

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-045
November 2024

FLORIDA INTERNATIONAL UNIVERSITY



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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Rogelio Tovar, Chair from 7-1-23, Vice Chair through 6-30-23	Francis A. Hondal from 3-29-23 ^c Natasha Lowell
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Alan Gonzalez from 3-29-23 ^b	Carlos Trujillo, J.D., through 1-10-23 ^b

^a Faculty Senate Chair.

^b Trustee position vacant 1-11-23, through 3-28-23.

^c Trustee position vacant through 3-28-23.

^d Student Body President.

The team leader was Kristina L. Tinkler, CPA, and the audit was supervised by Ramon L. Bover, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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FLORIDA INTERNATIONAL UNIVERSITY

SUMMARY

This operational audit of Florida International (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2022-157. Our operational audit disclosed the following:

Finding 1: University controls over purchasing card cancellations could be enhanced.

BACKGROUND

The Florida International University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members, and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President also are members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG regulations. The University President is selected by the Trustees and confirmed by the BOG. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

FINDING AND RECOMMENDATION

Finding 1: Purchasing Card Cancellations

The University administers a purchasing card (P-card) program, which gives employees the convenience of purchasing low-cost items directly from vendors without using the purchase order process. The University *Departmental Card Guidelines and Procedures Manual* requires that cardholders, who are terminating University employment, notify the Credit Card Solutions (CCS) Administrator and stop using the P-card immediately or a minimum of 2 weeks prior to their last working day. The terminating cardholder's supervisor or authorized approver is also required to request that the CCS Team cancel the cardholder's P-card.

University records indicated that 156 P-cards were canceled during the 2023 calendar year and, as of December 31, 2023, 1,157 P-cards were available for use. As part of our audit, we compared University P-card and personnel records for the cardholders who terminated University employment and found that the University did not cancel the P-cards for 19 employees until 3 to 202 days, or an average of 30 days, after the cardholders' employment termination dates. Our audit procedures also disclosed that, although the Human Resource (HR) Department timely notified the CCS Administrator and CCS Team about the 19 employment terminations, the CCS Administrator and CCS Team did not ensure that the P-cards were

promptly canceled. In response to our inquiries, University personnel indicated that the untimely cancellation of the P-Cards was mainly due to staff turnover and related challenges.

Although our examination of University records did not disclose any inappropriate charges after the employment termination dates of the 19 employees, our procedures cannot substitute for the University's responsibility to implement adequate internal controls over P-card cancellations. The untimely cancellation of P-cards increases the risk that P-cards could be misused by former employees or others and may limit the University's ability to satisfactorily resolve disputed charges.

Recommendation: The University should enhance procedures to ensure that P-cards are promptly canceled upon a cardholder's termination from University employment.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2022-157.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2024 through August 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on selected University processes and administrative activities.

For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2022-157.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with

applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of January 2023 through December 2023 and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Evaluated University procedures for protecting the sensitive personal information of students, including social security numbers. From the population of 259 employees who had access privileges to the sensitive personal information of students during the audit period, we examined University records supporting the access privileges granted to 30 employees to evaluate the appropriateness of and necessity for the access privileges based on the employees' assigned job responsibilities.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures for the audit period to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined University records to determine whether bank account reconciliations were timely prepared, reconciled and approved.

