AUDIT AND FINANCE COMMITTEE  
Tuesday, February 18, 2014


PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary objectives of this audit were to determine the adequacy of the systems, policies, and procedures in place for: 1) ensuring that employees were aware of requirements for reporting outside activities; and 2) work arrangements which involve additional compensation from university resources or dual compensation from other state agencies.

Based on reviews and tests performed, we concluded that the university has established appropriate policies, procedures, and practices to help ensure employees are aware of requirements for reporting outside activities, and work arrangements which involve additional compensation from university resources or dual compensation from other state agencies.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement our single audit recommendation by October 1, 2013.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 13/14-1

Presented by: Mr. Morley Barnett, Inspector General  Phone: 561-297-3682
Audit Report: Employee Outside Activities & Additional/Dual Compensation
For the Fiscal Year Ended June 30, 2013

Use of Report
We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.
REPORT ON THE AUDIT OF
EMPLOYEE OUTSIDE ACTIVITIES AND ADDITIONAL/DUAL COMPENSATION

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTER OF TRANSMITTAL</td>
<td>iii</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>iv</td>
</tr>
<tr>
<td>SCOPE AND OBJECTIVES</td>
<td>1</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>COMMENTS AND RECOMMENDATIONS</td>
<td>2</td>
</tr>
<tr>
<td>CONCLUSION</td>
<td>3</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO:        Dennis Crudele  
           Interim President

FROM:     Morley Barnett  
           Inspector General

DATE:     October 11, 2013

SUBJ:     AUDIT OF EMPLOYEE OUTSIDE ACTIVITIES AND ADDITIONAL/DUAL COMPENSATION

In accordance with the University’s Internal Audit Plan for fiscal year 2013/14, we have conducted an audit of employee outside activities reporting and the additional/dual compensation arrangements monitoring function at Florida Atlantic University for the 2012/13 fiscal year. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made one recommendation to address our current finding. We concur with the response of the auditee which has been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendation by management.

Please call me if you have any questions.

cc:        Interim Provost
           Senior Vice Presidents
           Vice Presidents
           Auditees
           FAU BOT Audit and Finance Committee
           Inspector General’s Office, Florida Board of Governors
           Florida Auditor General
EXECUTIVE SUMMARY

In accordance with the University’s Internal Audit Plan for fiscal year 2013/14, we have conducted an audit of employee outside activities reporting and the additional/dual compensation arrangements monitoring function at Florida Atlantic University for the 2012/13 fiscal year. The primary objectives of this audit were to determine the adequacy of the systems, policies, and procedures in place for: 1) ensuring that employees were aware of requirements for reporting outside activities; and 2) work arrangements which involve additional compensation from university resources or dual compensation from other state agencies.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as an employee survey for outside activities, test of select faculty for outside activity disclosure, and reviews of additional and/or dual compensation records for sampled employees, in order to determine whether control procedures were operating effectively.

Based on the reviews and tests performed, we believe management has established appropriate policies, procedures, and practices to help ensure employees are aware of requirements for reporting outside activities, and work arrangements which involve additional compensation from university resources or dual compensation from other state agencies. In our opinion, the University’s employee outside activities reporting and additional/dual compensation arrangements monitoring functions are generally conducive to facilitating compliance with applicable federal and state laws, rules, and regulations. However, we did identify an opportunity for improvement in management’s oversight of the approval process for employee additional compensation assignments.

The details of the finding, as well as the suggestion for corrective action, can be found in the Comments and Recommendations section of this report.
Dennis Crudele  
Interim President  
Florida Atlantic University  
Boca Raton, Florida

Dear Interim President Crudele:

SCOPE AND OBJECTIVES

In accordance with the University’s Internal Audit Plan for fiscal year 2013/14, we have conducted an audit of employee outside activities reporting and the additional/dual compensation arrangements monitoring function at Florida Atlantic University for the 2012/13 fiscal year. The primary objectives of this audit were to determine the adequacy of the systems, policies, and procedures in place for: 1) ensuring that employees were aware of requirements for reporting outside activities; and 2) work arrangements which involve additional compensation from university resources or dual compensation from other state agencies.

