



Item: AF: I-1a

AUDIT AND FINANCE COMMITTEE

Wednesday, October 22, 2008

SUBJECT: REVIEW OF AUDITS: REPORT NO. FAU 07/08-5, EMPLOYEE OUTSIDE ACTIVITIES AND ADDITIONAL/DUAL COMPENSATION AUDIT FOR THE 2007/08 ACADEMIC YEAR

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Our primary objectives were to determine the adequacy of the systems, policies, and procedures in place for 1) ensuring that employees are 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.

No reportable recommendations were made as a result of this audit. Concurrent with the audit, we noted that management was taking steps to ensure uniformity in reporting outside activities by all employee classes. New reporting guidelines were expected to be introduced at the beginning of the fall 2008 semester.

IMPLEMENTATION PLAN/DATE

Not Applicable

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. FAU 07/08-5

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Office of Inspector General

Employee Outside Activities and Additional/Dual Compensation Audit 2007/08 Academic Year

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2007-08, we have conducted an audit of outside activities reporting and additional/dual compensation arrangements monitoring function at Florida Atlantic University for the 2007/08 academic 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 are 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 outside activities reporting and additional/dual compensation arrangements monitoring function by interviewing key University management, reviewing policies and procedures, and applicable state regulations. Our assessment of compliance with established policies and procedures and applicable regulations was based primarily on a random 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

Florida Atlantic University's policies allow employees to engage in outside employment, consulting, and other similar activities with proper disclosures and official approvals. Many outside activities further the dissemination and use of the knowledge and expertise developed at the university and may also advance the professional competence and reputation of faculty and staff members. University employees bear the responsibility for determining and disclosing such activities and financial interests; supervisory officials use these voluntary disclosures to determine whether the University's mission would be compromised by such activities and interests.

The University's process for managing outside activities reporting and additional/dual compensation arrangements is guided by state, federal, and university regulations. As public employees, the faculty and staff of Florida Atlantic University are bound by the State of Florida's statutory Code of Ethics for Public Employees (*Chapter 112, Part III*) and Florida Board of Governors Regulation 5.945, Employee Ethical Obligations and Conflicts of Interest. In addition to Florida law, the University has promulgated Regulation 5.011 concerning ethics, outside activities, and financial interests. The Collective Bargaining Agreement between the FAU Board of Trustees (BOT) and the FAU Chapter of the United Faculty of Florida (UFF) contain analogous provisions in Article 19 that apply to those faculty and administrative, managerial and professional staff members within the bargaining unit. Common to the above-mentioned agreement and regulations is the acceptability of allowing employees to participate in outside activities and hold financial interests in private entities as long as these activities and interests are reported and do not conflict with the employee's responsibilities to the University.

OBSERVATIONS and COMMENTS

Outside Activities Reporting Enhancements

A critical element of an effective system for reporting outside activities is assurance that employees are aware of the requirements contained in Florida's Code of Ethics, pertinent FAU regulations and policies, and the BOT/UFF Collective Bargaining Agreement governing outside activities, conflict of interests, and additional/dual compensation arrangements. Results of our random employee surveys, based on an 82% response rate for 50 faculty and administrative and managerial employees, coupled with a review of records for 25 faculty for possible outside activity disclosures, indicated several instances where employees were not always aware of University requirements for reporting outside activities, and potential conflict of interests. Also, in some instances employees had not reported a new outside (business) activity or had not reported an ongoing activity which had been reported in the prior year(s) as required by University policy. Overall results of our audit pointed to the necessity for additional guidance to employees in order to provide accurate, consistent, and timely information about their outside activities.

Concurrent with our audit, we learned that the University's Outside Business/Conflict of Interest Committee had drafted comprehensive guidelines for all employee classifications which address the types of concerns observed during our audit. The 22-page document provides definitions, background information, guidance on various scenarios giving rise to conflicts of interest and conflicts of commitment, allowed and prohibited outside activities, financial interests, consideration of intellectual property rights, and required disclosure and approvals for outside activities. Various means of dissemination, such as in-house workshops and online publicity about the guidelines are planned for the fall 2008 semester. We encourage timely implementation of the new guidelines which should enhance the disclosure of outside activities by all university employees, especially as the University's research activities increase.

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 of the outside activities reporting and additional/dual compensation arrangements monitoring function. Accordingly, a follow-up on prior audit recommendations is not applicable.

CONCLUSION

Based on our observations, review of relevant documentation, and interviews with key managers, we believe that management continues to promulgate appropriate policies, procedures, and practices related to reporting outside activities and additional/dual compensation. The planned dissemination of comprehensive guidelines for reporting these activities is especially important in that specific types of situations will be addressed and expectations for compliance with policies and procedures clearly stated for all University employees.

We wish to thank the staff 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

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Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of Florida Atlantic University and its governing bodies 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.