



**Audit of South Beach Wine  
& Food Festival Operations**

**Report No. 23/24-05  
January 24, 2024**

# **FIU** | Office of Internal Audit

**Date:** January 24, 2024

**To:** David Snider, Assistant Vice President, Office of Auxiliary and Enterprise Development

**From:** Trevor L. Williams, Chief Audit Executive



**Subject:** Audit of the South Beach Wine & Food Festival Operations, Report No. 23/24-05

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We have completed an audit of the South Beach Wine & Food Festival ("Department") operational and financial controls for the fiscal year ended June 30, 2023. The objectives of the audit were to determine whether financial controls and procedures relating to the Department's operations, encompassing revenues, payroll administration, procurement of goods and services, and asset management were: (1) adequate and effective; (2) in accordance with University policies and procedures and applicable laws, rules, and regulations; and (3) being adhered to. Additionally, we reviewed information security controls related to protecting sensitive or confidential data in connection with the Department's engagement with third-party service providers.

Management reported the Food Network South Beach Wine & Food Festival extravaganza ("Festival") has raised over \$37 million since its inception. The proceeds raised directly benefit the Chaplin School of Hospitality and Tourist Management ("School"). The 2023 Festival generated over \$13 million in auxiliary fund revenues, with \$3.8 million mainly directly benefiting the School.

Our audit concluded that the South Beach Wine & Food Festival operations has good process controls related to auctions and sponsorship revenue, attractive property, and information security. Our audit found no material errors. However, we identified deficiencies in controls related to ticket sales revenue, procurement of goods and services, and payroll administration that present opportunities for improvement. The audit resulted in eight recommendations, which management agreed to implement.

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. Bejar, 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

The Food Network South Beach Wine & Food Festival is a four-day event, co-hosted by Southern Glazer's Wine & Spirits ("Southern") and Florida International University. The 2023 Festival was held on February 23-26, 2023, encompassed over 110 events, attracted over 300 sponsors, and drew approximately 65,000 guests from around the world.

As co-host of the Festival, FIU has dedicated resources formed as an administrative unit, South Beach Wine & Food Festival, within the University's Auxiliary Operations, that work year-round planning for and managing the annual Festival.

### What We Did

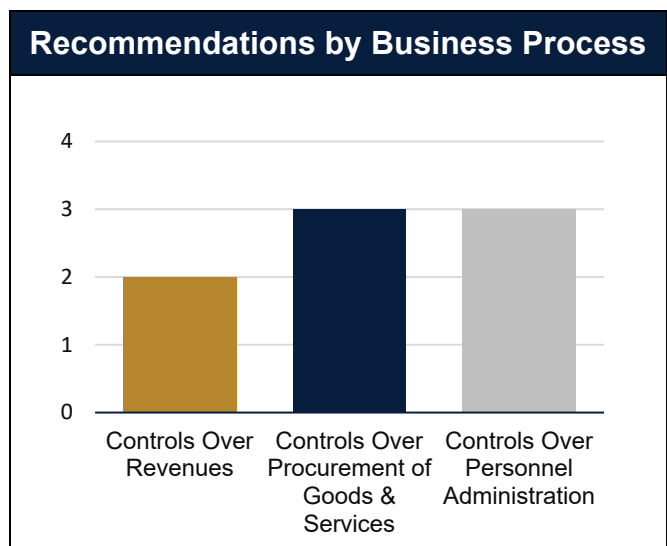
We performed this audit to determine whether controls and practices pertaining to revenues, procurement of goods and services, payroll administration, asset management, and information security are adequate and effective, and adhere to University policies and procedures, and applicable laws, rules, and regulations.

### What We Concluded

In summary, our review of the South Beach Wine & Food Festival operations concluded that the Department has good process controls as it relates to auctions and sponsorship revenue, attractive property, and information security controls. Our audit found no material errors or material miscalculations. Overall, we believe the function is generally operating well in all material respects. Nevertheless, we identified deficiencies in controls related to ticket sales revenue, procurement of goods and services, and payroll administration that present opportunities for improvement.

The following dashboard summarizes our recommendations.

Recommendations	Business Processes Impacted
8	3



## Summary of Recommendations by Internal Control Criteria (Page 7)

### Process Controls

- Ensure unearned revenue is recorded consistent with the applicable accounting principles.
- Establish clear and comprehensive procedures for distributing, tracking, reporting, and accounting for complimentary tickets.
- Periodically perform a verification and validation routine to ensure employees' flexible time information is accurately documented.