We obtained an understanding of the University’s employee outside activities reporting and additional/dual compensation arrangements monitoring function by interviewing key University managers, and reviewing applicable rules, regulations, policies, and procedures. Our assessment of compliance with established requirements was based primarily on an employee survey for outside activities, test of select faculty for outside activity disclosure, and reviews of additional and/or dual compensation records for sampled employees. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

Employees of Florida Atlantic University may engage in outside employment, consulting, and other similar activities with proper disclosures and official approvals. Many of these activities further the dissemination and use of the knowledge and expertise developed at the university and
The University’s processes for monitoring employee outside activities reporting and additional/dual compensation arrangements are governed by federal, state, and university regulations. As public employees, the faculty and staff of Florida Atlantic University are required to comply with Florida Statutes Chapter 112, Part III, *Code of Ethics for Public Officers and Employees*. In addition to Florida law, the University has promulgated Regulation 5.011, *University Ethics*, concerning employee conflicts of interest and outside activities. The Collective Bargaining Agreement (CBA) between the FAU Board of Trustees (BOT) and the FAU Chapter of the United Faculty of Florida (UFF) contains analogous provisions in Article 19 that apply to those faculty and administrative, managerial, and professional (AMP) staff members within the bargaining unit. Further, in fall 2008, the university promulgated and made available a comprehensive guide on employee outside activities, and conflicts of interest/commitment entitled *FAU Guidelines on Conflict of Interest, Conflict of Commitment and Outside Activities, Including Financial Interests*.

**COMMENTS AND RECOMMENDATIONS**

**Current Findings and Recommendations**

*Lack of Additional Compensation Forms for Approved Assignments*

In accordance with established policies and procedures, additional compensation should only be processed for line faculty, AMP, or SP (Support Personnel) employees. An employee who chooses to seek additional compensation at the university must sign-off on a properly completed *FAU Request for Approval of Additional Compensation* form which must be approved by the department chair/supervisor and dean/director from both the primary and secondary sources of employment, as well as the Division of Sponsored Research (if applicable) and the Provost (in the case of faculty). The approved additional compensation form must be submitted to Human Resources - for processing - along with a properly completed and approved manual Personnel Action Form (PAF) or Electronic Personnel Action Form (EPAF) from the secondary employer.

Compliance testing of the records for a judgmentally selected sample of 25 employees who had a combined total of 68 additional compensation (overload) assignments during the audit period, indicated that properly completed and approved *FAU Request for Approval of Additional Compensation* forms were not on file for 13 assignments pertaining to eight employees. Although the assignments were supported by approved EPAFs, without the approved additional compensation forms there was no reasonable assurance that the duties of the employees to their secondary (FAU) employers did not conflict with their obligations to their primary (FAU) employers.

**Recommendation No. 1**

We recommend the Human Resources Department uses an appropriate daily transaction report or other process to identify overload assignments submitted via PAF/EPAF, and
perform follow-up, when necessary, to ensure the applicable departments submit the requisite additional compensation approval forms.

**Management’s Response**

**Action Plan:**

The Human Resources Processing & Records Unit will utilize their current daily transaction report which identifies all newly activated Additional Compensation Assignments to verify that departments have submitted an approved Additional Compensation form supporting each new assignment. Human Resources will work with the applicable Division or the Provost’s Office to verify the assignment and submission of the necessary Additional Compensation form to Human Resources.

**Implementation Date:**

October 1, 2013

**Responsible Auditee:**

James Acton, Human Resources Director

**Prior Audit Recommendations**

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit.

Within the past three fiscal years, there have not been any internal audits pertaining to employee outside activities reporting and/or the additional/dual compensation arrangements monitoring function. Accordingly, a follow-up on prior audit recommendations is not applicable.

**CONCLUSION**

Results of our employee surveys, based on responses from 44 of the 55 judgmentally selected faculty, AMP, and SP employees polled, coupled with a review of public records for a judgmentally selected sample of 25 faculty members to ascertain proper disclosure of outside business involvement, indicated limited instances where faculty employees had not disclosed reportable outside activities. Detailed information regarding these employees has been communicated to senior academic management for follow-up and disposition at their discretion.

Based on the reviews and tests performed, we believe management has established appropriate policies, procedures, and practices to help ensure employees are aware of requirements for reporting outside activities, and work arrangements which involve additional compensation from
university resources or dual compensation from other state agencies. In our opinion, the University’s employee outside activities reporting and additional/dual compensation arrangements monitoring functions are generally conducive to facilitating compliance with applicable federal and state laws, rules, and regulations. Given the especially complex and challenging issues relating to conflicts of interest, conflicts of commitment, and outside activities, we encourage management to continue to explore initiatives that will support ongoing and enhanced compliance by University employees in the future.

We wish to thank the staffs of the Human Resources Department and the Provost’s Office for their cooperation and assistance which contributed to the successful completion of this audit.

Morley Barnett, CPA, CFE
Inspector General

Audit Performed by: Mike Hewett, CIA, CGAP, CBA, CFSA
Ben Robbins, CPA