 2005, will be in accordance with Rule 6C8-4.018.”²

The FIU policy further states non-tenured faculty members, with few exceptions, are entitled to a notice period between one and two semesters (that is, 19.5 weeks and 39 weeks, respectively) depending on their length of service.

Based on FIU Policy 1710.280, upon notice of the termination or non-reappointment without cause, “the University shall decide at its sole option, whether to:

- allow the employee to continue to work at the University during the notification period in the same position or in a different position;
- place the employee on leave with pay during the notification period;
- pay the amount due to the employee in salary during the notification period as a lump sum payment and cease employment of the employee immediately; or
- take a course of action that is a combination of any of the above.”

While the notice period available to staff is within the statute’s limits, the notice period available to non-tenured faculty members exceeds the amount allowed by the statute, particularly if hired or the employment agreement has been revised since July 1, 2011. Management stated that since the FIU policy predates the statute, the non-tenured faculty members remain eligible for a notice period of up to 39 weeks regardless of their hire date. However, pursuant to State of Florida Attorney General’s Opinion number AGO 2016-14 “the 2011 amendment to section 215.425, Florida Statutes, limiting severance pay to 20 weeks, applies only to employment agreements negotiated after July 1, 2011. There is no language in the amendment disturbing any employment arrangements that were entered into pursuant to lawful ordinance prior to that date that have not been renegotiated.”

Furthermore, FIU policy identifies a subset of employees who are eligible for a notification period in accordance with Rule 6C8-4.018. This rule allows for a notification period of up

² FIU Board of Trustees Rule 6C8-4.018 *Termination of Employment of Administrative and Professional Staff* (repealed August 28, 2005) provides for a notification period up to a maximum of six months notification.”

to six months (approximately 26 weeks) and has since been repealed.³ Specifically referencing and processing notice period payments based on a rule that has been repealed could cause the enforceability of this provision of the FIU policy to be uncertain under certain circumstances. Failure to update FIU's policy may result in additional notice period payments that are not in compliance with the State statute.

In addition, Florida Statute 215.425 defines severance pay as “the actual or constructive compensation, including salary, benefits, or perquisites, for employment services yet to be rendered which is provided to an employee who has recently been or is about to be terminated.” Although the FIU policy refers to notice period payments, we determined the notice period payment is equivalent to a severance payment based on the beforementioned definition. For purposes of this report, the terms severance and notice period are used interchangeably.⁴

Departmental Policies, Procedures, and Controls

Employee and Labor Relations (ELR) and Payroll are the departments with integral roles in the separation process. Based on such, we obtained their policies and procedures, reviewed their websites, and completed walkthrough procedures of the two departments' separation processes. We then determined if the documents reflected current business practices and outlined the processes, practices, and employee responsibilities that affect the calculation of amounts due to/from separated employees. Our observations are summarized in the sections below.

Employee and Labor Relations Department

ELR's goal and objective is to ensure that the University complies with federal, state, and local laws, Collective Bargaining Agreements, and University policies and procedures.⁵ The following policy, procedures, form, and website outline and facilitate the separation processes followed by ELR.

- FIU Policy 1710.280, *Separations of Employment* and the accompanying Official University Procedure #1710.280a *Separation from Employment/Transfer Clearance Procedures*
- Separation from Employment/Transfer Clearance Form
- Department Operations Manual
- Separation and Retirement section of the Human Resources website

³ See *supra* note 2, at page 9.

⁴ The State of Florida Auditor General (State Auditors) issued Operational Audit Reports 2020-005 and 2016-187, which included a recommendation related to severance pay. In a follow-up to FIU's Management Response, the State Auditors noted, “The University's response further contends that wages paid in lieu of notice are distinct from payments regarded as severance pay under State law. State law, however, makes no such distinction...”

⁵ Excerpt from the FIU Human Resources website.

Overall, we noted there are inconsistencies amongst the above bulleted resources and current business practices. The resources should be consistent throughout and reflective of the processes and procedures completed by the department(s).

The Clearance Procedure states the clearance form must be completed at least ten days prior to the employee's last work day. If not feasible, the clearance form shall be completed as soon as possible, but prior to the separating employee's last work day. However, it is impractical for the clearance form to be completed in advance as the employee may need to utilize the items to be returned (such as laptop and office keys) in order to complete their work duties through their last work day.

Payroll Department

Payroll, with the assistance of the Benefits Administration department, performs a termination review, which includes data verification, additional payments inactivation, leave adjustments, and payouts. We found the following policies, regulation, procedures, worksheet, and websites outline and facilitate the processes followed by Payroll.