### Policies and Procedures Compliance

- Adhere to the Department's Procedure Manual by ensuring supplier agreement/contracts are in effect prior to paying an invoice, where applicable.
- Obtain refund of the \$6,000 overpayment already identified from the supplier for advance commission credits not received and perform a reconciliation to ensure credits reflected on the supplier's ongoing invoices agree with contract in place.
- Include terms for reasonable and known costs into new or existing agreements with suppliers.
- Implement monitoring mechanism to ensure Flexible Work Arrangement Forms are submitted and approved annually as required by the Department.
- Reinforce to staff that the Outside Activity/Conflict of Interest Form must be approved by their supervisor prior to engaging in an outside activity.

The 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 South Beach Wine & Food Festival operations for the period July 1, 2022, through June 30, 2023. The objectives of the audit were to determine whether financial controls, procedures, and practices related to the Department's operations including revenues, payroll administration, procurement of goods and services, and asset management were: (1) adequate and effective; (2) being adhered to; and (3) in accordance with applicable University policies and procedures, laws, rules, and regulations. We also reviewed the Department's information security controls for protecting sensitive or confidential data in connection with their engagement with third-party service providers.

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 were conducted from July 2023 through December 2023.

During the audit, we:

- reviewed applicable University policies and procedures, laws, rules, and regulations,
- interviewed responsible personnel,
- obtained an understanding of the Department's controls, processes, and practices,
- 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. In addition, we reviewed the last audit completed of the Department's operations, Report No. 18/19-01 *Audit of the South Beach Wine and Food Festival*, issued in October 2018, and found no repeated findings.



## **BACKGROUND**

The 2023 Festival, held on February 23-26, 2023, encompassed over 110 events, and attracted over 300 sponsors and nearly 65,000 guests from around the world. The Festival showcases the talent of some of the world's most renowned wine and spirit producers, chefs, and culinary personalities.



Net proceeds from the Festival benefit students of the Chaplin School of Hospitality & Tourism Management.<sup>1</sup> Management reported that from its inception through the 2023 Festival, the annual event had raised more than \$37 million, benefiting the School. During 2023, the Festival generated over \$13 million in auxiliary fund revenues, with \$3.8 million directly benefiting the University as follows: (a) \$893,277 to the FIU Foundation as a donation to benefit the School; (b) \$2.2 million to the School for student scholarships and stipends and School operations; and (c) \$733,835 to the University for Auxiliary overhead.

### **The Festival's History**

Beginning in 1997 and through 2001, the Festival was a one-day event known as the Florida Extravaganza held at FIU's Biscayne Bay Campus. Chefs worked with students from the School to showcase the pairing of wines from national and international wineries with food from local restaurants.

In 2002, Southern partnered with the University and the one-day Festival moved to South Beach, taking on the name of its new location to become the South Beach Wine & Food Festival.<sup>2</sup> The newly located Festival attracted almost 7,000 guests to a Grand Tasting Village, a series of dinners, seminars, and a live auction in its first year. In 2003 and 2004 (as a three-day event), the Festival attracted 10,000 and 20,000 guests, respectively.



Starting with the 2007 Festival, the Food Network partnered with the Festival, becoming its title sponsor. The resulting Food Network South Beach Wine & Food Festival combined the international appeal of top-quality libations from around the world, the national appeal of the Food Network and its celebrity chefs and hosts, and the appeal of Latin and Caribbean-inspired regional cuisine.

<sup>1</sup> The School was named for the Chaplin Family, who are the principal owners of Southern Glazer's Wine & Spirits.

<sup>2</sup> Southern has registered the trademark name of "South Beach Wine & Food Festival."



## Financial Information

Expenses related to the Department's operations are funded from Festival revenues and are accounted for in the University's records as an auxiliary unit of the University pursuant to Board of Governors Regulation 9.013, Auxiliary Operations. Table 1 details the Department's results of operations for the year ended on June 30, 2023.

