



Item: AF: I-2a

AUDIT AND FINANCE COMMITTEE

Tuesday, June 19, 2012

SUBJECT: REVIEW OF AUDITS: FAU11/12-4, OFFICE OF INTERNATIONAL PROGRAMS FOR THE SUMMER AND FALL 2011 SEMESTERS.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The Office of International Programs (OIP) is a unit of the Division of Undergraduate Studies which designs, coordinates, and facilitates international educational activities for FAU. OIP receives and processes applications from FAU and non-FAU students requesting participation in study abroad programs.

Our audit focused primarily on administration of the university's study abroad programs, including adherence to reciprocal agreements with foreign institutions and handling of monies collected from FAU and international exchange students.

Although no improprieties were noted, the results of our audit indicated a general need to improve accountability for monies collected and ensure completion of student exchange agreements with two international partner institutions.

IMPLEMENTATION PLAN/DATE

Management had agreed to implement the audit recommendations by September 28, 2012.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 11/12-4

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 11/12-4
Report Issue Date: April 10, 2012

FLORIDA ATLANTIC
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Office of Inspector General

Audit Report: *Office of International Programs*
For the Summer & Fall 2011 Semesters

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**REPORT ON THE AUDIT OF
OFFICE OF INTERNATIONAL PROGRAMS**

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MEMORANDUM

TO: Dr. Mary Jane Saunders
President

FROM: Morley Barnett
Inspector General

A handwritten signature in cursive script, appearing to read "Morley Barnett", is written over the printed name of the Inspector General.

DATE: April 10, 2012

SUBJ: AUDIT OF OFFICE OF INTERNATIONAL PROGRAMS

In accordance with the University's Internal Audit Plan for fiscal year 2011/12, we have conducted an audit of the Office of International Programs at Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made three recommendations to address our findings. We concur with the responses of the auditee which have 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 the recommendations by management.

Please call me if you have any questions.

cc: University Provost
Senior Vice Presidents
Vice Presidents
Auditees
FAU BOT Audit and Finance Committee
Inspector General, 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 2011/12, we have conducted an audit of the Office of International Programs (OIP) at Florida Atlantic University for the summer and fall 2011 semesters.

The objectives of this audit were to determine whether:

- Students who participated in study abroad programs submitted all the requisite forms and supporting documents, purchased the required insurance, received the appropriate academic credits, and paid the application fee and applicable tuition/program fees;
- International (F-1/J-1 visa) exchange students studying at FAU as degree or non-degree seeking students under one of the current reciprocal or cooperative exchange agreements, complied with FAU's student immunization policy and insurance requirements; were issued DS-2019s (J-1 visa holders)/I-20s (F-1 visa holders); and, paid the application fee and applicable tuition fees; and,
- Adequate procedures were in place to record, store, deposit, and reconcile all monies collected by OIP from students who participated in study abroad programs and international exchange students studying at FAU.

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 the performance of compliance testing of manual/computerized records for samples of students who participated in study abroad programs for summer 2011, and international exchange students studying at FAU - under reciprocal or cooperative exchange agreements - for the fall 2011 semester. In addition, compliance testing was performed for a sample of OIP's money collection records for application and program fees received for the summer and fall 2011 semesters.

Based on the audit work performed, we are of the opinion that the evaluated operations of the Office of International Programs were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. However, we did identify opportunities for the OIP to:

- Complete the execution of two of the university's active student exchange agreements with its international partner institutions;
- Better ensure that student applicants for its study abroad programs consistently submit all requisite photo identification records; and,
- Improve accountability and physical security for its money collections.

The details of these findings, as well as the suggestions for corrective action, can be found in the Comments and Recommendations section of this report.

April 10, 2012

Dr. Mary Jane Saunders
President
Florida Atlantic University
Boca Raton, Florida

Dear President Saunders:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2011/12, we have conducted an audit of the Office of International Programs (OIP) at Florida Atlantic University for the summer and fall 2011 semesters.

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We obtained an understanding of the operations of the OIP by reviewing written policies and procedures, interviewing key personnel, observing actual practices, and analyzing key internal controls.

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Our assessment of compliance with established policies, procedures, and practices was based on reviews of pertinent supporting documentation for samples of judgmentally selected students participating in study abroad programs, international students studying at FAU under exchange agreements, and money collections received by the OIP.

Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls and 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

The Office of International Programs (OIP) is a unit of the Division of Undergraduate Studies within Academic Affairs, and designs, coordinates, and facilitates international education activities for FAU. Among other things, OIP assists faculty to create and manage study abroad and overseas learning programs, negotiates and coordinates international agreements with leading educational institutions in other countries, and welcomes exchange students and visitors from FAU's partners abroad. OIP recruits students for study abroad programs (SAPs), and advises students and faculty on fellowship and grant opportunities for overseas study, research, and program building. In addition, OIP encourages university and college internationalization efforts and international education strategic planning, and supports collaborative projects that link FAU to the global higher education system.