- FIU Policy #1710.330 *Vacation Leave*
- FIU Policy #1710.295 *Sick Leave*
- FIU Policy #1710.230 *Overtime Pay and Compensatory Time*
- FIU Policy #1710.038 *Bonus Policy*
- FIU Policy #1705.005 *Moving and Relocation Policy*
- FIU Regulation FIU-1111 *Employee Debt Collection*
- Benefit Employee Termination Process Documentation
- Separation Process Flow Chart
- Termination Calculation Template Worksheet
- Payroll and Compensation sections of the Human Resources website
- Benefits Leave Accruals section of the Human Resources website
- Collective Bargaining Agreements, as applicable

Our review found that Payroll's process documentation is not reflective of current business practices and is not inclusive of all steps performed by the department. The current procedures do not include the processes followed to calculate overpayments, processing of notice period, severance, and settlement payments, procedures related to the collection and tracking of employee debt, and recording employee debt as accounts receivable.

The Termination Calculation Template Worksheet ("termination worksheet") is an Excel document used to calculate the amounts due to/from benefit-earning employees who are separating from the University. We noted the termination worksheet is manually populated, processed, and verified in the system by a Payroll Specialist, with no segregation of duties or second level review. Management explained that a review is completed on occasion, but there is no evidence of these reviews taking place. Furthermore, we found that the termination worksheet is not locked and/or password protected, allowing for the formulas and auto-filled cells to be altered and overwritten.

Additionally, we compared the FIU Vacation Leave Policy and FIU Sick Leave Policy to the Leave Accruals section of the Human Resources website. We found that the website includes an Executive Service employee classification, which accrues leave at its own rate, which is not included in the FIU Vacation and Sick Leave policies.

Recommendations

Employee and Labor Relations should:	
1.1	Perform a comprehensive legal and operational review of FIU Policy 1710.280 <i>Separations from Employment</i> and align said policy with the Florida Statute 215.425.
1.2	Review and update the department's policies, procedures, forms, and website to ensure consistency and reflection of current business practices.
1.3	Update the FIU Vacation Leave and Sick Leave policies to include the Executive Service employee classification along with its accrual rates.
The Payroll Department should:	
1.4	Create comprehensive procedures for the department's separation and employee debt collection and recordation processes.
1.5	Implement and document a secondary review of the calculation of amounts due to/from separating employees that exceeds an established threshold.
1.6	Ensure formulas and auto-filled cells in the Termination Calculation Template Worksheet are restricted and not subject to editing.

Management Response/Action Plan

- 1.1 After reviewing the current policy we have agreed to create a new policy which will align with Florida Statute 215.425. We will keep the existing grandfathered policy which will continue to apply to all employees hired on or before July 1, 2012.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 1.2 We will work with the relevant departments to review the identified policies, procedures, forms and website.

Implementation date: November 14, 2024

Complexity rating: 3 - Complex

- 1.3 Policy will be reviewed and updated accordingly.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 1.4 We will incorporate additional details to our documentation of the termination process for benefit and non-benefit employees with step by step system calculations that are made to determine the exact amount the employee must return to the University. We will also update the debt collection documentation to add the accounts receivable recording process with the Office of the Controller.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 1.5 The Payroll Department does a secondary review of all payments that exceed \$20,000. This review will be also included in the payouts for separations.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

- 1.6 The Payroll Department will restrict edit access to any cells in the calculation spreadsheet that could create a miscalculation if edited in error.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

2. Employment Contracts, Separation Agreements, and Letters

Our review of various employment contracts and separation agreements and letters resulted in the observations summarized in the sections below.

Employment Contracts

We obtained the list of 28 employee contracts that were active during the audit period and judgmentally selected eight contracts to determine their compliance with the applicable Statute and FIU policy noted above. Our review found the contracts contained a severance or liquidated damages provision that did not exceed the 20 weeks of compensation from tax revenues and state-appropriated funds allowed by the Statute and prohibited a severance payment upon termination for cause. Nevertheless, all eight (100%) contracts exceeded the 12-week notice period permitted by the FIU policy.

Furthermore, we found five (63%) of the contracts selected for testing did not contain evidence of the OGC's review and approval. The website of the Office of the General Counsel states the OGC must approve the legal terms of any contract entered by the University, either through an actual review of the contract or by policy.

Separation Agreements and Letters

Upon separation, an employee may enter into a Separation Agreement or receive a Termination Letter. Both documents provide the terms of the separation, as well as any compensation, such as unused leave, notice period, and settlement payments, due to the separating employee.