<b>Table 1- South Beach Wine &amp; Food Festival Operations</b>		
<b>July 1, 2022 - June 30, 2023</b>		
	<b>Amount</b>	<b>Percentage</b>
<b>Revenues:</b>		
Ticket Sales <sup>3</sup>	\$ 6,599,605	48%
Sponsorship	6,232,481	45%
Private Revenue & DSO	724,641	5%
Contract & Grants	176,000	1%
Transfers In	125,000	1%
<b>Total Revenues</b>	<b>\$13,857,727</b>	<b>100%</b>
<b>Expenses:</b>		
Salaries & Benefits	\$ 1,230,399	9%
Other Earnings	176,200	1%
Cellphone Allowance	11,232	-
<b>Total Salaries &amp; Benefits</b>	<b>\$ 1,417,831</b>	<b>10%</b>
<b>Other Operating Expenses:</b>		
Professional Services	\$ 5,299,183	38%
Rent of Buildings, Facilities & Equipment	2,603,630	19%
Transfer Out <sup>4</sup>	2,355,983	17%
Shared Services Fee	733,835	5%
Advertising and Promotion	373,007	3%
Materials and Supplies	366,045	3%
Food Products	287,771	2%
Typesetting	120,477	1%
Miscellaneous	104,058	1%
Insurance	77,832	1%
Clothing and Uniforms	49,289	-
Gasoline	42,308	-
Computer and F&E under \$5,000	39,332	-
Travel	3,736	-
<b>Total Other Operating Expenses</b>	<b>\$ 12,456,486</b>	<b>90%</b>
<b>Total Expenses</b>	<b>\$ 13,874,317</b>	<b>100%</b>
<b>Excess of Expenses over Revenues</b>	<b>(\$ 16,590)</b>	<b>( 0.1%)</b>

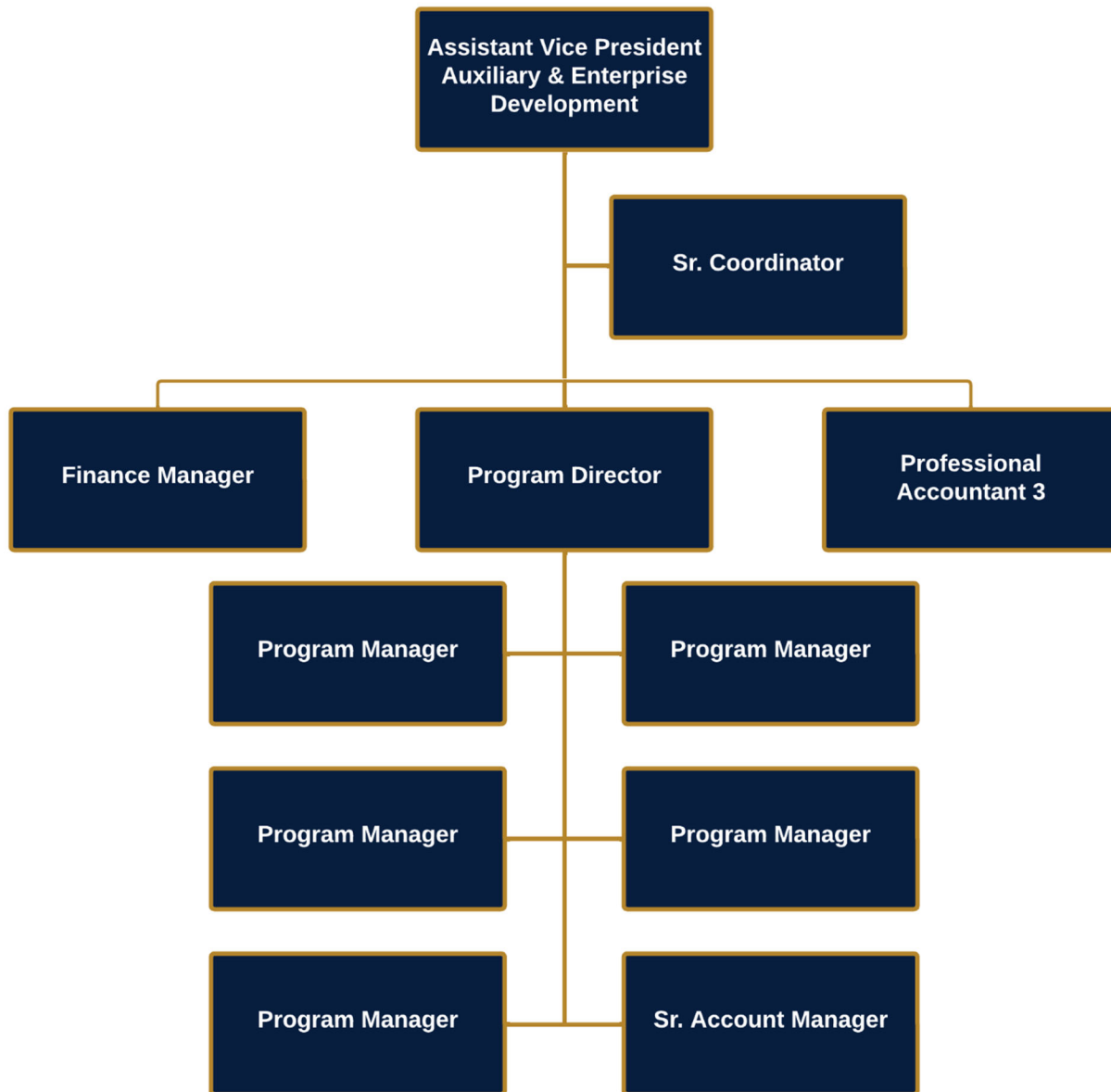
<sup>3</sup> Ticket sales amount is net of the \$893,277 donation to the FIU Foundation based on the terms of the sale.