OIP receives and processes applications from FAU and non-FAU students requesting participation in study abroad programs. In addition, OIP receives and reviews applications from international students approved by their home institutions to apply to study at FAU under current reciprocal and cooperative student exchange agreements. Monies collected and/or processed by OIP include, but are not limited to, application fees remitted by students applying to participate in study abroad programs and international exchange students applying to study at FAU, and program fees assessed to students attending university faculty-led summer study abroad programs.

In order to ensure the safety and well-being of FAU students, faculty, and employees, the university has established comprehensive safety and security policies and procedures for official FAU-sponsored international education activities. The Office of the Provost, in conjunction with OIP, has created the *FAU Study Abroad Safety and Security Committee* to advise the university on best practices in the areas of student safety and program security. Other safety initiatives of the OIP include the promulgation of an annual *Study Abroad Handbook* with specific safety policies and guidelines for SAP participants, as well as the requirement for FAU faculty leaders to include emergency procedures in the pre-departure and on-site orientations for their overseas study programs.

According to management, a total of 285 students participated in faculty-led summer study abroad programs and exchange student activities during the summer 2010, fall 2010, and spring 2011 semesters. OIP estimates that these programs generated net tuition to the university of approximately \$339K. Currently, the OIP is staffed by three regular full-time employees and one part-time employee supplemented by two temporary student employees.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Unsigned International Exchange Agreements

As of March 2012, Florida Atlantic University had 37 active international agreements with universities and educational institutions around the world. Agreements create access for FAU students and faculty to study, conduct research, or teach in other countries. Agreements also allow students of the university's international partners to take classes at FAU as non-degree students, or in some cases to enroll for degree-seeking purposes. Partnerships with overseas universities with comprehensive academic offerings, which can mirror or complement FAU offerings, are particularly attractive since they offer the potential to meet the diverse academic and student needs of multiple colleges.

The Office of International Programs (OIP) assists FAU colleges and faculty in locating promising international partners, and in the design, creation, execution, and implementation of international agreements. All agreements must adhere to FAU policies in regard to academic credit, overseas and on-campus study, agreement financing, and the periodic balancing of exchange activities. Approval processes include any relevant FAU college deans, OIP, FAU Office of Legal Counsel, and the Provost's Office. Agreements can only be signed by the university president or a member of the Board of Trustees. Once executed, OIP coordinates all administrative aspects of the agreement including allocation of any available and applicable tuition waivers, and the periodic balancing of exchange activity.

As a result of testwork performed for all 20 international exchange students who attended FAU during the fall 2011 semester, we noted the following exceptions pertaining to the university's international exchange agreements:

- The active international exchange agreement between FAU and Universidade Federal de Minas Gerais (UFMG) of Brazil on file was not signed by either the FAU president or a member of the Board of Trustees, or the president of the partner university. As such, the agreement had not been properly executed. Although the *original* agreement – which was to expire five years after its execution by both parties - was signed by the FAU president in August 2005, it was never signed by the partner university. According to management, eight FAU students and six UFMG students have participated in the exchange program since 2005; and,
- The active international exchange agreement between FAU and Universitat Jaume I (UJI) of Spain on file was signed by the FAU president and an authorized representative from UJI. However, the agreement only covered the two academic years of 2009-2010 and 2010-2011, and a new agreement had not been signed by both parties to cover subsequent academic years. According to management, no FAU students and only one UJI student participated in the exchange program during the fall 2011 semester, i.e., after the existing agreement had expired.

During the course of the audit, management provided us with documentation indicating the university's intent to continue its programs with UFMG and UJI, as well as OIP's diligent efforts to formalize its ongoing contractual relationships with these partners. Our supplemental review of the university's other 35 active international partnership agreements indicated that they had been properly approved and signed-off by the appropriate parties.

Recommendation No. 1

We recommend management continue its follow-up efforts to ensure the active but unsigned agreements between FAU and UFMG, and FAU and UJI, are approved and signed-off by both institutions.

Management's Response

Action Plan: OIP agrees with this recommendation. As the OIG Audit Report noted, OIP has been in active Agreement negotiations with both our partners, the Universidade Federal de Minas Gerais (UFMG) and the Universitat Jaume I (UJI) for some time. At the present time, the UFMG Agreement is being processed at FAU for signature by the President. It will then be sent to Brazil for signing at their end and once executed completely, a copy entered into our OIP files. The FAU and UJI Agreement is now in the authentication stage, i.e. a Catalan version is being compared to the final English version by a FAU faculty member fluent in Catalan. Once the authentication process is done, the Agreement will proceed to be signed using our standard process.