We obtained a list of 1,824 employees who separated from the University during the audit period and judgmentally selected 50 employees. Our review of the selected employees found four (8%) separation payments, totaling \$294,143 did not comply with the Florida Statute 215.425 or FIU Policy 1710.280 *Separations of Employment*, as detailed below:

- Three employees, hired after July 1, 2011, received lump sum notification period payments totaling \$255,427 that exceeded the 20-weeks of compensation allowed by statute or 12-weeks allowed by FIU Policy. The payments made were between 18 and 39 weeks of compensation.

In addition, two of the three employees also received compensation for COBRA health insurance after separation totaling \$37,348. The insurance payments were equivalent to approximately 5 and 19 weeks of compensation in addition to the notice period payments mentioned above.

Florida Statute 215.425 defines "severance pay" as the actual or constructive compensation, including salary, benefits, or perquisites, for employment services yet to be rendered which is provided for an employee who has recently been or is about to be terminated. The term does not include compensation for any subsidy

for the cost of a group insurance plan that is by policy available to all employees of the unit of government upon normal or disability retirement, pursuant to the unit's health insurance plan. To the extent that no current FIU policy provides for such subsidy, the payment for COBRA insurance to selected employees as a part of their settlement agreement upon their separation of employment from FIU, could be considered part of severance pay and thus would be factored into the total weeks of severance pay received by the employee. Moreover, the payments for COBRA insurance were made only at the time of separation and in relation to severance payments, as the payees were not normal or disability retirees. Table 4 below provides a summary of our observations.

Table 4 — Summary of Non-Compliant Separation Payments

	Notice Period		COBRA Insurance		Total		Greater than 12 weeks
	Weeks	Amount	Weeks	Amount	Weeks	Amount	Amount
Employee A	39	\$179,310	4.9	\$22,413	43.9	\$201,723	\$146,550
Employee B	29.8	62,065	-	-	29.8	62,065	37,073
Employee C	18	14,052	19.1	14,935	37.1	28,987	19,619
Total		\$255,427		\$37,348		\$292,775	\$203,242

- One employee received a notice period payment of \$1,368 although the employee had not completed one year of employment at the time of separation, as required.

Recommendations

The Office of the General Counsel should:

- | | |
|-----|--|
| 2.1 | Ensure employment contracts and agreements that contain severance/liquidated damages indicate evidence of OGC review. |
| 2.2 | Ensure all employment contracts, separation agreements, and notice period payments comply with FIU Policy 1710.280 <i>Separations of Employment</i> and Florida Statute. |

Management Response/Action Plan

- 2.1 In cases where the template language has changed or additional language added from the established clauses provided by OGC, a review of the added language to contracts and agreements that contain severance/liquidated damages will be sent to OGC for review by Athletics or any department working with such documents.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 2.2 The Office of General Counsel and Employee & Labor Relations will make sure that both policies related to this matter are adhered to depending on the employee's original hire date.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

3. Payments Due To/From Employees at Separation

Payroll, with the assistance of the Benefits Administration department, is responsible for the calculation and processing of the amounts due to/from an employee at the time of separation. The amount is determined by completing the termination worksheet, which accounts for unused leave accruals, unused compensatory time, additional earnings, notice period payments, settlements, deductions, and employee debts owed to the University.

For the 50 employees selected for testing, we reviewed the employee's PantherSoft HR records and separation documents, verified their compliance with Florida Statute 215.425 and applicable FIU regulations, policies, and procedures, and verified the accuracy of the amount due to/from the separating employee. Our observations are presented in the following sections.

Calculation of Amounts Due To/From Separating Employees

We obtained Payroll's termination worksheet for each employee, agreed the data used in the calculation to PeopleSoft HR records, and recalculated the amount due to/from the separating employee. We observed the following:

- Two (4%) miscalculations of employee wages and sick hours payouts that resulted in one net underpayment of \$2,726 and one net overpayment of \$510.
- Two (4%) employees who had outstanding balances totaling \$257 at the time of separation for parking permits pursuant to installment payment plans. The amounts due were not included in the termination worksheet or deducted from the employees' final payouts, thus resulting in an overpayment to the employees.

