FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Operational Audit

For the Fiscal Year Ended June 30, 2006
And Selected Actions Taken Prior and Subsequent Thereto
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SUMMARY OF FINDINGS

Our operational audit for the fiscal year ended June 30, 2006, and selected actions taken prior and subsequent thereto, disclosed the following:

General and Management Controls

Finding No. 1: Contrary to the University’s Inspector General charter and applicable professional standards, the Inspector General did not report directly to the President, and did not provide for a required peer review. Also, the University had not documented, of record, why certain Inspector General reports were not published, or that the President and Chair of the Audit Committee had been advised of the decision to not publish these reports and had approved such action.

Finding No. 2: The University’s accounting records did not accurately reflect budgeted revenues and expenditures per the Board of Trustees-approved operating budget. Also, contrary to Board policy, the operating budget did not include all planned revenues and expenditures, and several budget amendments were not approved by the Board or President.

Cash and Receivables

Finding No. 3: The University’s controls over electronic fund transfers needed improvement.

Finding No. 4: Contrary to law, University personnel wrote off returned checks receivables without Board of Trustees approval. Also, the University had not, of record, performed collection procedures for certain returned check receivables.

Capital Assets

Finding No. 5: The University’s 2005-06 fiscal year annual physical inventory of tangible personal property disclosed numerous property items that could not be located. Although University personnel investigated the missing items, they had not, of record, reported all items still missing after the investigation to the appropriate law enforcement agency. Nor had University personnel timely adjusted the property records for the missing property items.

Finding No. 6: The University did not reconcile capital outlay expenditures to property record additions.

Revenues

Finding No. 7: The University’s procedures for decentralized collections needed improvement. In addition, the University had not, contrary to Section 119.021, Florida Statutes, retained records supporting $1,823,389 of reported Athletic Department collections.

Finding No. 8: The University did not adequately monitor compliance with auxiliary contract provisions to ensure that it received the correct amount of commission income it was due.

Finding No. 9: Contrary to Board of Governors regulations, procedures for determining tuition waivers and refunds had not been approved by the Board of Trustees. Also, our tests disclosed instances in which tuition refunds were not calculated correctly.

Finding No. 10: University records did not provide for adequate accountability over receipts and expenditures of financial aid fees.
Finding No. 11: The University had not established written policies and procedures governing the use of health, athletic, and transportation access fees. Also, the University's records did not adequately demonstrate accountability for the receipt and expenditure of student activity and service, health, athletic, and transportation access fees.

Personnel and Payroll Administration

Finding No. 12: Numerous employees were not paid timely for work performed. Although the University had made an attempt to identify employees still owed salary for work performed, such efforts could be enhanced. Also, our tests disclosed instances in which payments to resolve claims of untimely payments were not supported by documentation evidencing the propriety of such payments.

Finding No. 13: The University did not timely implement salary increases for certain employees, and did not promptly resolve resulting salary underpayments.

Finding No. 14: The University did not always retain adequate documentation for salary payment cancellations or evidence that cancelled payroll warrants were destroyed or defaced.

Finding No. 15: Fingerprinting was not performed for certain employees in positions of special trust or of a sensitive nature.

Finding No. 16: University procedures were not adequate to ensure that employee leave records were properly updated for unused leave payments to terminated employees.

Finding No. 17: The University's procedures were not adequate to ensure that required annual performance evaluations were completed in accordance with University rules.

Finding No. 18: The University did not always obtain sabbatical leave reports within the timeframe required by the Collective Bargaining Agreement. Also, the University had not established policies and procedures requiring notification and approval of changes to planned sabbatical activities.

Purchasing

Finding No. 19: The University had not updated written policies and procedures for its Purchasing Department to reflect its new financial system.

Disbursement Processing

Finding No. 20: The University's disbursement processing procedures needed improvement.

Finding No. 21: University records for payments to medical providers for student athletes were not always complete, and payments were not always timely.

Communication Expenses

Finding No. 22: The University needed to improve its controls over communication expenses.

Finding No. 23: University procedures did not provide for adequate monitoring of cellular telephone (cell phone) usage. Also, the University did not confer with the Florida Department of Financial Services to report to the Internal Revenue Service the value of cell phone services as income for employees who did not make an adequate accounting of the business use of their assigned cell phones. In addition, our review of selected cell phone bills disclosed several instances in which University personnel did not, of record, timely review the cell phone bills to ascertain any personal calls made, and reimbursement thereof.
Travel Expenses

Finding No. 24: Our tests disclosed instances in which University records did not evidence that travel payments for student meals were actually disbursed to the students.

Contractual Services

Finding No. 25: Payments to some contractors were not made pursuant to signed, and sufficiently detailed, written agreements.

Finding No. 26: The University did not always procure contractual services using the competitive selection process prescribed by Board of Governors regulations and University rules, or properly and timely document that such procurements were exempt from competitive selection requirements. Also, subsequent to the 2005-06 fiscal year, the Board of Trustees changed the University's competitive procurement threshold to an amount that exceeded the limit established by Board of Governors regulations.

Construction and Capital Outlay

Finding No. 27: The University did not document its determination of the reasonableness of the labor burden rate the construction management entity applied to construction contracts.

Contracts, Grants, and Scholarships

Finding No. 28: The University's controls over sponsored research contracts and grants needed improvement.

Finding No. 29: The University needed to improve accountability over scholarships awarded to students under its Presidential Scholars Program.

Motor Vehicles

Finding No. 30: The University had not adequately documented that purchases of passenger vehicles were cost-effective.

Finding No. 31: Vehicle usage logs for University-owned vehicles were not always properly completed or maintained for all months, and generally did not include evidence of supervisory review.

Other Matters

Finding No. 32: The University needed to enhance its controls relating to grade changes and degree certifications.

Finding No. 33: The University did not always timely correct deficiencies noted in fire safety inspection reports.

Finding No. 34: The University lacked a sufficiently comprehensive disaster recovery plan that addressed all information technology resources.