<sup>4</sup> Includes \$2.2 million transferred out to the School of Hospitality & Tourism Management.



## The South Beach Wine & Food Festival's Organizational Structure

The Department is a stand-alone unit that reports administratively to the Office of Auxiliary and Enterprise Development and has 11 employees<sup>5</sup> who work alongside Southern employees and various consultants at Southern's offices.



<sup>5</sup> Subsequent to our audit period, the Department added two new positions—an Assistant Brand Manager and a Sponsorship and Venue Coordinator.

## 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
<b>Process Controls:</b> 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
<b>Policy &amp; Procedures Compliance:</b> 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
<b>Effect:</b> 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
<b>Information Risk:</b> 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
<b>External Risk:</b> 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 Without Exception:**

#### **Controls Over Revenues**

##### Auctions

The Department held online and live auctions prior to and during the Festival weekend. HandBid, a third-party processing company, managed the online auctions, collected all revenues generated from the online auctions, provided details of the transactions on a monthly settlement report, and remitted a check to the University. During the weekend of the Festival, the Finance Manager, Accounting and Compliance Manager, and Auction Manager<sup>6</sup> processed credit cards using credit card machines assigned to the Department for the Best of the Best Wine Wall and Tribute Dinner auctions, the two onsite auctions held.

The 2023 Festival generated \$455,707 in revenue from auctions. We obtained revenue reconciliation records prepared by the Department and tested them for accuracy, including vouching the documents generated by HandBid and the credit card machines to the journal entries recorded in PantherSoft, and found no exceptions. Revenue was collected for all bids placed, and all journal entries agreed with the support provided.

##### Sponsorship Revenue

Sponsorship revenue totaled \$6.2 million for the 2023 Festival. We selected 10 sponsors with sponsorship revenue totaling \$1.9 million for review. Our review found that funds were received in accordance with their respective agreements.

##### Cash Collection

FIU Policy No. 1110.010, *Cash Controls*, requires that all employees collecting cash must have expanded background checks. We found that all six employees responsible for receiving and depositing cash through the University's Office of the Controller had completed the required background checks.

Furthermore, the policy requires all cash collections be brought to the Cashier's Office within 48 hours of receipt. We found that the Department was generally compliant with this requirement, noting only two checks that missed the deposit due date by one day. Nonetheless, the Department indicated that its staff will be trained on using a remote check deposit machine acquired by the University to deposit checks directly from their location for the 2024 Festival cycle.

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<sup>6</sup> The positions are identified as Program Managers in the organizational structure on page 6.

## **Controls Over Procurement of Goods and Services**

### University Credit Cards

During the audit period, non-payroll expenditures totaled \$12.5 million, of which \$237,469 (2% of non-payroll expenditures) were credit card transactions. We selected five credit card transactions, totaling \$45,645 (19% of credit card transactions), and reviewed for compliance with University guidelines and procedures. Our review found no exceptions. We determined that the credit card expenditures selected for testing were appropriate and in compliance with University guidelines and procedures.

### Data Analytics - Procurement Expenditures

We selected 16 suppliers with expenditures totaling \$598,462 (5% of non-payroll expenditures) incurred during or after the Festival from February 2023 through June 2023. We reviewed applicable support to ensure expenditures were related to the 2023 Festival and found that all selected goods/services were appropriate and related to the 2023 Festival.