Timeliness of Payments

For each of the selected employees, we compared their last day worked, the date the clearance form was completed, and the date of the final paycheck to determine the timeliness of the final payout. If an employee signed a Separation Agreement at the time of termination, we also considered the date the employee signed the agreement, as well as any applicable revocation periods. We observed the following:

- One (2%) employee was issued a final payout totaling \$3,954 although the clearance form received by Human Resources was not signed by the employee. While the final payment appears accurate, the Termination Notice Letter signed by the employee states the final payout would be processed upon the submission of the completed clearance form (which requires both the employee's and supervisor's signatures).
- Two (4%) notice period/settlement payments totaling \$190,647 were processed between 21 and 23 business days after the payment due date indicated on the

executed Separation Agreements. A review of the records found that once the executed agreements and clearance forms were received by Payroll, final payment was issued in the following pay period, which complies with Payroll's internal process. Thus, it is evident that Payroll did not cause the delay.

- One (2%) notice period payment in the amount of \$68,908 was paid to an employee five business days prior to the execution of a Separation Agreement.

Payroll processed the payment pursuant to a Separation Letter received from ELR. The following day, the OGC and ELR initiated a Separation Agreement, which superseded and rendered null and void the Separation Letter, and failed to notify Payroll. As Payroll was not made aware of the Separation Agreement, they processed the notice period payment prior to the execution of the agreement. The following timeline outlines the events leading to the early notice period payment.



Payroll must receive the completed separation form to process the final payouts. However, as discussed in Observation 4, separation forms are not always completed timely and/or are sometimes incomplete causing a delay in the final payouts.

Leave Adjustments

At the time of separation, an employee may be paid for unused leave balances in accordance with FIU policies and/or the leave balance is adjusted down to zero. Our review of 50 employees selected for testing found two (4%) separated employees' leave hours were not adjusted down to zero at the time of separation as detailed below.

- One employee whose leave hours were adjusted down to zero approximately 249 business days after their separation date.
- One employee used eight hours of vacation leave upon separation, but the balance remained on the employee's account. The leave balance had not been adjusted as of the date of testing (over 300 business days after separation).

Leave hours that remain on an employee's account after separation would be available for use or payout upon future employment with the University when they should not be.

Recommendation

The Payroll Department should:	
3.1	Ensure separating employees leave balances reflect a zero balance at the time of separation or final payout, as applicable.

Management Response/Action Plan

- 3.1 Leave Balances are normally reduced to zero through either a payout or a leave adjustment. Leave balances are not adjusted to zero until the required Separation Clearance form is received and payouts are processed. The Payroll Department will create an edit to make sure all terminated employees leave balances were reduced to zero after all the separation processes are completed.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

4. Separation From Employment/Transfer Clearance Form

Official University Procedure 1710.280a *Separation from Employment/Transfer Clearance Procedure* states:

“Upon the separation from employment or transfer of an interim, part-time or full-time employee, it shall be the responsibility of the Supervisor/Department Head to complete a Separation from Employment/Transfer Clearance form for the Departing Employee. The Clearance Form shall account for the return of all University property that has been assigned to the Departing Employee during his/her term of employment and must be completed at least ten (10) days prior to the employee’s last work day at the University. If, for any reason, this is not feasible, the clearance procedure shall be completed as soon as possible thereafter, but prior to last work day of the Departing Employee.”

The clearance procedures are designed to ensure that all University property assigned to the employee is returned, all outstanding balances are settled, and all actions necessary to protect the University community are timely and appropriately taken. The clearance form contains a checklist that assists the Supervisor/Department Head with ensuring all items listed are considered and completed as part of the separation process. However, the procedures described in Observation 1 revealed the clearance form contains obsolete information and does not provide a method to report items that are pending to be returned/settled at the time of separation. A copy of the clearance form can be found at Appendix I.

Although ELR has administrative oversight of the process, the Supervisor/Department Head has a critical role in the accuracy and timely completion of the clearance form. If the form is not completed and submitted to ELR as described above, the employee’s final payout may be inaccurate or delayed. Additionally, if the form is not completed accurately, the University may miss the opportunity to recover University property and/or outstanding debts from the employee at the time of separation. Our testing revealed the departments have contributed to the failure of the processes resulting in overpayment of wages, delays in final payouts, and challenges collecting debt upon the employee’s separation.

We obtained the clearance form submitted to ELR for the 50 employees selected for testing and observed the exceptions bulleted below. It is important to note that a single employee can be associated with more than one exception.

- A clearance form was not completed for four (8%) employees upon separation.
- 24 (48%) clearance forms submitted to ELR were incomplete. The incomplete forms were missing the separating employee’s signature and date, the department head/supervisor’s initials, and/or the supervisor’s signature and date of completion.