- Evaluated whether accountability was effective over the 425 property assignments to 369 employees and the 53 property loans to 98 students. Specifically, we examined University records supporting 45 selected property assignments to 17 employees and 39 selected property loans to 25 students to determine whether University records evidenced the propriety of the property assignments, loans, and monitoring efforts, and whether the property was timely returned to the University.
- To determine whether attractive and sensitive property items, purchased with purchasing card (P-card) expenses totaling \$203,789, were marked as University property, tagged, and catalogued by applicable University departments, physically observed attractive and sensitive property items purchased with 19 P-card expenses totaling \$29,634 and examined applicable University records.
- Reviewed the University Capital Improvement Plan submitted to the Board of Governors (BOG) and used for the legislative budget request to determine whether the Plan complied with BOG instructions.
- Examined canceled P-card records for all 156 cardholders who terminated employment with the University during the audit period to determine whether the University promptly canceled the cardholders' P-cards.
- Determined whether student fees totaling \$68.1 million during the audit period were properly assessed, authorized, and accurately calculated in accordance with applicable State law. Specifically, we:
 - Examined University records to determine whether the sum of the student activity and service, student health, and athletic fees totaling \$54.9 million complied with the limitations established in Section 1009.24(4)(d), Florida Statutes.
 - Determined whether the \$13.2 million in student financial aid fees collected during the audit period was disbursed in compliance with Section 1009.24(7), Florida Statutes.
- From the population of expenses totaling \$116.6 million during the audit period from student user fees, determined whether the use of athletic, health, and student activities fees complied with applicable State law, Board of Governor regulations, and University policies.
- From the population of 1,496 distance learning courses with fee revenue totaling \$16.7 million during the audit period, examined University records for 30 selected courses with fees totaling \$2,640 to determine whether distance learning fees were properly assessed, collected, and separately accounted for in accordance with Section 1009.24(17), Florida Statutes.
- From the population of compensation payments totaling \$609.7 million made to 14,487 employees during the audit period, examined University records supporting payments totaling \$449,234 made to 30 selected employees to determine whether the pay rates were accurate, employment contracts were valid, employees met the required qualifications, performance evaluations were completed, and leave records were accurate.
- From the population of 6,206 employees who received bonus and award payments totaling \$25.9 million during the audit period, examined University records, including the University bonus plan, Board minutes, employment agreements, and University policies for 30 selected employees who received bonus and award payments totaling \$1.2 million to determine whether the payments complied with Section 1012.978, Florida Statutes.
- Examined University records for the 6 employees who received severance payments totaling \$432,940 to determine whether the severance payments complied with Section 215.425(4), Florida Statutes, and University regulations.
- Evaluated University policies and procedures for obtaining personnel background screenings to determine compliance with Section 1012.915, Florida Statutes.

- Examined University records to determine whether selected expenses were reasonable; correctly recorded; adequately documented; for a valid University purpose; properly authorized and approved; in compliance with applicable State law, State Board of Education rules, contract terms, and University policies; and whether applicable vendors were properly selected. Specifically, from the population of expenses totaling \$1 billion for the audit period, we examined University records supporting:
 - 30 selected payments for general expenses totaling \$10 million.
 - 30 selected payments for unexpended plant expenses totaling \$24.6 million.
- From the population of 263 non-federal grants totaling \$52.4 million during the audit period, examined University records for 10 selected non-Federal grants totaling \$10.9 million to determine whether payments were made in accordance with grant terms and conditions.
- Evaluated University procedures to ensure vendor information changes were appropriate and verified.
- Determined whether the Education and General Carryforward Funds were budgeted and used in accordance with BOG Regulation 9.007.
- Inquired whether the University had any expenses or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



OFFICE OF FINANCE & ADMINISTRATION

November 6, 2024

Sherrill F. Norman, CPA
Auditor General
State of Florida
Claude Denson Pepper Building G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Enclosed is Florida International University's response to the preliminary and tentative finding and recommendation for the Operational Audit of Florida International University for the calendar year ended December 31, 2023. The University will implement the recommendations identified during the audit in accordance with the enclosed response.

We appreciate the thoroughness and professionalism of your staff in completing the operational audit. The resulting recommendations will assist FIU in improving our operations and safeguarding our resources.

If you have any questions or need additional information, please do not hesitate to contact me at amartin@fiu.edu or 305-348-2101 at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Aime Martinez".

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

cc: Kenneth A. Jessell, Ph.D., President
Elizabeth M. Bejar, Ph.D., Provost, Executive Vice President and COO

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FLORIDA INTERNATIONAL UNIVERSITY
Response to Preliminary and Tentative Finding
Operational Audit – Calendar Year 2023

Finding 1: Purchasing Card Cancellations

Recommendation: The University should enhance procedures to ensure that P-cards are promptly canceled upon a cardholder's termination from University employment.

The University concurs with the recommendation. To minimize the risk of misuse of P-Cards by terminated employees, the University has established mitigating procedures that include an internal review process by the Credit Card Solutions (CCS) team of employment status data provided by the Human Resources Department to identify terminated employee cardholders not properly reported by university departments to enable timely cancellations of P-Cards. The University will evaluate these mitigating procedures and add additional steps to ensure that timely terminations take place, such as an automated termination process based on employee termination date.

Additionally, as a result, all CCS team members have been trained on the internal review process in place so that there are adequate back-up staff able to perform and monitor this function on a consistent basis to ensure more timely cancellations of P-Cards for terminated employees separating from the university. Lastly, since University departments are primarily responsible for notifying the CCS team when cardholder employees are going to be terminating employment, the Office of the Controller will send communications to the department's human resource liaisons, supervisors and department heads noted in the findings to remind them of the requirement to timely notify the CCS team of P-card holders impending terminations so card cancellations can be completed promptly. The Office of the Controller will also send communications to all departments that use P-Cards throughout the university to remind them of the requirement to timely notify the CCS team of P-card holders terminations.