Finding No. 35: Understaffing of certain areas of the University may have contributed to some of the control deficiencies disclosed in this report, and may have contributed to the need to use consultants to provide support in key operational areas.
BACKGROUND

The University is a separate public instrumentality that is part of the State university system of public universities. The University Board of Trustees (Trustees) consists of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members. Trustees who served during the 2005-06 fiscal year are listed in Appendix A of this report.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provides governance in accordance with State law and Board of Governors’ Regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The President during the 2005-06 fiscal year was Dr. Castell V. Bryant.

The results of our financial audit of the University for the fiscal year ended June 30, 2006, will be presented in a separate report.

An examination of expenditures of Federal awards administered by the University under contract and grant agreements to finance specific programs and projects is included in our Statewide audit of Federal awards administered by the State of Florida. The results of that audit for the fiscal year ended June 30, 2006, were presented in report No. 2007-146, dated March 2007.

FINDINGS AND RECOMMENDATIONS

General and Management Controls

Finding No. 1: Inspector General

The Inspector General’s charter, dated March 18, 2003, stated that the Inspector General shall conduct financial, compliance, electronic data processing, and performance audits, and required that such audits be conducted in accordance with Standards for the Professional Practice of Internal Auditing (Standards) published by the Institute of Internal Auditors (IIA) or, where appropriate, in accordance with Government Auditing Standards (G.A.S) issued by the Comptroller General of the United States1.

Our review of the Inspector General’s operations disclosed the following:

➢ Section 19A.400 of the charter provided that the Inspector General would report to the University President and have direct communication with the President and Chairman of the Audit Committee (who is also a member of the Board of Trustees). Contrary to this provision, the University’s organizational chart showed that the Inspector General did not report directly to the President, but instead reported to the Vice-President, Audit and Compliance, who in turn reported to the President.

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1 The Inspector General has issued reports referring to IIA Standards and Government Auditing Standards (G.A.S). As such, the Inspector General must comply with IIA Standards and G.A.S.
University personnel provided us with a charter revision to eliminate the Inspector General position and designate the Vice-President, Audit and Compliance as the chief audit executive reporting directly to the President, and with a Board of Trustees resolution approved in June 2005 indicating its commitment to create an Office of Audit and Compliance. However, the Board had not taken action to adopt the charter revision and, as such, the March 18, 2003, charter provisions remained in effect during the 2005-06 fiscal year, and for most of the 2006-07 fiscal year. Subsequent to our inquiry, on March 8, 2007, the Board adopted the charter revision.

Section 19A.110 of the charter provided that the Inspector General should be free from any interference with investigations, audits, and access to records. Similarly, pursuant to IIA Standards, the Inspector General should be free from interference in determining the scope of his or her activity, performing work, and communicating results. The Inspector General published (i.e., filed reports with the President and Audit Committee, and with our Office pursuant to Section 19A.300(O) of the charter) no reports during the period March 24, 2003, through July 13, 2006 (approximately 40 months). We inquired of the Vice-President, Audit and Compliance as to why no reports were published during this time, but were not provided with an explanation.

Our review also disclosed that two Inspector General reviews had been completed for which reports had been prepared and numbered, but for which reports had not been published, as follows:

- Report No. R-05-312, dated June 30, 2005, was related to a review of University finances. According to the Vice-President, Audit and Compliance, this report was not published because he was not aware of this report and had not seen any work papers related to this report. However, during our 2004-05 fiscal year financial audit, the former Inspector General provided us a copy of this report, and supporting work papers, for our review. In addition, our review disclosed two memorandums dated in March 2005 from the former Inspector General to the President regarding the review that was the subject of this report. In response to our inquiry regarding this report, the President stated that she was not aware that this review was being conducted. The Vice-President, Audit and Compliance indicated that the Chair of the Audit Committee was not aware that this review was being conducted.

- Report No. R-05-312A, dated November 11, 2005, was related to a review of the University’s costs to implement a new enterprise resource planning system (see further discussion in finding No. 34). The Vice-President, Audit and Compliance indicated that he was aware that the review was being done, but that the report had not been published because to his knowledge the review was not complete, the supporting work papers were not complete, and University personnel did not have sufficient knowledge of the work performed to adequately resume the review and publish the report. In response to our inquiry regarding this report, the President stated that she was aware that this review was being conducted, but was not aware that it had been completed. The Vice-President, Audit and Compliance indicated that the Chair of the Audit Committee was aware that this review was being conducted.

Although in response to our inquiries we were provided explanations as to why these reports were not published, the University’s records did not contain such explanations or evidence that the President and Chair of the Audit Committee had been advised of the decision to not publish these reports and had approved such action.
IIA Standards require the Inspector General to establish a quality control program to provide management with reasonable assurance that the internal audit activity operates in conformity with applicable auditing standards, and to undergo an external quality assurance review at least once every five years to determine the adequacy of the quality program. Similarly, GAS require the Inspector General to establish an internal quality control system to provide reasonable assurance of conformity with applicable professional standards, and to undergo an external peer review at least once every three years. The Inspector General’s last external quality assurance or peer review was for the 2000-01 fiscal year. Therefore, as of February 2007, and contrary to GAS, it had been over three years since the Inspector General had undergone an external peer review.

Recommendation: The University should ensure that Inspector General reports are timely published, or document, of record, why reports are not published. In addition, the University should ensure that the Inspector General undergoes a timely quality assurance or peer review in accordance with IIA Standards and GAS.

Follow-up to Management Response

The President, in her letter that accompanied the University’s response to our preliminary and tentative findings, requests that this finding be removed from our report. However, there is no apparent basis for this request as the University did not provide any documentation or information to indicate that the finding was inaccurate.

The University’s response to the second bullet of this finding, regarding the unpublished June 30, 2005, report, indicates that the President never requested the review and that the University has no work papers supporting this review. However, our audit disclosed correspondence from the former Inspector General to the President indicating that the President was aware of and had requested the review, and we visually observed the work papers supporting the review. In light of these apparent discrepancies, the University Board of Trustees should consider referring this matter to the Board of Governors Task Force on FAMU Finance and Operational Control Issues for its review.