- 26 (52%) forms were completed after the established deadline. The forms were completed on or up to 147 business days after the employee's separation.

We found 21 (42%) employees who had outstanding parking, lost book, and/or lost key fines totaling \$3,536 that were not indicated on the clearance forms. As a result, the funds were not collected from the employee at the time of separation and the fines remained outstanding as of the date of testing. The following describes the exceptions observed:

- Two employees owed lost book fines totaling \$315.
- 13 employees did not return an individual, departmental master, and/or building master key upon separation. The associated lost key fees totaled \$2,650.
- Six employees owed parking fines, totaling \$571, at the time of separation. The fines were issued between June 2019 and February 2022, and between two months to up to three years prior to the employees' separation.

Recommendations

Employee and Labor Relations should:	
4.1	Evaluate the Separation from Employment/Transfer Clearance Form submission deadline against best business practice. Then, update and communicate the submission deadline requirements across all available resources.
4.2	Update the Separation from Employment/Transfer Clearance Form to include only pertinent checklist items and a method to report outstanding items. Consider including instructions and contact information for checklist items.
4.3	Explore eliminating the manual Separation from Employment/Transfer Clearance Form and automating the process by creating an online clearance form that incorporates a workflow that includes departments that are more likely to impact the employees' final payout.
4.4	Provide Supervisors/Department Heads with training on the Separation from Employment/Transfer process. Then, monitor the completion of key components to identify areas of improvement and accountability.

Management Response/Action Plan

4.1 Will review the policy and update the language accordingly.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

- 4.2 Will review the form and update the checklist accordingly.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 4.3 Will work with HRIS to develop an on-line form with workflow to eliminate the current form.

Implementation date: November 14, 2024

Complexity rating: 3 - Complex

- 4.4 We will work towards developing an on-line training that Supervisors/Department Heads will be able to take on-demand and will allow central HR to track completion rates. The ability to track completion rates will also allow us to determine if any department that does not comply with the established process has taken the course.

Implementation date: November 14, 2024

Complexity rating: 3 - Complex

5. Overpayments and Employee Debt Collection

FIU Regulation 1111 *Employee Debt Collection* notes, in pertinent part:

“[E]mployee debts are all amounts owed to the University by an employee that were not paid when due, including, but not limited to, the following:

- (a) tuition and fees, student loans, and other accounts accrued as a student of the University;
- (b) returned checks, parking fines, library fines, keys, uniforms, and any other equipment provided to assist an employee in fulfilling his/her job duties, educational resources fines/sales, health services, rental fees, housing charges, and physical education equipment charges; and
- (c) overpayments by the University of wages, workers’ compensation benefits, scholarships, fellowships, and other types of payments.”

Each department is responsible for the collection of employee debt related to items (a) and (b) above, as applicable. If at the time of separation, the debt has not been settled and the department notifies Payroll the debt, the amount may be set-off against the employee’s wages due.

As noted in item (c) above, overpayments of wages may occur. Overpayment of wages typically occurs due to late contract cancellation, a termination that is not processed in a timely manner, and incorrect job data entered in PantherSoft HR by the department. Our testing of the sample of 50 separated employees found the following nine (18%) overpayments totaling \$83,199. The instances bulleted below were identified by Payroll or the respective department prior to our review. While the controls in place identified the overpayments, the respective departments did not promptly detect and report the overpayments to Payroll, thereby reducing the controls’ operating effectiveness.

- Four employment contracts (two graduate assistants and two temporary non-students) were cancelled between 22 and 31 business days late by the corresponding department, resulting in wages totaling \$12,432 being paid to individuals who were not performing services for the University.
- Two employees remained active in PantherSoft and continued to receive wages between 7 and 138 business days after their last day worked. The department failed to timely notify HR of the change in employment status, resulting in overpayments totaling \$61,797.
- One department assigned the incorrect contract amount to an employee, causing an overpayment of \$1,846. The error was not discovered until approximately 40 days after the employee's contract expired.

- One employee was overpaid due to the department entering the incorrect standard hours in PantherSoft. This error resulted in a miscalculation of the employee's hourly rate and an overpayment of \$6,772. The overpayment was identified by a control designed by management to identify employee wages that exceed an established threshold. While the control effectively detected this error, the threshold amount is unreasonably high and will not catch the common instances of overpayment.
- One supervisor pre-approved an hourly employee's timesheet in advance of work being performed. As the employee's last day worked occurred prior to the end of the pre-approved period, the employee was overpaid \$352.