## **Controls Over Payroll Administration**

### Time Approval

The Division of Human Resources (HR) provides Time/Leave Submission and Approval Guidelines, which requires managers/proxies to have first-hand knowledge of the employee's work and/or leave hours or obtain written confirmation from the employee's supervisor of the hours being reported prior to approving payroll. In addition, managers must approve all employee time and leave entries by 2:00 p.m. on the Monday of the pay week.

We obtained payroll records for the audit period and analyzed 879 payroll time-approval transactions. Our analysis found no significant exceptions and determined that the Department was generally compliant in approving employee's time.

### Payroll Expenditures

Salaries and fringe benefits totaled \$1.4 million, representing 10% of the Department's consolidated expenses. We reviewed total payroll expenditures and found that all employees paid from the Department's funds directly worked on the Festival.

### Terminated Employees

University Procedure No. 1710.280a, *Separation from Employment/Transfer Clearance Procedure*, states that upon the separation from employment or transfer of an interim, part-time, or full-time employee, it shall be the responsibility of the supervisor to complete a Separation from Employment/Transfer Clearance form for the departing employee.

We found one employee had been terminated during the audit period and had been timely removed from the payroll system. In addition, we found no inappropriate payments had been made after their termination date.

### **Controls Over Asset Management**

#### Attractive Property

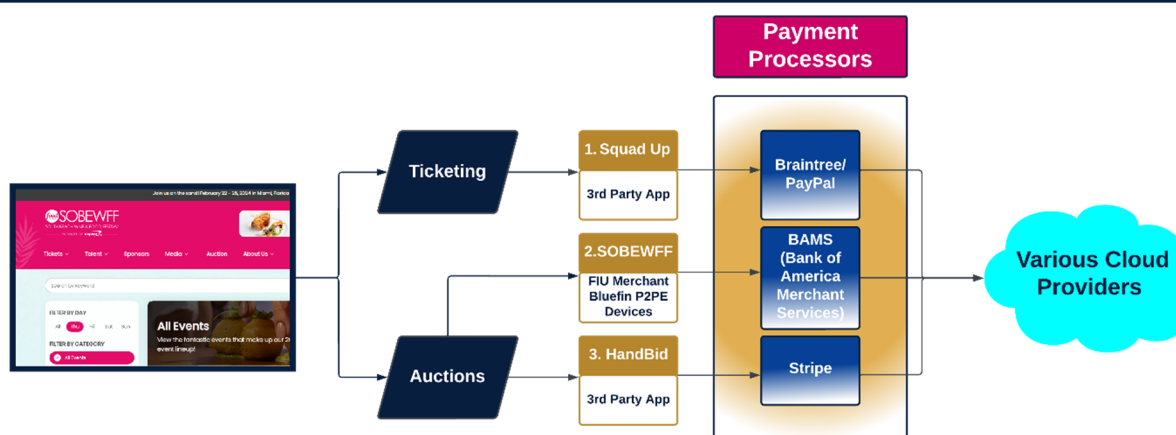
We reviewed the attractive property list provided by management and noted that the Department had 28 items (17 laptops and 11 adapters). We noted all computer equipment purchased during our audit period was properly included in the attractive property list. In addition, we reviewed the attractive property list and noted that all employees assigned equipment were related to the Department.

## Controls Over Information Security

### PCI DSS Compliance

The Payment Card Industry Data Security Standards (PCI DSS) are technical and operational requirements set by the PCI Security Standards Council to protect cardholder data. PCI DSS is the global data security standard for all entities that process, store, or transmit cardholder data and/or sensitive authentication data. It consists of 12 steps that mirror security best practice. We identified the following PCI DSS securities control pertaining to the Department related to cardholder data.

**Figure 1- South Beach Wine & Food Festival Credit Card Handling Flow Chart**



Cardholder data is collected through the Department's ticketing purchase process and through auctions. Customers that are paying by credit card may purchase tickets online on the South Beach Wine & Food Festival website using a secure HTTPS encryption or directly through the Department. Ticketing payments are processed through SquadUp, a third-party application. Auctions are processed either through HandBid, a third-party application, or through South Beach Wine & Food Festival merchant devices that are point-to-point encryption (P2PE) devices operated outside of FIU's network (for live auctions).