Implementation Date: September 28, 2012

Responsible Auditee: Dr. Catherine Meschievitz, Office of International Programs (OIP) Director

Incomplete Supporting Documentation for FAU Study Abroad Applications

According to OIP's policies and procedures, student applicants submitting a *FAU Study Abroad Application* are required to attach one "1 X 1" size recent color photograph of themselves with their name and program written on the back of the picture. A readily available current photograph is important to promptly identify a study abroad participant who may be involved in a safety and/or security incident while studying overseas.

Our review of *FAU Study Abroad Applications* for a judgmentally selected sample of 25 students who participated in study abroad programs during summer 2011, indicated that the requisite color photographs were not obtained for seven students.

Recommendation No. 2

We recommend management ensure that color photographs are obtained from students when they submit their *FAU Study Abroad Application* as required.

Management's Response

Action Plan: OIP agrees with this recommendation. The summer of 2011 was a transition summer between insurance systems and cards, and this led to the inconsistency noted. OIP staff will be instructed to collect the color photograph at the time of the application and create a follow-up protocol to secure the photographs before the students depart for their program.

Implementation Date: September 28, 2012

Responsible Auditee: Dr. Catherine Meschievitz, Office of International Programs (OIP)
Director

Improvements Needed in Accountability for Money Collections

OIP personnel who receive in-person/mail payments from student applicants issue *Departmental Cash Receipts* for funds (cash/checks/money orders) remitted which indicate the payment receipt date and the signature/initials of the employee who initially received the payments. The funds received for FAU faculty-led study abroad programs are entered on the department's study abroad program tracking spreadsheet. The money collections are transferred to the OIP Senior Coordinator who places the funds in a locked metal box in a filing cabinet in her office.

When the aforementioned payments are ready for further processing and subsequent delivery to the central cashier's office, they are transferred to one of the student workers at the front desk who records each cash/check/money order payment on the *Funds Receipt Log* and initials the log. Each logged cash/check/money order payment is listed on a deposit transmittal record – initialed by a preparer – and submitted to the central cashier's office for posting to the appropriate Banner fund/organization/account codes and subsequent delivery to Bank of America for deposit to FAU's main clearing account.

Students participating in FAU faculty-led summer study abroad programs and international exchange students applying to study at FAU have the option to pay their program fees and application fees respectively via credit card/Web check at the OIP's TouchNet Marketplace online store. Authorized OIP employees are automatically notified by email whenever a customer places an order to be paid via credit card/Web check on the TouchNet Marketplace system. These employees will fulfill the customer's order on the system which results in the automated posting of the credit card/Web check payment to the appropriate Banner fund/organization/account codes and FAU's main clearing account at Bank of America.

Compliance testing of the money collection records for application/program fees received by OIP for summer 2011 study abroad programs for ten judgmentally selected business days, and application fees received by OIP from 17 international co-op/reciprocal exchange students for the fall 2011 semester, indicated the following exceptions:

- The *Funds Receipt Logs* did not indicate how the funds were received (in-person or by mail), and were not signed/initialed by a reviewing supervisor;
- The receipt date on 18 of 61 *Departmental Cash Receipts* reviewed did not agree to the processed date on the *Funds Receipt Log*;
- The *Funds Receipt Logs* did not indicate the transfer(s) of monies between departmental employees;
- Monies on hand in the department were not kept in a sufficiently secure location under restricted access pending deposit with the central cashier's office. Per inquiry of

management, the monies were kept in a locked metal box in an unlocked office cabinet with multiple employees having knowledge of the location of the key to the metal box;

- The deposit transmittal record submitted to the central cashier's office with the money deposit was not signed/initialed and dated by a reviewer and the departmental employee who delivered the deposit to the central cashier's office;
- The OIP employee who performed the reconciliation of the money collections (cash/checks/money orders) recorded on the deposit transmittal record to the appropriate cashier's receipt and Banner Finance *Organization Detail Activity* report did not sign/initial and date the deposit transmittal record to document the reconciliation, and was not independent of collections and custody of money;
- All 48 tested checks received as payment were not restrictively endorsed immediately upon receipt because of the unavailability of a bank deposit stamp;
- Six cash/check deposits totaling \$825 were not delivered to the central cashier's office within three business days of receipt by the OIP as required by established university practice. The deposits were not remitted to the central cashier's office until four to twelve business days after the collections were received by the OIP;
- One *Departmental Cash Receipt* did not indicate the receipt date. As such, we were unable to determine if the \$150 check was deposited to the central cashier's office within three business days of receipt by the OIP as required by established university practice;
- For all 29 tested payments received via the TouchNet Marketplace system, we determined via inquiry of management that the same employee who fulfilled the orders, also reconciled the money collections (credit cards/Web checks) recorded on the TouchNet Marketplace system to the Banner Finance *Cashier Detail Report (TGRCSHR)* and/or *Organization Detail Activity (FGRODTA)* reports, as applicable. Although there were notations on the order forms in certain instances, the processing employee did not document the performance of the fulfillment/reconciliation functions by signing/initialing and dating the order forms;
- For four international reciprocal exchange students (to FAU), the \$30 non-degree application fee – paid via check - initially received by OIP was not recorded on the OIP *Funds Receipt Log*; the student was not issued a written receipt for the funds remitted; and, there was no documentation of transfer of custody of the monies from OIP to the Registrar's Office; and,
- According to management, the OIP will occasionally receive \$200 housing deposits from international exchange students (to FAU) which are subsequently delivered to the Student Housing Department for processing. However, these monies were not recorded on the OIP *Funds Receipt Log*; the student was not issued a written receipt for the funds remitted; and, there was no documentation of transfer of custody of the monies from OIP to the Housing Office.