The University’s response to the second bullet of this finding, regarding the unpublished November 11, 2005, report, indicates that the report was not published because supporting work papers for the review were incomplete; the report was still in draft at the time the former Inspector General was put on administrative leave in June 2006; the University does not have access to an electronic copy of the report; and the Vice-President, Audit and Compliance, and Interim Director of Audit and Assurance Services, lacked historical knowledge of the details of the work performed to adequately resume the review and publish the report. However, as stated in the finding, the University did not document, of record, the decision and reasons for not publishing the report.

The University’s response to the second bullet of this finding also refers to reporting requirements established by professional standards; however, our finding makes reference to reporting requirements included in the Inspector General’s charter in effect during the 2005-06 fiscal year.

Finding No. 2: Operating Budget

Section 1011.40(2), Florida Statutes, requires each university board of trustees to adopt an operating budget. Board of Trustees (Board) Policy No. 2005-05 requires the President to prepare and submit to the Board an operating budget identifying categories of expenditures and expected revenues. The operating budget must include all revenues
and expenditures, and all amendments to the operating budget must be approved by the Board, except for certain budget amendments that only require the President’s approval.

The Board-approved 2005-06 fiscal year operating budget included budgeted expenditures totaling $394,643,481. Our review of the University’s budget procedures disclosed the following:

- The budgeted expenditures recorded to the accounting records included $39,315,635 of expenditures (and related revenues) that were not included in the Board-approved operating budget. According to University personnel, it has been a University practice to not include these revenues and expenditures in the budget; however, this is contrary to Board Policy No. 2005-05.

- Budgeted expenditures were increased by $1,724,520 through several budget amendments; however, the amendments were not approved by the Board or President, contrary to Board Policy No. 2005-05.

Effective budgetary procedures provide for monitoring the budget to ensure that expenses do not exceed available resources and that resources are allocated to programs and activities in accordance with law and Board directives. When the operating budget does not include all revenues and expenditures, the Board’s ability to determine necessary increases or decreases in revenues or expenditures is diminished. In addition, when the recorded budget does not accurately reflect the Board-approved budget, there is an increased risk that actual expenditures will not be in accordance with the Board’s intent, that budget overexpenditures may occur, or that payments due to vendors or employees may not be timely (see further discussion in finding No. 12).

**Recommendation:** The University should ensure that future operating budgets submitted to the Board for approval include all planned revenues and expenditures, and ensure that the accounting records accurately reflect budgeted revenues and expenditures included in the Board-approved operating budget.

**Follow-up to Management Response**

The University’s response to this finding states that the $39,315,635 of expenditures referred to in the finding was not recorded as budgeted expenditures. However, University records, including a reconciliation of the difference between budgeted expenditures recorded to the accounting records and those included in the Board-approved operating budget (prepared by University staff in response to our inquiry), show that the $39,315,635 of budgeted expenditures was recorded to the accounting records.

The University’s response, in discussing several components of the $39,315,635, provides various reasons why such expenditures should not be included in the Board-approved operating budget. However, Board of Trustees Policy No. 2005-05 does not exempt any University revenues or expenditures from being included in the operating budget. If it is the Board’s intention to exempt certain types of revenues or expenditures from the operating budget, it should revise Board of Trustees Policy No. 2005-05 accordingly.

Certain other statements included in the University’s response to this finding related to components of the $39,315,635 require further clarification, as follows:

- The University’s response indicates that $1,500,000 of the $39,315,635 was related to capital improvement and building fees for student-funded construction projects that were collected by the University and forwarded to the Florida Department of Education (FDOE), and that since these fees are for capital expenditures they are not included in the operating budget. However, excluding such fees from the operating budget does not appear to be consistent with Section 1013.61, Florida Statutes, which requires that the University’s capital outlay budget (which would include budgeted capital expenditures) be a part of the University’s annual budget.
The University's response states that $10,588,574 of the $39,315,635 was for spending authority for use of unexpended and unobligated Educational and General funds remaining from the approved prior fiscal year operating budget. Section 1011.45, Florida Statutes, provides that unexpended amounts in any fund in a university operating budget shall be carried forward and included as the balance forward for that fund in the approved operating budget for the following year.

The University's response to our finding that $1,724,520 of budget amendments were not approved by the Board or President indicates that $1,400,000 of the amendments represented transfers from the Auxiliary Trust Fund, and the remaining $324,520 of amendments were for encumbrances for expenses incurred in the prior fiscal year that were not paid as of the close of the accounting period for that fiscal year, resulting in a net effect on the 2005-06 fiscal year spending authority of zero. However, the point of our finding is that such amendments were not approved by the Board or President. In addition, contrary to the assertion that these budget amendments did not affect the total spending authority (i.e., did not increase or decrease total budgeted expenditures), the above-noted University-prepared budget reconciliation shows that these budget amendments increased total budgeted University expenditures by $1,724,520.

Finding No. 3: Electronic Fund Transfers

Electronic fund transfers among bank accounts should be properly authorized, processed, and documented. There should be a written agreement between the University and the bank setting forth the responsibilities of each party, including locations and accounts where funds may be transferred. University employees who authorize and transmit transfers should not be the same employees who verify or record the transfers.

As similarly noted in our report No. 2005-032, the University’s controls over electronic fund transfers needed improvement. Our review of such controls, and test of 13 electronic fund transfers, disclosed the following:

- The written agreement between the bank and the University did not specify the accounts to which transfers may be made, or restrict the amounts that may be transferred. Subsequent to our inquiry, the University entered into a new agreement with the bank that specified the accounts to which transfers may be made.

- One employee had the incompatible duties of authorizing and verifying electronic fund transfers. Also, three employees had the incompatible duties of transmitting and verifying electronic fund transfers. University personnel advised us that staff shortages made it difficult to adequately separate these duties. However, inadequate separation of duties due to a lack of available staff can be mitigated through the implementation of a compensating control, such as ensuring that the bank notifies University personnel, who do not have the ability to transmit electronic fund transfers, of any transfers that are made so that verification of the propriety of such transfers can be accomplished. Our review disclosed that the University had not adequately implemented such a compensating control.

