



Item: AF: I-5b

AUDIT AND FINANCE COMMITTEE
Wednesday, November 16, 2016

SUBJECT: REVIEW OF AUDITS: FAU 15/16-6, AUDIT OF STUDENT GOVERNMENT ASSOCIATION (SGA) - TRAVEL FOR THE SPRING 2016 SEMESTER.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary objectives of this audit were to determine adequacy and effectiveness of internal controls over the SGA travel function to ensure activity and service fee-funded travel was appropriately authorized and travel expenditures were properly supported, approved, and timely processed; and, travel operations were conducted in compliance with applicable laws, rules and regulations, university and SGA policies and procedures, and sound business practices.

The audit resulted in two recommendations, applicable to travel by individual students, student groups and non-student employees.

IMPLEMENTATION PLAN/DATE

Management agreed to implement both recommendations by October 17, 2016.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 15/16-6

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 15/16-6
Report Issue Date: September 30, 2016

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Student Government Association - Travel
For the Spring 2016 Semester

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.

BOCA RATON • DANIA BEACH • DAVIE • FORT LAUDERDALE • JUPITER • PORT ST. LUCIE

**REPORT ON THE AUDIT OF
STUDENT GOVERNMENT ASSOCIATION - TRAVEL**

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FAU
FLORIDA ATLANTIC
UNIVERSITY

MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett
Inspector General



DATE: September 30, 2016

SUBJ: AUDIT OF STUDENT GOVERNMENT ASSOCIATION – TRAVEL

In accordance with the University's Internal Audit Plan for fiscal year 2015/16, we have conducted an audit of travel operations of the Student Government Association (SGA) at Florida Atlantic University for the spring 2016 semester. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made two recommendations to address our current 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 our recommendations by management.

Please call me if you have any questions.

cc: 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 2015/16, we have conducted an audit of travel operations of the Student Government Association (SGA) at Florida Atlantic University for the spring 2016 semester.

Our audit objectives were to determine:

- The adequacy and effectiveness of internal controls over the SGA travel function to ensure all activity and service (A&S) fee-funded travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner; and,
- Travel operations were conducted in compliance with applicable laws, rules and regulations, university and SGA policies and procedures, and sound business practices.

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 on samples of travel expense transactions in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the evaluated travel operations of the Student Government Association were being conducted in general compliance with all applicable laws, rules and regulations, SGA and university policies and procedures, and sound business practices. However, we identified opportunities for improvement in the area of procedural compliance for SGA travel transactions.

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



September 30, 2016

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2015/16, we have conducted an audit of travel operations of the Student Government Association (SGA) at Florida Atlantic University for the spring 2016 semester.

Our audit objectives were to determine:

- The adequacy and effectiveness of internal controls over the SGA travel function to ensure all activity and service (A&S) fee-funded travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner; and,
- Travel operations were conducted in compliance with applicable laws, rules and regulations, university and SGA policies and procedures, and sound business practices.

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 on samples of travel expense transactions in order to determine whether control procedures were operating effectively.

We obtained an understanding of the travel operations of the SGA by reviewing written policies and procedures, interviewing key personnel, performing analytical reviews of selected financial information, observing actual practices, and evaluating key internal controls.

Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgmentally selected samples of travel expense transactions. 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 judgement.

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

BACKGROUND

The Student Government Association (SGA) represents the student body at the university. It is responsible for providing a meaningful forum for student expression and promoting the general welfare of the student population. In order to ensure that the interests of students are represented in a fair and equitable manner, the SGA is divided into two levels: a University-Wide level to represent the interests of all FAU students, and a Campus-Based level to represent the interests of students on each individual campus grouping.

The operations of the SGA are funded through the collection of Activity and Service (A&S) fees which are assessed to all registered FAU students. Florida statutes require that A&S fees be expended for lawful purposes to benefit the student body in general. For the 2015/16 fiscal year, FAU's A&S fee was \$12.32 per credit hour, and total annual funding was approximately \$9.6 million. The total SGA A&S expenditure budget was approximately \$9.4 million, which included an estimated \$236K allocation for travel.

The Activity and Service Accounting and Budget (ASAB) Office - which consists of a team of professional administrators supplemented by student specialists - is responsible for oversight of the expenditure of A&S fee monies collected by the university. It coordinates the A&S fee budget process, posts certain financial transactions, and facilitates a range of services for the SGA, including the management of student travel and provision of fiscal training. The ASAB Office oversees and coordinates all official travel by individual or groups of students - irrespective of the funding source - as well as official travel by non-student employees funded by A&S fees. During the course of the audit, the ASAB Office was staffed by three full-time employees and two part-time student employees.