We examined the Self-Assessment Questionnaire (SAQ) report, which is a validation tool for merchant and service providers to report the results of their PCI DSS self-assessment, for HandBid and the Attestation of Compliance (AOC) report, which includes a table that summarizes PCI DSS requirements covered, for SquadUp and concluded that there were no findings that would negatively impact the 12 PCI DSS v3.2.1 steps.

Additionally, we reviewed the payment process flow from the two third-party suppliers and identified no security gaps within the payment flows provided.

## **Areas Within the Scope of the Audit Tested With Exception:**

### **1. Controls Over Ticket Sales Revenue**

During the audit period, the Department generated approximately \$7.5 million in ticket sales, processed through SquadUp.

SquadUp sent daily reports that contained the total number of tickets sold by event to date and the total previous day's sales, to the Department. In addition, SquadUp sent monthly Settlement Reports (November through February) to the Department. These reports included daily sales for the month, processing fees, sales tax collected, order charges, a breakdown by payment type (e.g., MC, AMEX, Visa, checks), and payouts to the Department. Approximately once a month, SquadUp wire transferred the respective funds due to the University and provided the Department with the cumulative Settlement Report.

We reconciled all the deposits from the Settlement Reports to the University's PantherSoft system. We found that all journal entries agreed to the support provided and the revenue collected as indicated on the SquadUp Settlement Reports. Additionally, we reviewed the last Settlement Report, dated February 28, 2023, and noted the following:

- A total of \$858 was incorrectly recorded as revenue for the 2023 Festival rather than unearned revenue as required by accounting principles. Two tickets, totaling \$589, were sold for an event that was later cancelled. The Department refunded all customers except for two tickets, which value was provided to the purchaser as credit to be used at next year's festival. Additionally, the Department provided a credit of \$269 to a sponsor to be used next year instead of reimbursing the sponsor for the overpayment of tickets purchased.
- We reviewed all ticket sales (57,895) for each event, totaling \$7,486,570 in net revenue and noted that a total of 23,481<sup>7</sup> complimentary tickets, valued at \$2,614,285, were distributed for various Festival events. Of that amount, complimentary tickets totaling \$1,147,239, were distributed to sponsors pursuant to signed agreements. However, the Department did not have a formal process or established criteria for distributing the remaining complimentary tickets, valued at \$1,467,046, to selected FIU employees and non-employees. Included in that total were 491 complimentary tickets valued at \$68,830 distributed to FIU employees.<sup>8</sup> The ticket price per event ranged between \$50 and \$450. Two hundred sixty-nine

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<sup>7</sup> Includes 11,948 tickets for a trade day event, which is mainly a complimentary event. Non-complimentary tickets to this event were valued at \$75 each and generated a total of \$3,634 in sales. This amount is excluded from the \$2,614,285 noted.

<sup>8</sup> Employee designation was determined based on our confirmation of the recipient's FIU email account listed in the Settlement Report and their classification as an employee in the University's Human Resource system.



(269) tickets (55%), valued at \$265 per ticket, were for the Grand Tasting event. The value of these tickets may be a reportable, taxable transaction, depending on the amount, who received it, and whether there is a clear, legitimate business purpose for the distribution, among other things. Without a formal process for distributing complimentary tickets, there is an increased risk of potential misuse and noncompliance with income tax reporting requirements, especially since more than half the tickets were valued above \$100 (the amount generally established as de minimis).

Management informed us that complimentary tickets provided outside of sponsorship agreements are approved at the discretion of the Program Director or the Executive Director.<sup>9</sup> Once a complimentary ticket is approved, the order is sent to the Ticket Director for processing through SquadUp. Once processed, tickets are sent via email or printed and mailed to the ticket user. Providing these complimentary tickets are business decisions that are handled via email, management stated. Notwithstanding the noted process, absent from this process is a set of formal, written criteria to establish satisfactory documentation of required pieces of information, including the business purpose, to enable consistent and accurate determination and reporting of the underlying distribution pursuant to the Internal Revenue Code<sup>10</sup> and IRS Publication 15-B. Furthermore, we noted other University policies require that the business purpose must be documented for gifts or benefits to employees.

## **Recommendations**

The South Beach Wine & Food Festival Management should:	
1.1	Ensure unearned revenue is recorded consistent with the applicable accounting principles.
1.2	Establish clear and comprehensive procedures for distributing, tracking, reporting, and accounting for complimentary tickets. At a minimum, the procedures should require documenting the recipient information, purpose for the distribution, approval, and reporting distributions that meet the established criteria for inclusion as compensation to the appropriate University department.