Under the above conditions, there is an increased risk that unauthorized transfers could be made and not be timely detected, or that transfers may not be recorded to the University’s accounting records, which could limit University management’s ability to properly manage its cash resources and could result in improper financial reporting of transactions.
Recommendation: The University should strengthen its controls over electronic fund transfers by amending its written agreements with the banks to limit amounts that may be transferred, and by separating incompatible duties.

Follow-up to Management Response

The President, in her letter that accompanied the University’s response to our preliminary and tentative findings, requests that this finding be removed from our report. However, there is no apparent basis for this request as the University did not provide any documentation or information to indicate that the finding was inaccurate.

The University’s response to this finding refers to the Associate and Assistant Vice Presidents, and states that neither of these individuals had transfer authority. To clarify, the three employees that had the incompatible duties of transmitting and verifying electronic fund transfers, as referred to in the second bullet of this finding, did not include either of these individuals.

The University’s response also refers to an investment account managed by the State Treasury, and states that the agreement with the State Treasury specifically prohibits transfers of funds from this account to any other account other than the University’s operating bank account. To clarify, our finding relates to electronic fund transfers to and from the University’s operating bank account, not the State Treasury account.

The University’s response further states that two employees in the General Accounting office did have interchangeable duties due to the number of vacancies in that office, but that these employees could only initiate transfers between University accounts and under no circumstances did the same person initiate and verify the same electronic fund transfer (EFT). However, the bank agreement in effect during the 2005-06 fiscal year did not restrict accounts to which EFTs could be made, and as discussed in the finding, at the time of our review of the University’s controls over EFTs, three employees had the ability to transmit and verify EFTs.

Finding No. 4: Returned Checks Receivables

According to University accounting records, accounts receivable related to returned checks (checks returned because of nonsufficient funds, a closed checking account, or the execution of a stop payment) totaled $429,185 at June 30, 2006. Our review of the University’s controls relating to returned checks disclosed the following:

- Section 1010.03, Florida Statutes, authorizes the University’s Board of Trustees to charge off or settle uncollectible accounts. Contrary to law, University procedures were to write off returned check receivables without Board of Trustees approval. The University wrote off returned check receivables totaling $11,674 during the 2005-06 fiscal year. Obtaining Board approval for the write-off of receivables would provide the Board information for monitoring transactions and making financial decisions.

- For returned check receivables originating from decentralized collection points, University personnel did not, of record, perform collection efforts, such as mailing collection letters or referring such accounts to a collection agency. Also, University personnel did not, of record, determine whether such receivables were for students or employees so that academic holds could be placed on student records or amounts due deducted from employee paychecks.

Under the above conditions, there is an increased risk that the University will be unable to collect amounts due for returned checks, or that errors could occur and not be timely detected.
Recommendation: The University should ensure that returned checks receivable to be written off are presented to the Board for its review and approval. The University should also implement collection procedures for returned checks originating from decentralized collection points, including a determination of which receivables are for students or employees so that academic holds can be placed on student records or amounts due deducted from employee paychecks.

Follow-up to Management Response

The University’s response to this finding refers to its collection efforts relating to $11,761 of student accounts receivable (for unpaid tuition and fees) we selected for review. However, our finding does not relate to the student accounts receivable referred to in the University’s response. Our finding relates to returned check receivables originating from decentralized collection points, such as fees related to parking services or use of the Child Care Center, for which no collection efforts were performed and for which Board of Trustee’s approval was not obtained prior to $11,674 of such accounts being written off.

Capital Assets

Finding No. 5: Tangible Personal Property – Annual Physical Inventory

To ensure proper accountability and safeguarding of tangible personal property, the University should annually make a complete physical inventory of property, compare the results of the inventory with the property records, reconcile all discrepancies, and make appropriate adjustments to the property records. Property items not located during the inventory process should be promptly reported to the custodian and a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency.

According to University property records, tangible personal property totaled $77.6 million (excluding depreciation) at June 30, 2006. The University property manager completed the annual physical inventory for the 2005-06 fiscal year, and University personnel investigated property items that could not be located during the physical inventory. In September 2006, University personnel provided us with a list of 989 property items, totaling $2,668,833, that still could not be located after investigation (these items consisted primarily of computer processors, monitors, and printers with acquisition dates ranging from March 1984 to August 2005). We were advised that 855 of these items, totaling $2,291,108, had been approved by the University’s Property Survey Board for write-off, and that the remaining 134 items were pending review by the Vice-President for Administration.

In response to our inquiry, University personnel advised us that 171 of the 989 missing property items were reported to a law enforcement authority; however, we were not provided the property numbers for the 171 items, or documentation evidencing that these items were reported to a law enforcement authority. Nor were we provided documentation evidencing that University personnel had adjusted the property records for these missing items (a similar finding was noted in our report No. 2005-032).

When missing property items are not reported to the appropriate law enforcement agency, the University’s ability to recover missing property is limited. Failure to timely update the property records for missing property may result in tangible personal property being inaccurately reported on the financial statements and may negatively impact the accuracy of the next physical inventory.
Recommendation: The University should report items missing after investigation to the appropriate law enforcement agency, and ensure that the property records are timely adjusted to reflect missing property.

Follow-up to Management Response

The University’s response to this finding indicates that many of the items discussed in the finding were fully or partially depreciated and are old. We agree that many of the items would currently have little value, and the reporting of such items would not result in material misstatements of amounts reported on the financial statements; however, the fact that property items are fully or partially depreciated does not mean that such items are not subject to potential theft or misuse, and does not relieve the University of its responsibility to exercise due care in safeguarding such property.