As a result of the observations above, it was noted that the individual departments have a fundamental role in preventing the overpayment of wages. Payroll and ELR provide departments with annual training opportunities. Additionally, management indicated they monitor and provide one-on-one training to departments that have a history of overpayments. However, we could not confirm the occurrence of the monitoring process or one-on-one training during the audit period via documented evidence. Not monitoring overpayments and identifying trends, limits central HR's ability to identify training opportunities and process improvements.

FIU is required by law to recover these overpaid funds once they have been identified. The FIU Regulation 1111 provides guidance on collection methods and process. The FIU Regulation states:

"[T]he University may set-off an employee debt against future wages and/or any wages due at separation of employment. Prior to exercising the right to set-off, the University will notify the employee of its intent to do so in writing by certified mail sent to the employee's last known mailing address on file with the University's Human Resources Department. The notice will advise the employee that the University intends to set-off the specific employee debt, and that, within twenty (20) days of the date of the notice, the employee may dispute the existence of the employee debt with the University department to which the employee debt accrued, pay the employee debt, or work out a mutually agreeable payment plan."

"If an employee with an employee debt ceases to be employed by the University for any reason, including but not limited to, termination, resignation, or job abandonment, the entire amount of the employee debt shall be deducted from the employee's final paycheck up to the amount permitted by applicable law. If the final paycheck is not sufficient to cover the outstanding employee debt, the remainder of the employee's debt will be deducted from the employee's leave, wages due at separation of employment, and/or from any other sums that may be due and owing from the University to the employee in accordance with applicable law. In the event that there are still outstanding sums due and owing by an employee

after the University has exhausted all of these resources, the University may pursue any legal means for the collection of the employee's outstanding debt..."

Payroll is responsible for the calculation, collection, and tracking of overpayments as they are identified and remitted. According to management and the Human Resources website, Payroll will contact the employee by e-mail to advise them of the amount due and make payment arrangements. If the employee does not respond by the two-week deadline, Payroll mails a certified letter to the employee's address on file as a final attempt to collect the debt. If no response is received within 30 calendar days from receipt of the final letter, then the debt is sent to an outside collection agency.



We obtained the list of employees who separated from the University during the audit period and judgmentally selected 50 employees. We reviewed the selected employee's PantherSoft HR records, separation documents, and e-mail communications with Payroll. The following was noted:

- Eight (16%) instances totaling \$34,300, where 2 to 35 business days (i.e., four instances between 2 and 9 business days, and four instances between 10 and 35 business days) elapsed between the pay period end date Payroll became aware of the overpayment and the employee was contacted to collect the overpayment.
- Four (8%) overpayments totaling \$15,020 were set off against wages due at the time of separation. However, the employee was not notified by certified letter of the University's intent to set off debts as required by the FIU Regulation.
- Two (4%) payments totaling \$4,322 were collected between 16 and 208 business days after the established payment plan deadline. Pursuant to the procedures outlined above, the employees should have been sent a final collection letter via certified letter and to an outside collection agency once the payment was deemed past due.
- Two (4%) employees with debt totaling \$10,328 were past due between 157 and 179 business days before the separated employee was sent to an outside collection agency.
- Four (8%) instances totaling \$6,393 where the separated employee was between 70 and 168 business days past due on their installment payment plan due dates. The separated employees were not sent a final notice certified letter of collection and/or sent to an outside collection agency as of the date of testing.

- One (2%) separated employee owed \$2,800 upon separation for the refund of a moving allowance. The employee was approximately 100 days past due on their second payment plan installment when the debt was settled. In accordance with the department's procedures, the employee should have been sent a final collection letter and then to an outside collection agency based on the number of days past due.
- The University missed the opportunity to set-off an additional \$477 from one (2%) employee's final paycheck since a payment plan had been negotiated. The balance owed by the separated employee was pending collection as of the date of testing.

In addition to the review above, we obtained the Accounts Receivable records to determine if the employee debt was properly recorded in Accounts Receivable. We observed the following:

- One (2%) instance where the amount due from a separated employee was overstated in Accounts Receivable by \$2,142. The error was identified and corrected upon OIA's inquiry.
- One instance (2%) where a department failed to notify the Office of the Controller to record an employee debt totaling \$4,903 in Accounts Receivable.