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<sup>9</sup> The Festival's Executive Director is an employee of Southern.

<sup>10</sup> 26 U.S. Code § 132.

## **Management Response/Action Plan**

- 1.1 Festival will ensure that any ticket purchases made for canceled events are either returned to the purchaser or recorded as unearned revenue.

**Implementation date:** June 30, 2024

**Complexity rating:** 1- Routine

- 1.2 Festival will work with Office of the Controller and Division of Human Resources to establish a process for tracking complimentary tickets provided to FIU employees and nonemployees, which will document the recipients' information, purpose for distribution of complimentary tickets, and approval by Senior Director of the Festival. The Festival will share this documentation, as needed, so that any impact to employee compensation is accounted for.

Note, the Festival currently tracks request for complimentary tickets by FIU departments, faculty, and staff, and ensures the purpose of the request is valid before distribution.

**Implementation date:** June 30, 2025

**Complexity rating:** 4- Exceptional

## 2. Controls Over Procurement of Goods and Services

The Department incurred approximately \$12.4 million in non-payroll-related expenditures. We judgmentally selected a sample of 82 transactions, totaling \$4.7 million (38%), and tested for compliance with applicable University policies and procedures, laws, rules, and regulations.

We noted four instances in which the documentation received from the Department did not provide sufficient, valid support for the transaction or agreed with a contract in place. This increases the risk of making erroneous or unauthorized payments. Our review disclosed the following.

- An invoice totaling \$77,760 was paid to a supplier with no agreement or contract. The Department's *Procedure Manual* states that invoices below \$20,000 are not required to have a contract to process as an unencumbered payment. Therefore, a contract should have been established with the supplier to permit said payment.
- The Department unknowingly overpaid a supplier \$6,000. The agreement with the supplier required monthly advance commission payments of \$1,500 through March 2023. Said payments were to be offset against actual commission due at the time of billing. Records indicated that the Department made nine advance payments totaling \$13,500 and only had five monthly advance payments totaling \$7,500 offset against commission invoiced by and paid to the supplier. Upon informing the Department of the discrepancy, management notified the supplier and requested reimbursement of the overpayment.
- We found two instances in which the Department paid a contracted supplier for services that were expected to be incurred and were omitted from the written terms of the contract, as follows.
  - The Department advanced a deposit of \$125,000 to a supplier without there being any terms pertaining to the deposited funds stipulated in the contract with the supplier. Management indicated that this is done every year as they know they will order high-dollar value items from the supplier and would like to keep the relationship in good standing.
  - The Department incurred \$960 for meal vouchers for volunteers without the terms for providing this service being delineated in the contract. According to management, this is a recurring cost that is not formally documented.

As these are reasonable and known costs, we have difficulty understanding the basis for not including terms in the contracts related to them to ensure clarity and transparency between the Department and the suppliers. Omitting such terms from the contracts increases the risk of the opposite occurring.

## **Recommendations**

The South Beach Wine & Food Festival Management should:	
2.1	Adhere to the Department's Procedure Manual by ensuring that payments on supplier invoices meeting established dollar thresholds are processed consistent with those guidelines. Accordingly, where supplier agreements/contracts are required, such agreements/contracts should be in effect prior to paying the supplier.
2.2	Obtain refund of the \$6,000 overpayment already identified, and any additional overpayment that are discovered, from the supplier for advance commission credits not received and perform a reconciliation to ensure credits reflected on the supplier's ongoing invoices agree with the contract in place.
2.3	Include terms for reasonable and known costs into new or existing agreements with suppliers.

## **Management Response/Action Plan**

- 2.1 The Department Guidelines and University Procurement Manual has been resent to all Festival staff. In addition, Festival finance and accounting staff will work with Controller's Office procurement and accounts payable team to ensure purchases and payments are in line with established policies and procedures.

**Implementation date:** June 30, 2024

**Complexity rating:** 1- Routine

- 2.2 Festival has confirmed overpayment will be returned by supplier. Additionally, Festival staff will perform reconciliations of payments against contractual terms to ensure that overpayments do not occur.

**Implementation date:** June 30, 2024

**Complexity rating:** 2- Moderate

- 2.3 Festival will work with suppliers and ensure that all known requirements for good and services are reflected in contracts. Contracts will be amended if additional good and services are required when the amendment will result in a total contract value greater than \$20,000 per Department Guidelines.