The University, in response to this finding, provided copies of reports filed with the FAMU Law Enforcement Department for 21 of the 171 property items that University personnel stated had been reported to a law enforcement authority. Also, subsequent to delivery of the preliminary and tentative findings, the University provided us a list of the property numbers assigned to the 171 property items. We selected a sample of 20 items from the list of the 171 property items and requested that the University provide us with copies of reports filed with a law enforcement agency for those items; however, we were not provided such reports for 18 of these items (the 2 items for which we were provided reports were included in the 21 items for which the University provided reports with its response). As such, we could not determine the extent to which the University has filed reports with a law enforcement agency for the 171 property items.

In addition, our analysis of the other 818 missing property items that have not, of record, been reported to a law enforcement agency disclosed numerous items that should have been reported to a law enforcement agency. For example, 28 of these items (primarily consisting of computer equipment), costing a total of $48,086, were purchased within the last four years (May 2003 through April 2007).

Finding No. 6: Tangible Personal Property – Capital Outlay Expenditures

The University’s written capitalization policy for tangible personal property is to capitalize all tangible personal property items costing $1,000 or more. The University has established accounting procedures to distinguish purchases of capital outlay items that cost $1,000 or more from other noncapitalized purchases. However, as of the time of our review in September 2006, University personnel had not reconciled capital outlay expenditures with additions to the subsidiary property records. According to University records, capital outlay expenditures for the 2005-06 fiscal year totaled $9,958,672, while additions to the subsidiary property records totaled $10,449,454, a difference of $490,782.

Without a reconciliation of capital outlay expenditures with the amount of property additions to the subsidiary property records, the University has little assurance that errors will be timely detected and corrected, adjustments timely made, and capital assets properly accounted for.

Recommendation: The University should perform reconciliations of capital outlay expenditures to property record additions.
Finding No. 7: Decentralized Collections

The University collects money at various locations throughout the campus. Our review of controls over collections during the 2005-06 fiscal year at three decentralized locations disclosed that the collections process needed enhancement. Specifically, we noted the following:

- The Housing Department reported revenues totaling $6,640,039 for the 2005-06 fiscal year. Our test of 30 receipts disclosed that 10 receipts, totaling $13,339, were not deposited in a timely manner (from 4 to 19 days after the moneys were collected). Untimely deposit of collections increases the risk of loss or theft of collections.

- The Athletic Department reported ticket sales revenues totaling $1,823,389 for the 2005-06 fiscal year. However, University personnel informed us that the records supporting ticket sales were inadvertently discarded and were not available for our review. As such, we were unable to perform tests to determine whether amounts collected for ticket sales were properly recorded and deposited. In addition, disposal of records supporting ticket sales is not in compliance with record retention schedules established by the Florida Department of State, Division of Library and Information Services and, as such, contrary to Section 119.021(2), Florida Statutes.

- The University’s Child Care Center reported revenues totaling $427,332 for the 2005-06 fiscal year. Our review of controls over Child Care Center collections disclosed the following:
  - Child Care Center collections were transferred between employees without the use of signed transfer documents. Without transfer documents, the University cannot fix responsibility to one individual should a loss or theft of collections occur.
  - For 2 of 20 deposits tested, University records did not indicate the computer-generated receipt numbers of the receipts issued for cash collections; for 3 of the 20 deposits tested, there were gaps in the receipt numbers; and for 2 of the 20 deposits tested, there were duplicate receipt numbers. University personnel informed us that the computer software used in generating receipt numbers does not always sequentially number receipts. Nonsequential numbering of receipts, and failure to document receipt numbers for deposits, increases the risk that amounts collected may not be recorded and deposited intact.

Recommendation: The University should enhance its procedures to provide for timely deposit of collections, use of transfer documents to document transfers between employees, and sequential receipt numbering and accountability for receipt numbers. The University should also ensure that records supporting collections are retained in accordance with Section 119.021, Florida Statutes.

Finding No. 8: Auxiliary Contracts

The University contracts for the operations of its bookstore, food services, laundry services, snack vending, and soft drink vending with private contractors. The University was paid commission income totaling $732,641 for the
2005-06 fiscal year from these five contractors. Commission income ranged from $22,126 for the snack vending to $411,201 for the bookstore contract.

Written agreements with these contractors generally required the contractors to provide for annual independent audits, and to pay commission income supported by commission reports within a specified period of time following the end of the commission period (commission payments were due monthly for four contractors, and annually for the other contractor). All of the agreements provided that the University could review the contractor’s financial information to ensure the accuracy of commission income due the University.

As similarly noted in our report No. 2005-032, the University did not adequately monitor compliance with contract provisions to ensure that it received the correct amount of commission income it was due, as follows:

- University personnel advised us that the University’s practice was to visit the contractors and review sales records to determine the accuracy of commission income received from the contractor. However, as of the time of our review in October 2006, reviews for commissions paid the University for the 2005-06 fiscal year had not been performed for three of the contractors and reviews of the other two contractors had been started, but not completed. University personnel advised us that the reviews were not completed due to staff shortages.

- The agreements did not include a penalty provision for untimely commission payments. Such a provision would provide additional incentive for the contractors to make timely commission payments.

- The agreements did not specify a timeframe in which the audit reports were to be submitted to the University. As of October 2006, the University had not obtained an audit report for the 2005-06 fiscal year for four of the five private contractors. Independent audit reports provide the University a means to determine the reasonableness of sales (as shown on commission reports) used to calculate commissions paid to the University.

Without monitoring the accuracy of commission income received and obtaining audit reports, the University cannot be assured it is receiving all commission income to which it is entitled.

**Recommendation:** The University should continue its efforts to ensure it is receiving all commission income to which it is entitled. The University should also pursue revising the agreements with the contractors to include a penalty provision for late commission payments and to establish a timeframe for submittal of the audit reports.

**Finding No. 9: Tuition Refunds**

Board of Governors Regulation 6C-7.002(9) requires each university to establish, by rule, procedures for the refund or release of liability of tuition assessed and paid, and establish guidelines for determining the amount of refunds. Our audit disclosed the following regarding the University's administration of tuition refunds:

- Although University personnel had implemented procedures for determining tuition waivers and refunds, the Board of Trustees had not adopted the procedures by rule or other means, contrary to Board of Governors Regulation 6C-7.002(9).