Recommendation No. 3

We recommend the following to management:

- To maintain proper accountability for monies collected, ensure the *Funds Receipt Log* indicates how the funds are received (in-person or by mail), when the funds are received, the transfer date and the initials of the employee(s) to whom the funds are transferred, and the review date and initials of the reviewing supervisor documenting his/her verification that the payments have been deposited with the central cashier's office. To facilitate compliance, the *Log* should be updated promptly when money is received and the *Departmental Cash Receipt* is prepared, and appropriate columns should be added to the *Log* to address the aforementioned informational requirements;
- To better safeguard university assets from loss or theft, ensure that access to money collections on hand in the OIP is adequately restricted. To facilitate compliance, the locked metal box housing the funds could be kept in a locked filing cabinet with the minimum number of employees practicable being assigned the keys to the metal box and filing cabinet;
- To maintain proper accountability, ensure the deposit transmittal record submitted to the central cashier's office with the money deposit is initialed and dated by the departmental employee who delivers the deposit to the central cashier's office. To facilitate compliance, appropriate fields should be added to the deposit transmittal record;
- To facilitate timely detection of any errors or irregularities, ensure that the reconciliations of money collection records (for cash/checks/money orders) to the Banner Finance *Organization Detail Activity* reports and cashier's office receipts are properly documented and performed promptly by an OIP employee independent of money handling and custody. To facilitate compliance, the employee performing the reconciliation should initial and date the deposit transmittal record;
- To minimize the risk of loss, theft, or misappropriation of university funds, ensure that a bank deposit stamp is ordered and all checks/money orders are restrictively endorsed with the department's bank deposit stamp immediately upon receipt;
- To help mitigate the risk of loss or theft of money collections, ensure that cash/check/money order deposits are delivered to the central cashier's office within three business days of receipt as required by established university practice;
- To better document the processing of TouchNet Marketplace transactions, the employee performing the duties of order/refund fulfillment and reconciliation of the monies (credit cards/Web checks) collected via the system to the Banner Finance *Cashier Detail Report (TGRCSHR)* and/or *Organization Detail Activity (FGRODTA)* reports (as applicable) should initial and date the TouchNet Marketplace *International Programs Fulfillment* reports. Appropriate notification should be provided to the applicable OIP Coordinator whenever the customer's online order has been fulfilled and reconciled; and,
- To maintain proper accountability, ensure that all monies received by OIP on behalf of other university departments are logged and receipted, and the transfer to the beneficiary department is appropriately documented.

Management's Response

Action Plan: OIP agrees with this recommendation as follows:

- We will update the Funds Receipt Log as noted and add columns for the areas noted above;
- We will ensure that the locked metal cash box cabinet will be secured nightly in a locked filing cabinet. A minimum number of employees will be given keys to the metal box and filing cabinet;
- We will add fields to the deposit slip for the initials of the employee who delivers a deposit to the cashier;
- The OIP employee who reconciles money collection records will not handle money and will initial and date the transmittal record;
- We will order a bank deposit stamp for use when receiving checks and money orders;
- We will try to deposit all cash/check/money orders within three business days;
- The OIP employee handling TouchNet Marketplace transactions will initial and date fulfillment reports, and appropriate notice will be given to the OIP coordinators when orders have been fulfilled and reconciled; and,
- All monies received in OIP will be logged and receipted, and then transferred to the beneficiary FAU department. Documentation of this transfer will also be kept.

Implementation Date: September 28, 2012

Responsible Auditee: Dr. Catherine Meschievitz, Office of International Programs (OIP) 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 being performed.

Within the past three years, our office has not conducted any audits related to the Office of International Programs. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the audit work performed, we are of the opinion that the evaluated operations of the Office of International Programs were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. However, we did identify recommendations for improvement which we believe are cost-beneficial to implement, and will serve to strengthen the overall internal control environment pertaining to the department's operations.

We wish to thank the staff of the Office of International Programs 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
Allaire Vroman