

AUDIT AND FINANCE COMMITTEE
Tuesday, February 18, 2014

SUBJECT: REVIEW OF AUDITS: FAU 13/14-1, AUDIT OF EMPLOYEE OUTSIDE ACTIVITIES & ADDITIONAL/DUAL COMPENSATION FOR FISCAL YEAR ENDED JUNE 30, 2013.

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

Report No. FAU 13/14-1
Report Issue Date: October 11, 2013

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

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

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FAU
REPORT of OUTSIDE EMPLOYMENT or PROFESSIONAL ACTIVITY for FAU EMPLOYEES

This report of proposed outside employment/activity is completed in order to comply with the rules of the University as provisions of applicable Collective Bargaining Agreements. Please note that this report must be submitted and receive obtained on an annual basis for any activity continuing beyond June 30 of the year referenced.

If the outside employment/activity involves an entity or agency doing business with or preparing to do business with the University, the employee should also submit a **REPORT OF SPECIFIED INTEREST** form.

EMPLOYEE INFORMATION

Employee Name: _____ Employee Status: (please select)
 Title: _____ AMP SP Administ
 Department/Unit: _____ Instructional Faculty: 9 Month 12 Month

PROPOSED EMPLOYMENT/ACTIVITY

Kind of Employment/Activity: (please check all that apply) Employment Other Professional Activity
 Continuing Business Interest (including managerial interest or position) Other Compensated Activity

Name of Employer/Activity: _____ Anticipated Dates: _____
 Location: City, State, Country: _____ Avg. # of Hours per Week: _____

Description of Employment Activity: _____
 Are FAU employees and/or students involved? _____

Total number of outside activity and financial interest reports submitted during this contractual period including this report: _____

Interests of total number hours spent per week during this contractual period on all outside activities including this one: _____

Are you needed as a condition of the employment/activity to waive any rights you may have in intellectual property you own, including patent rights? Yes No (If yes, the Division of Sponsored Research must review and approve the employment.)

Will you be working for an entity that has either licensed, patented, or assigned intellectual property from the University? Yes No (If yes, the Division of Sponsored Research must review and approve the employment.)

All University equipment, facilities, or services be used in the course of this activity? Yes No (If yes, please submit a University Equipment, Facilities and Services form with this request.)

Instructional Faculty please complete **12 Month Appointees, please complete**
 classes be missed? Yes No (Has leave form been submitted?) Yes No
 a will classes be covered? Yes No (Has leave request been approved?) Yes No

I hereby certify that the outside employment or professional activity reported here does not constitute a conflict of interest under 11.0, Florida Statutes, and will not interfere with my assigned duties and responsibilities at Florida Atlantic University to notify the University immediately if the nature of the activity described in this report changes.

Employee Signature: _____

REVIEWER	REVIEWER'S SIGNATURE	DATE	APP
Person or Supervisor			<input type="checkbox"/> Yes <input type="checkbox"/> No
Dean or Director			<input type="checkbox"/> Yes <input type="checkbox"/> No
or of Sponsored Research (if applicable)			<input type="checkbox"/> Yes <input type="checkbox"/> No
President or VP			<input type="checkbox"/> Yes <input type="checkbox"/> No

FAU
Florida Atlantic University
Request for Approval of Additional Compensation
AMP & SP (Excluding Line and Adjunct Faculty)

Check appropriate reason for request:
 Excess of 1.0 in established position TPAF Assignment

Name of Employee: _____ Z # _____

Secondary Employment

Department/Division: _____
 Department #: _____
 Class Title: _____ Position #: _____ FTE: _____
 Total Salary for Period Worked: to _____ Bi-weekly/Hourly: _____ Biweekly
 Period of Employment: to _____ No. of Bi-weeklies: _____
 Scheduled Work Days: to _____ Scheduled Work Hours: to _____

Duties to be performed in secondary employment and explanation/justification: _____

Secondary Assignment	Department	Class/Supervisor	Date	Secondary Assignment	Date/Supervisor	Date

Primary Employment

Department/Division: _____
 Department #: _____
 Class Title: _____ Position #: _____ FTE: _____
 Total Salary for Period Worked: to _____ Bi-weekly/Hourly: _____ Biweekly
 Period of Employment: to _____ No. of Bi-weeklies: _____
 Scheduled Work Days: to _____ Scheduled Work Hours: to _____

The employee has an approval to perform the additional duties indicated above for the secondary employment. These additional duties will not be performed during the employee's regular working hours with the primary employer, will not involve a conflict of interest with the employer's regularly assigned duties with the primary employer, and will not involve the use of any university space, personnel, equipment or supplies furnished by the primary employer, unless arrangements are made to adequately compensate the primary employer for the use of the same.

Primary Assignment	Department	Class/Supervisor	Date	Primary Assignment	Date/Supervisor	Date

Employee Certification

The hours and rate of pay as indicated for the secondary employment are agreeable. This is to certify that the hours indicated in "Scheduled Work Hours" in "Secondary Employment" are accurate, are outside of my normal working hours in my primary employment, and do not interfere with my primary employment.

Employee Signature: _____ Date: _____

Final Approval (Secondary Employer)

Approved Approved as Modified Disapproved

Division of Sponsored Research (if applicable)	Date	Primary Assignment Date/Supervisor	Date

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**Florida Atlantic University
Request For Approval Of Additional
Compensation
Input Page**

CPAF Assignment: _____
 Name of Employee: _____
 Z# _____

PROPOSED ADDITIONAL ASSIGNMENT

Department: _____
 College: _____
 Department Number: _____
 Class Title: _____
 Position Number: _____
 Period Salary: _____
 Bi-weekly Payment: _____
 FTE: _____
 Period of Employment: _____
 Number of Bi-weeklies: _____

Duties to be performed in secondary employment and explanation/justification. Include actual date and location: (attach additional sheets if necessary)

PRIMARY ASSIGNMENT


Department: _____
 College: _____
 Department Number: _____
 Class Title: _____
 Position Number: _____
 Period Salary: _____
 Bi-weekly Payment: _____
 FTE: _____
 Period of Employment: _____
 Number of Bi-weeklies: _____

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FAU
FLORIDA ATLANTIC
UNIVERSITY

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

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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.



October 11, 2013

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

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may advance the professional competence and reputation of faculty and staff members. University employees bear the responsibility for determining and disclosing their outside activities and financial interests to appropriate management.

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.

A handwritten signature in cursive script, reading "Morley Barnett".

Morley Barnett, CPA, CFE
Inspector General

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