- Our test of ten student tuition refunds during the 2005-06 fiscal year disclosed that three refunds were not calculated correctly, resulting in two over-refunds totaling $3,008 and one under-refund in the amount of
$2,294. We were advised by University personnel that these exceptions were caused by a computer program error.

**Recommendation:** The University Board of Trustees should adopt, by rule, procedures for determining tuition waivers and refunds. The University should also modify its computer program, as necessary, to ensure that refunds are calculated in accordance with University policy.

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**Finding No. 10: Financial Aid Fees**

Pursuant to Section 1009.24(6), Florida Statutes, the University is authorized to collect for financial aid purposes an amount not to exceed five percent of the tuition and out-of-state fee. The University is required to disburse financial aid fee revenues to students as quickly as possible, and a minimum of 75 percent of the revenues for new financial aid awards must be used to provide financial aid based on absolute need. Section 1009.24(6), Florida Statutes, also requires that the University file a report annually with the Florida Department of Education (FDOE), which must include certain specified information such as fees collected, unspent fees carried forward, and the amount and number of financial aid awards made.

Although the University’s 2005-06 fiscal year Student Financial Aid Fee Report reported $1,769,020 of financial aid fees collected, the University’s subsidiary records (departmental ledger) indicated that fees collected totaled $2,407,897, a difference of $638,877. Although requested, we were not provided an explanation for the difference. We also noted that the debits and credits for financial aid fee transactions recorded in the departmental ledger were out of balance by $2,730,508. University personnel had not, of record, investigated and identified the nature of this discrepancy. Given the above, the University could not be assured that its records accurately reflected the receipt and use of financial aid fees, which may affect the University’s ability to properly prepare the budget for the next fiscal year’s financial aid fee expenditures, and increases the risk that financial aid fees may not be disbursed as required by law.

**Recommendation:** The University should investigate and resolve the above-noted records discrepancies and make necessary adjustments to its records to accurately reflect the receipt and use of financial aid fees.

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**Finding No. 11: Student Activity and Service, Health, Athletic, and Transportation Access Fees**

Pursuant to Section 1009.24(8) through (12), Florida Statutes, the University is authorized to collect activity and service, health, athletic, and transportation access fees. During the 2005-06 fiscal year, University records reported activity and service fees totaling $3,507,052, health fees totaling $1,503,497, athletic fees totaling $3,068,841, and transportation access fees totaling $1,292,700.

Our review of the University’s administration of these fees disclosed the following:

- The University had not established written policies and procedures governing the use of health, athletic, and transportation access fees. Written policies and procedures providing specific guidelines as to the use of such fees would provide the University additional assurance that the fees are expended for authorized purposes.
Our test of seven disbursements disclosed an $8,932 transportation access fee expenditure for which we requested, but were not provided, supporting documentation. As such, we could not determine whether this disbursement was for a transportation access purpose.

Departmental ledgers established to account for the fees were out of balance (debits did not equal credits) by $2,178,326 for the student activity and service fee, by $1,476,933 for the health fee, by $1,573,689 for the athletic fee, and by $114,215 for the transportation access fee. University personnel had not, of record, investigated and identified the nature of these discrepancies. As such, the University could not be assured that its records accurately reflected the receipt and use of these fees.

Recommendation: The University should establish written policies and procedures governing the use of each of these student fees and ensure that disbursements of such fees are properly documented. The University should also investigate and resolve the above-noted records discrepancies and make necessary adjustments to its records to accurately reflect the receipt and use of these fees.

Personnel and Payroll Administration

During the 2005-06 fiscal year, the University had as many as 3,800 employees, approximately half of which were other personal service (OPS) employees. Our review disclosed that the University’s personnel and payroll administration procedures needed improvement, as discussed in finding Nos. 12 through 18.

Finding No. 12: Salary Payments

The University’s payroll system is maintained on a payroll-by-exception basis for faculty, administrative and professional, and support personnel. Employees are paid by electronic fund transfer or by warrant. University personnel in the Human Resources Office are required to update the payroll system biweekly for new hires and changes for existing employees. During the 2005-06 fiscal year, the University provided payroll information to the Florida Department of Financial Services, Bureau of State Payrolls, for processing employee salary payments.

Effective January 1, 2007, the University was to begin processing payroll using the human resource component of its Oracle-PeopleSoft (PeopleSoft) system. To prepare for the conversion to the PeopleSoft payroll system, deans and department chairs were instructed to begin matching their budget information related to payroll (e.g., certifying department number, paying department number, position type, position number) with the information maintained in PeopleSoft’s human resources component. Also, in January 2007, deans and department chairs were instructed to project salaries to the end of the fiscal year and confirm that information in the human resources component was current and matched the budget authority for payroll.

Subsequently, in January and February 2007, University personnel became aware of numerous salary payments that were not timely made. According to University personnel, the late payments were primarily due to one or more of the following:

- In July 2006, the University Controller’s Office began receiving notices that budgeted funds were not available to pay employees for some departments. According to University personnel, these instances occurred because some departments had certified to the Human Resources Office that budgeted funds were available for new employees (primarily OPS), although such funds were not actually available. To address this problem, a decision was made to require that, effective in January 2007, the Budget Office verify
available budget for all OPS contracts prior to authorization for the employee to be added to the human resources component. However, the new requirement was not communicated in writing to department heads, some of which continued to hire OPS without such verification being accomplished, and for which budget was not available. Also, the new requirement created a backlog in the Budget Office because of a staff shortage.

- Some departments failed to submit hiring packages in a timely manner. In some instances, employees had worked as much as four weeks prior to the department submitting required documentation.
- Some hiring packages were incomplete, as to required documents or approvals, requiring the Human Resources Office to obtain the missing documentation/approvals from the initiating departments.
- For some employees, departments did not certify time worked or certified incorrect names or social security numbers.

The President became aware of the situation, and on February 6, 2007, directed the provost and vice-presidents (at a staff meeting) to have the departments under them determine any employees for which salary payments were overdue and send the names of such employees to the President’s Office. This directive was not communicated in writing to departments, and department heads were not required to acknowledge that they had made such a determination.