Recommendations

The Payroll Department should:	
5.1	Monitor the causes of overpayments and use the data to gain insight on process improvements and provide departments with focused training and/or a basis for ensuring accountability.
5.2	Notify employees of the intent to set-off debt against future wages and/or wages due at separation by certified mail as required by the FIU Regulation.
5.3	Timely advise separated employees of their FIU-related debt and coordinate a payment plan, where applicable. If payment is not received by the established deadline, follow collection procedures set forth in the FIU Regulation and Human Resources website.
5.4	Ensure employee debts are properly recorded in accounts receivable. In addition, periodically remind department managers and other relevant staff of the need to report receivables to the Office of the Controller for recording in the general ledger.

Management Response/Action Plan

- 5.1 The Payroll Department does identify trends that occur over the year related to overpayments. We conduct yearly trainings for contract generation, cancellation and revisions. ELR also conducts yearly training to HR liaisons regarding timely submission of separations and the separation clearance form. We will increase the frequency of such trainings.

Implementation date: February 15, 2024

Complexity rating: 2 - Moderate

- 5.2 The Payroll Department communicates by email with employees that have been overpaid wages and our intent to collect such wages from remaining wages to be paid or payouts due. We will communicate by certified letter only in cases where the wages are being collected from remaining wages when the payout is not enough to collect.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

- 5.3 The Payroll Department communicates by email with employees that have been overpaid wages. Based on the amount owed a repayment plan is established. If at any point the established repayment plan is deviated from, we will follow collection procedures set forth in the FIU Regulation and Human Resources website.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

- 5.4 The Payroll Department will record any employee outstanding debts related to wages or penalties related to repayment of allowances received through the payroll system. If any additional debt is unable to be collected from final payout, the Payroll Department will send a one-time notification to the related department advising them of the process to report the receivables to the Office of the Controller. Any periodic reminder to departments and managers to book receivables should be the responsibility of the Office of the Controller.

Implementation date: December 15, 2023

Complexity rating: 1 - Routine

APPENDIX I – SEPARATION FROM EMPLOYMENT / TRANSFER CLEARANCE FORM



Separation from Employment/Transfer Clearance

Employee Name <input style="width: 90%;" type="text"/>	Employee ID <input style="width: 90%;" type="text"/>
Department ▼ <small>Select Department</small>	Separation Date ▼ / ▼ / ▼ <small>Month / Day / Year</small>
Job Code/Title ▼ <small>Select Job Code/Title</small>	Retiree? ▼
<input type="radio"/> Separation OR <input type="radio"/> Transfer	

IT IS THE SUPERVISOR'S RESPONSIBILITY TO COMPLETE THIS FORM ON BEHALF OF THE DEPARTING EMPLOYEE.

All employees separating from employment with Florida International University ("Departing Employees") are required to return all University property issued to them and to settle all outstanding accounts, prior to release of final funds due to the employee. The University reserves the right to offset any funds due to the employee to compensate for unreturned property or unsettled accounts.

Submission of the Separation from Employment/Transfer Clearance Form begins with an on-line process and Department Heads/Supervisors should visit Employee Forms within the [Human Resources PantherSoft system](#) to access the form. Once the form has been completed, be sure to print a copy of it from the confirmation screen. You can do this by clicking the "Print Form" button. The printed form, signed by **both** the Department Head/Supervisor and the Departing Employee, must be submitted to the Division of Human Resources at MMC: 11200 S.W. Eighth Street, PC 236, Miami, Florida 33199 or BBC: 3000 NE 151st Street, LIB 322, North Miami, Florida 33181, on or before the Separation Date in order to complete the process.

Note: The following is applicable only with respect to Adjunct faculty members, Graduate Teaching and Graduate Research Assistants: If the Departing Employee is an adjunct faculty member, Graduate Teaching or Research Assistant, and you reasonably anticipate that he/she will return to employment during the following academic semester, in order to prevent termination of University privileges such as e-mail access, you may indicate a termination/separation date that is as much as three (3) months into the future. Upon the employee's return to active employment, it is the Department Head/Supervisor's responsibility to notify the Division of Human Resources.