**Implementation date:** June 30, 2024

**Complexity rating:** 1- Routine

### 3. Controls Over Payroll Administration

#### Flexible Work Arrangement

We reviewed the flexible work arrangements reported for the 2023 Festival and found that eight of the nine employees who accrued flexible time did not submit the required Flexible Work Arrangement Forms.

Employees are able to accrue time worked in excess of their normal 42.5 hours per workweek during the Festival week. The Department's *Procedure Manual* requires that in December of each year, each employee must submit a completed Flexible Work Arrangement Form online via PantherSoft in preparation of the upcoming Festival. The employee is required to indicate the specific date and number of hours they expect to work above and beyond the normal workday. The employee keeps track of those hours that are approved by the respective Associate Director in March. Post-Festival, a final count of the hours worked is used to determine a schedule of when the hours will be used. The Associate Director maintains an Excel Spreadsheet of approved hours that were accrued and used by each employee after the Festival. The employee has until August 31<sup>st</sup> to use their flexible time.

Additionally, we reviewed the Excel Spreadsheet provided by the Program Director for the hours worked during the 2023 Festival and noted that four of the nine employees had calculated their hours incorrectly, without the errors being detected. Employees could inadvertently take more time than earned if inaccurate accrued hours are maintained.

#### Outside Activity/Conflict of Interest

We reviewed the completed Outside Activity/Conflict of Interest forms for the nine employees who reported an outside activity during the audit period and found that eight obtained approval 10 to 42 days after commencement of the activity reported. University Policy No. 1710.075, *Conflict of Interest*, states that all employees must disclose Outside Activity through the Outside Activity/Conflict of Interest form located in the FIU Employee Portal and receive approval from all approvers before engaging in the Outside Activity. If employees engage in activities prior to their review and approval, then potential conflicts of interests may occur without management oversight.

#### **Recommendations**

The South Beach Wine & Food Festival Management should:	
3.1	Implement a monitoring mechanism to ensure that Flexible Work Arrangement Forms are submitted and approved annually as required by the Department. The Department's Procedure Manual should be updated to include the monitoring mechanism.

3.2	Perform a verification and validation routine, at established intervals, to ensure flexible time information is accurately documented.
3.3	Periodically remind its current employees and new hires about the requirements of University Policy No. 1710.075 related to obtaining approval from their supervisor, through the filing of an Outside Activity/Conflict of Interest Form, prior to engaging in an outside activity, and implement monitoring procedures to ensure compliance.

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

- 3.1 In addition to flexible work arrangements established as part of normal Festival operations, Festival staff will submit Flexible Work Arrangement forms prior to the Festival and will revert to normal operations once Festival is complete.

**Implementation date:** June 30, 2024

**Complexity rating:** 1- Routine

- 3.2 After the Festival, the Senior Director will validate the accrued flexible time log provided by each employee and will submit for review and approval to the Assistant Vice President. The log of flexible time will be audited once all accrued time is utilized.

**Implementation date:** June 30, 2024



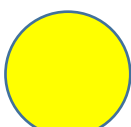



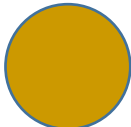
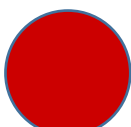

**Complexity rating:** 1- Routine

- 3.3 In addition to the reminders sent out by the University, Senior Director will send e-mail reminders to Festival staff that Outside Activity/Conflict of Interest Forms must be submitted and approved by their supervisor prior to engaging in the outside activity.

**Implementation date:** June 30, 2024

**Complexity rating:** 1- Routine

## APPENDIX I – COMPLEXITY RATINGS LEGEND

Legend: Estimated Time of Completion		Legend: Complexity of Corrective Action	
	Estimated completion date of less than 30 days.		<b>Routine:</b> Corrective action is believed to be uncomplicated, requiring modest adjustment to a process or practice.
	Estimated completion date between 30 to 90 days.		<b>Moderate:</b> 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.		<b>Complex:</b> 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.		<b>Exceptional:</b> 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 II – OIA CONTACT AND STAFF ACKNOWLEDGMENT:**

**OIA contact:**

Joan Lieuw 305-348-2107 or [jlieuw@fiu.edu](mailto:jlieuw@fiu.edu)

**Contributors to the report:**

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

Stephanie Price (auditor in-charge);  
Henley Louis-Pierre (IT auditor);  
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.