On March 8, 2007, we were provided a list of 631 employees that University personnel had identified as not having been paid for at least some work performed in January or February 2007. The list indicated that 400 employees had been (or were scheduled to be) paid amounts due through issuance of an “on-demand” check, and the remaining 231 employees had not been issued an “on-demand” check (including 49 employees for which a final determination had not been made as to whether the employees were owed additional salary). We noted the following regarding the list:

- The list did not indicate the payroll period involved, the amount of the claim for amounts still owed, the amount of “on-demand” payments made to the employee (if any) in response to the claim, and the explanation for the late salary payment (if applicable). University personnel advised us that this information was available in other University records, such as “On-Demand Check Request” forms submitted by departments; however, these forms, and other supporting documentation, were not maintained in an orderly fashion (e.g., in alphabetical order or by department) so as to allow us to readily determine the explanation for the late payment to the listed employee. University personnel advised us that approximately $639,000 of “on-demand” checks had been written to employees; however, it was not practical for us to verify the accuracy of this amount because of the manner in which documentation supporting this amount was maintained, as discussed above.

- We selected a sample of 20 employees from the list of 631 to determine the reason for the late payment, and whether the University had made an on-demand payment to the employee or determined and documented that the employee was not entitled to such payment. University records indicated that “on-demand” payments were made to 12 of the 20 employees tested; however, for 7 of the 12 employees, we requested, but were not provided, documentation evidencing that the employee was entitled to such payment.

While processing late salary payment claims, University personnel noted that some claims filed for employees were for work performed prior to January 2007 (the claims related to the period May 2006 through December 2006). Pursuant to instructions from the President, the Director of EIT Services sent a series of emails to department
employees responsible for certifying employee hours worked requesting that they identify to the Director of EIT Services any employees in their departments that may not have been paid for work performed between May 1, 2006, and December 31, 2006. The first email was sent on February 23, 2007, and the latest email was sent on March 6, 2007.

On March 12, 2007, University personnel provided us with a list of 81 additional employees that University departments claimed were owed for work performed prior to January 2007. University personnel advised us that they had determined that 50 of these employees were not owed additional salary; 19 may be owed additional salary; and that a final determination had not yet been made as to whether the remaining 12 were owed additional salary.

University management is in the process of determining what additional corrective actions are necessary to prevent late salary payments from occurring in the future, and has made some attempt to identify employees that have not been timely paid salary for work performed; however, our review of the University’s efforts in this regard disclosed the following:

- No written directives (such as the emails sent by the Director of EIT Services) were sent to departments regarding the identification of employees due salary for work performed in January and February 2007.
- It was not apparent why the emails sent by the Director of EIT Services to departments only addressed the identification of employees due salary for work performed between May 1, 2006, and December 31, 2006, and did not address work performed for pay periods prior to May 1, 2006.

**Recommendation:** The University should continue its efforts to identify and pay all employees that are still owed salary payments, and to take additional corrective action, as necessary, to prevent future late salary payments from occurring. Such efforts should include sending written directives to all departments requiring them to make the appropriate inquiries and perform the necessary research to identify in writing any employees in their departments that may not have been paid for work performed for any pay periods, including those prior to May 2006. The directives should include appropriate guidance regarding the specific procedures to be followed in making the inquiries and performing the research. The head of each department should be required to provide a written description of the inquiries and research, and certify the results to the President. In addition, the University should ensure that all payments, including “on-demand” payments, are orderly maintained and supported by documentation evidencing the propriety of such payments.

**Finding No. 13: Salary Increases**

In August 2005, 18 faculty members were notified by letters from the President that they had received promotions, and corresponding pay increases, effective August 8, 2005, but did not begin receiving the increased rate of pay until 18 to 46 days after the approved effective date. University personnel advised us that this error was due to a misunderstanding by personnel in the Human Resources Office as to effective date of the pay increases. According to University records, a total of $13,581.64 was owed to these employees as a result of this error.

In response to inquiries of the Human Resources Office as to why their salary had not been increased effective August 8, 2005, some of the faculty members were asked to sign a settlement and release agreement in return for the University paying the faculty member the amount owed. According to University records, 2 of the 18 employees signed such agreements and were paid the amount owed. One employee was paid $775.32 on August 30, 2006, and
the other employee was paid $852.40 on September 19, 2006, about one year after the University began paying the employees at the correct rate of pay.

Some of these faculty members asked the United Faculty of Florida (UFF) to intervene on their behalf. Subsequently, the UFF filed a lawsuit against the University, and on November 3, 2006, the UFF entered into a settlement agreement with the University in which the University agreed to pay the faculty members any unpaid amounts, plus interest, relating to the salary increases. However, contrary to the terms of the settlement agreement, the University, as of March 12, 2007, had not, of record, made any such payments to these faculty members. Although requested, we were not provided an explanation for why these payments had not been made.

It was not apparent, of record, why it took the University so long to resolve these salary underpayments, or why some underpayments remain unresolved despite the settlement agreement. Had the University promptly resolved these underpayments, it could have avoided legal costs incurred in connection with the UFF’s lawsuit, and interest it is required to pay on unpaid salary.

Recommendation: The University should enhance its procedures to ensure that employees timely receive salary increases to which they are entitled, and ensure that future disputes regarding salary increases are promptly and properly handled. The University should also take immediate action to comply with the settlement agreement by paying amounts owed to the faculty members.

Follow-up to Management Response

Subsequent to delivery of the preliminary and tentative findings, the University provided us documentation evidencing that 10 additional employees (in addition to the two reported in the finding) had been paid amounts owed due to untimely pay increases. Also, the University, in response to this finding, provided information indicating that the remaining six employees were also paid amounts due; however, we were not provided documentation supporting such payments.

Finding No. 14: Salary Payment Cancellations

University Internal Operating Procedure No. HR-0002 establishes procedures for the destruction of cancelled or voided payroll warrants, including stamping or writing the words void or cancelled on the face of the warrant. Procedure No. HR-0002 requires that destruction of a warrant be witnessed and attested to by a minimum of two people, which is to be documented by a written record or report.