CHECKLIST: Select Yes or Not Applicable (N/A) to indicate items returned

	Yes	N/A		Yes	N/A
Access to computer systems	<input type="radio"/>	<input type="radio"/>	Safety apparel or equipment	<input type="radio"/>	<input type="radio"/>
Charges for personal phone calls	<input type="radio"/>	<input type="radio"/>	Salary overpayments	<input type="radio"/>	<input type="radio"/>
Child care fees	<input type="radio"/>	<input type="radio"/>	Collection of University Credit Card (s)	<input type="radio"/>	<input type="radio"/>
Hardship loans/guarantees	<input type="radio"/>	<input type="radio"/>	Deactivation of University Credit Card (s)	<input type="radio"/>	<input type="radio"/>
Lab equipment/supplies	<input type="radio"/>	<input type="radio"/>	Telephone calling cards	<input type="radio"/>	<input type="radio"/>
Lab keys/Access cards	<input type="radio"/>	<input type="radio"/>	Time and effort certification	<input type="radio"/>	<input type="radio"/>
Library books/materials	<input type="radio"/>	<input type="radio"/>	Tools	<input type="radio"/>	<input type="radio"/>
Merchant System Access and/or Payment Card Processing	<input type="radio"/>	<input type="radio"/>	Traffic fines	<input type="radio"/>	<input type="radio"/>
Name removed from authorized signature list(s)	<input type="radio"/>	<input type="radio"/>	Travel/ cash advances	<input type="radio"/>	<input type="radio"/>
Office keys/Access cards	<input type="radio"/>	<input type="radio"/>	Uniforms	<input type="radio"/>	<input type="radio"/>
Participant payment/Petty Cash	<input type="radio"/>	<input type="radio"/>	University ID card	<input type="radio"/>	<input type="radio"/>
Passwords, IDs, etc. terminated	<input type="radio"/>	<input type="radio"/>	University property: other	<input type="radio"/>	<input type="radio"/>
Gift Card	<input type="radio"/>	<input type="radio"/>	Licenses, permits, hazardous and all specialized, regulated or controlled materials have been properly disposed	<input type="radio"/>	<input type="radio"/>
PC's – Laptops/PDA Devices	<input type="radio"/>	<input type="radio"/>	Dept. Head/Supervisor's Initials _____		

IMPORTANT EMPLOYEE INFORMATION

The Departing Employee should access Employee Self Service to ensure that their contact information is correct. The Departing Employee should also contact the Benefits Administration at (305) 348-2181 for questions regarding insurance coverage and other payroll deductions. Vacation leave, sick leave and compensatory leave payments to eligible employees are issued the same as a regular paycheck. If eligible for annual and/or sick leave payout, you may

have the option to tax defer this payout. If you would like more information please call (305) 348-2181 or email benefits@fiu.edu for details.



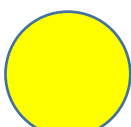



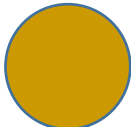
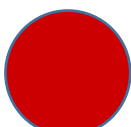

DEPARTMENT HEAD/SUPERVISOR AND DEPARTING EMPLOYEE CERTIFICATIONS:

The Department Head/Supervisor certifies that he/she has consulted with the Departing Employee during the completion of this form regarding the status of his/her (1) return of University property; and (2) proper handling and disposition of all regulated materials. All representations made herein by the Department Head/Supervisor regarding the Departing Employee's return of University property are based solely on information received from the Departing Employee.

The Departing Employee certifies that all items issued to him/her during employment have been returned to the University. Further, Departing Employee certifies that all representations made to any Department Head/Supervisor regarding the return of University property and proper disposition of regulated materials are true and correct.

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APPENDIX II – COMPLEXITY RATINGS LEGEND

Legend: Estimated Time of Completion		Legend: Complexity of Corrective Action	
	Estimated completion date of less than 30 days.		Routine: Corrective action is believed to be uncomplicated, requiring modest adjustment to a process or practice.
	Estimated completion date between 30 to 90 days.		Moderate: Corrective action is believed to be more than routine. Actions involved are more than normal and might involve the development of policies and procedures.
	Estimated completion date between 91 to 180 days.		Complex: Corrective action is believed to be intricate. The solution might require an involved, complicated, and interconnected process stretching across multiple units and/or functions; may necessitate building new infrastructures or materially modifying existing ones.
	Estimated completion date between 181 to 360 days.		
	Estimated completion date of more than 360 days.		Exceptional: Corrective action is believed to be complex, as well as having extraordinary budgetary and operational challenges.

*The first rating symbol reflects the initial assessment based on the implementation date reported by Management, while the second rating symbol reflects the current assessment based on existing conditions and auditor's judgment.

APPENDIX III – OIA CONTACT AND STAFF ACKNOWLEDGMENT:

OIA contact:

Joan Lieuw 305-348-2107 or jliewu@fiu.edu

Contributors to the report:

In addition to the contact named above, the following staff contributed to this audit in the designated roles:

Leslie-Anne Triana (auditor in-charge);
Natalie San Martin (contributor);
Danica Tittle (student intern);
Vivian Gonzalez (supervisor and reviewer); and
Manuel Sanchez (independent reviewer).

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.