An important initiative of the SGA is the student travel award program whereby individual students may apply to the appropriate student travel funding committee - via the ASAB Office - for subsidies to offset their costs to attend, make a presentation, or compete at a conference or event. For the 2015/16 fiscal year, travel award (per trip) maximums ranged from \$200 for an undergraduate student to attend a conference/event in Florida, to \$800 for a graduate student to make a presentation or compete at an out-of-state conference or event.

Our review of the Workday Finance system indicated that during the first five months of the 2016 calendar year, our audit period, A&S fee-funded travel expenditures totaled approximately \$97K.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Travel Policy Non-Compliance Issues – Student Travel Awards

According to the *Student Travel Policy*, an individual student - or group of students - requesting a travel award, must electronically complete and submit their travel application and supporting documentation at least 30 calendar days in advance of the trip to the ASAB Office via the Owl Central system. After the trip, each student seeking reimbursement is required to submit a request for travel reimbursement via Owl Central within ten business days of completion of travel. If proper reimbursement documentation is not submitted within ten business days, the travel expenses will not be reimbursed. In addition, all official travel by students is subject to compliance with the *FAU Expense Travel Policies and Procedures*.

Testwork conducted for a judgmentally selected sample of 40 travel expense reports for students - traveling individually or as a part of a group - who received travel awards funded by A&S fees for the period 1/1 – 5/31/16, and the related Workday Spend Authorizations (SAs), indicated the following exceptions pertaining to procedural non-compliance issues:

- Six of 40 travel applications tested were not submitted online via Owl Central at least 30 calendar days in advance of the trip as required by the *Student Travel Policy*. The travel applications were submitted 27 to 29 calendar days prior to the departure dates;
- One of three Workday Spend Authorizations (SAs) tested for travel outside the U.S. was not electronically approved by the president/provost or his/her designee as required by university travel policies and procedures. The SA was classified incorrectly as out-of-state travel;
- One request for travel reimbursement was not submitted to the ASAB Office through Owl Central as required, but was properly processed through Workday Finance;
- Four of 39 travel reimbursement requests tested were not submitted online via Owl Central within ten business days of completion of travel as required by the *Student Travel Policy*. The requests were submitted 29 to 35 business days after the return date. It was noted, however, that these four requests were properly submitted for processing through Workday Finance; and,
- Three of 40 Workday Expense Reports (ERs) tested were not electronically submitted and approved within sixty calendar days after the last day of official travel as required by university travel policies and procedures. The expense reports were not approved on the Workday Finance system until 73 to 225 calendar days after the completion of travel.

Recommendation No. 1

We recommend management improve its oversight and monitoring of student travel awards to ensure:

- All travel award applications and supporting documentation are completed and submitted timely to the ASAB Office via Owl Central as required by the *Student Travel Policy*;
- All Workday Spend Authorizations (SAs) for travel outside the U.S. are properly classified and electronically approved by the president/provost or his/her designee as required by university travel policies and procedures;
- All student requests for travel reimbursement are submitted to the ASAB Office via Owl Central within ten business days of completion of travel as required by the *Student Travel Policy*. In addition, management – at its discretion – could develop and implement an exception policy addressing the conditions under which late travel reimbursement requests would be accepted for processing; and,
- All Expense Reports (ERs) are electronically submitted and approved on the Workday Finance system within sixty calendar days after the last day of official university travel as required by university travel policies and procedures.

Management's Response

Action Plan:

- The Activity and Service Accounting and Budget (ASAB) Office has enhanced its oversight and internal controls for the review and approval of individual students – or groups of students – requesting a travel award, by ensuring that all travel applications and supporting documentation be submitted on-line via Owl Central as required by the Student Travel Policy. The ASAB Office has implemented checklists for Student Travel, in addition to the Workday workflow, to monitor the dates of submission and continues to educate students as to the timeline for submitting travel applications on-line via Owl Central. The Student Travel Policy will be amended from “30 calendar days” to “20 business days” to allow the ASAB Office time to review and process the travel applications and supporting documentation.
- The ASAB Office is closely monitoring Workday spend authorizations (SAs), including spend categories for proper classification of in-state, out-of-state, and travel outside of the U.S. including supporting documentation via the Workday business approval process. Travel outside the U.S. will be routed in Workday to the Vice President for Student Affairs (in addition to the president/provost or his/her designee) as required by university travel policies and procedures.
- The ASAB Office is closely monitoring travel reimbursements in Workday and has hired a Business Account Manager to ensure reimbursements are submitted via Owl Central within the 10 business days of completion of travel as required by the Student Travel Policy. The Business Account Manager is required to document any exceptions made to this rule (such as holidays, or hardship requests). The ASAB Office is also enhancing its training program by implementing on-line training to help educate students as to these requirements.

- The ASAB Office is closely monitoring Workday Expense Reports electronically to ensure that they are submitted and approved in the Workday Finance system within 60 calendar days after the last day of official travel as required by the University Policies and Procedures.

Implementation Date:

October 17, 2016.

Responsible Auditee:

Grecia Viera, Business Account Manager.

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Travel Policy Non-Compliance Issues – Non-Student Employees/Student Groups

According to the *Student Travel Policy*, travel requests by student groups that do not require student travel awards must be submitted at least ten business days in advance of travel to the ASAB Office using the *Notification to Travel Application* form available via the Owl Central system. Workday Spend Authorizations (SAs) and Expense Reports (ERs) for such trips are typically processed by SG-affiliated non-student employees (e.g., SG advisors, Student Affairs managers, etc.) on behalf of the student groups. In addition, non-student employees will process SAs and ERs on their own behalf when traveling on official business funded by A&S fees.

During the audit period, it was required that Workday Expense Reports for travel expenses paid via pCard be submitted and approved within ten business days after the transactions appeared in the Workday Finance system. Effective 8/1/16, the *Purchasing Card User Manual* was revised to require full approval of the pCard charges within 30 calendar days after the date of purchase.

Testwork conducted for a judgmentally selected sample of 20 travel expense reports processed in the name of SG-affiliated non-student employees, and the related Workday Spend Authorizations, as well as an analysis of SGA travel expenses, for the period 1/1 – 5/31/16, indicated the following exceptions pertaining to procedural non-compliance issues:

- Required *notification to travel* forms were not submitted for four trips involving groups of students;
- Two of nine available *notification to travel* forms tested were not submitted online via Owl Central at least ten business days in advance of the trip as required by the *Student Travel Policy*. The *notification to travel* forms were submitted four business days or less prior to the departure dates;
- Six of 14 Workday Expense Reports tested for travel expenses paid via pCard were not electronically submitted and approved within ten business days of posting to Workday Finance. The ERs were approved 29 to 126 calendar days after the expenses posted to the Workday Finance system; and,

- For one Workday Expense Report (ER) reviewed, we were unable to locate a valid transaction receipt for a hotel expense item of \$569.27 – which had been reimbursed to an employee – indicating that he had paid the item out-of-pocket and was eligible for the reimbursement. Subsequent to bringing this issue to management’s attention it was determined that the payment to the employee was erroneous, and we reviewed documentation indicating the employee had reimbursed the university on 9/22/16.

Recommendation No. 2

We recommend management improve its oversight and monitoring of A&S fee-funded official travel by non-student employees, SG elected officials, and student groups not requesting travel awards, to ensure:

- All *notification to travel* forms are completed and submitted at least ten business days in advance of the trip via Owl Central as required by the *Student Travel Policy*; and,
- All Workday Expense Reports indicating travel expenses paid via pCard are electronically submitted and approved within 30 calendar days after the date of purchase as required by current purchasing card policies and procedures.

Management’s Response

Action Plan:

- The Activity and Service Accounting and Budget (ASAB) Office has enhanced its oversight and internal controls for monitoring and reviewing A&S fee-funded official travel by ensuring that all *Notification to Travel Application* forms (available via the Owl Central system) are submitted at least 10 business days in advance of the travel to the ASAB Office. The ASAB Office has implemented checklists for Student Travel, in addition to the Workday workflow, to monitor the dates of submission and continues to educate non-student employees, SG elected officials, and student groups not requesting travel awards as to the timeline for submitting travel applications on-line via Owl Central.
- The ASAB Office is closely monitoring all Workday Expense Reports indicating travel expenses paid via pCard are electronically submitted and approved in the Workday Finance system within 30 calendar days after the date of purchase as required by the University Policies and Procedures.

Implementation Date:

October 17, 2016.

Responsible Auditee:

Grecia Viera, Business Account Manager.

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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 Student Government Association. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on our observations and tests performed, we are of the opinion that the evaluated travel operations of the Student Government Association were being conducted in general compliance with all applicable laws, rules and regulations, policies and procedures, and sound business practices. Notwithstanding this assessment, we have made recommendations to improve the level of fiscal oversight and accountability for SGA travel transactions. It is our belief that existing control weaknesses can be readily corrected in order to cost-effectively improve the internal control environment as it relates to the travel operations of the SGA.

We wish to thank the staff of the Activity and Service Accounting and Budget 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, CBA, CFSA, CGAP
Allaire Vroman