Our test of 31 salary payment cancellations during the 2005-06 fiscal year, for which 22 payments had been made by electronic fund transfer and 9 payments by payroll warrant, disclosed the following:

- For 3 of 9 cancelled payroll warrants, there was no documentation evidencing that the cancelled warrant was destroyed or defaced.
- For 20 of the 31 cancellations, we requested, but were not provided, documentation evidencing the reason for the cancellation.

Without a properly cancelled payroll warrant and documentation supporting the reason for the cancellation, the University cannot be assured as to the propriety of the salary payment cancellation.
Recommendation: The University should ensure that salary payment cancellations are properly documented as to reason, and documentation retained evidencing that cancelled payroll warrants were destroyed or defaced.

Finding No. 15: Fingerprinting

Although not specific to universities, Florida Statutes provide for criminal history checks, including fingerprinting, for employees in positions of special trust or of a sensitive nature. For example, Section 110.1127, Florida Statutes, requires that persons occupying certain State employment positions, because of special trust or responsibility or the sensitive location of those positions, be subject to a security background check, including fingerprinting, as a condition of employment. Section 1012.32(2)(a), Florida Statutes, requires personnel hired to fill positions requiring direct contact with students in any district school system or university lab school to undergo background screening, including fingerprinting, upon employment and every five years thereafter.

Our test of 17 employees hired in the Campus Security Department and Child Care Center during the 2005-06 fiscal year disclosed that background checks were performed on these employees; however, fingerprinting was not performed for the 17 employees although they were in positions of special trust or a sensitive nature. Of the 17 employees, 10 were students (graduate assistants and Federal Work Study students). University personnel indicated that they believed students working in the Child Care Center were exempt from fingerprinting pursuant to Section 402.302(3), Florida Statutes. Although students who observe and participate in a child care facility as part of their coursework are exempt from fingerprinting under Section 402.302(3), Florida Statutes, we were not provided evidence that the 10 students included in our test, for which fingerprinting was not performed, were participating in the Child Care Center as part of their coursework.

Effective February 2006, the University Board of Trustees adopted a written policy requiring background checks, including fingerprinting, for all job applicants and volunteers, and for all employees transitioning into positions of special trust or located in safety sensitive areas. However, of the 17 employees tested for which fingerprinting was not performed, 3 were hired after February 2006, indicating that the new procedures were not effectively implemented during the 2005-06 fiscal year.

Recommendation: The University should ensure that fingerprinting is performed for all employees in positions of special trust or of a sensitive nature in accordance with the new policy.

Finding No. 16: Leave Records

Board of Trustees Policy No. 2005-23 provides that all full-time employees accrue annual and sick leave each biweekly pay period, and that employees, upon termination, be paid for unused leave. Leave used by employees was to be input to the payroll system either from time sheets or payroll certifications, depending on the employee’s classification, to update employee leave records.

Our review of leave payments made to 42 employees upon termination disclosed that accrued leave hours recorded on the leave records were not reduced for 35 employees when the payment for accrued leave was made. Payment for accrued leave ranged from 20 to 832 hours for these 35 employees. Subsequent to our inquiry, leave records for the 35 employees were updated to show the correct leave balances.
Failure to adjust leave records could result in terminated employees being paid for accrued leave for which they are not entitled.

**Recommendation:** The University should enhance its procedures to ensure that employee leave records are properly updated for unused leave payments to terminated employees. The University should also review leave records for all employees who terminated during the 2005-06 fiscal year to determine if leave records were properly adjusted for unused leave payments.

**Finding No. 17: Performance Evaluations**

University Rule 6C3-10.130 requires that all University personnel receive a performance evaluation at least annually. The purpose of the evaluations is to assess employee’s performance in carrying out their assigned duties, communicate to the employee the results of the evaluation, and improve the employee’s performance.

Our review of performance evaluations due during the 2005-06 fiscal year for 25 employees disclosed that 3 employees did not have an annual performance evaluation. Although University procedures required that the Human Resources Office provide supervisory personnel with reminders of performance evaluations that were due, such procedures were not always effective as evidenced by the results of our review.

**Recommendation:** The University should enhance its procedures to ensure that required annual performance evaluations are completed in accordance with University rules.

**Finding No. 18: Sabbatical Leave**

According to the University’s collective bargaining agreement, an employee must, within 30 days upon returning from a sabbatical, provide a concise written report of the employee’s accomplishments during the sabbatical to the President or representative. Our review of six employees who were awarded sabbaticals during the 2005-06 fiscal year disclosed the following as of the time of our review in October 2006:

- Three employees had not provided a sabbatical report upon returning from their sabbatical leave. Subsequent to our inquiry, these employees prepared the sabbatical reports, from 163 to 297 days late. Also, one employee’s report was not dated, so we could not determine whether it was timely completed.

- Board of Trustees Policy No. 2005-23 provides that sabbatical leave will be made available as outlined in the collective bargaining agreement; however, the University had not established written policies or procedures requiring notification of appropriate University management of changes in planned sabbatical activities, review of such changes, and approval thereof if it was determined that the changes were in the best interest of the University.

For one of the six employees, the activities performed during the sabbatical, as described in the sabbatical report, did not agree with the professional activities to be performed as described in the approved sabbatical. The employee, whose sabbatical was approved for the Spring 2006 Term, notified the Provost and Vice-President of Academic Affairs in a letter dated October 11, 2006, that he was unable to conduct the study for which the sabbatical was approved and that he decided to instead write an article. Although the letter
stated that this change in sabbatical activities was approved by the appropriate dean, we requested, but were not provided, with documentation evidencing the dean’s approval for the change.

Delays in providing sabbatical reports and a lack of oversight over sabbatical activities limits management’s ability to timely assess the results accomplished during the sabbatical to determine its impact on the University and the work expected to be produced by the employee.

Recommendation: The University should implement policies and procedures to ensure that sabbatical leave reports are provided in a timely fashion, as required by the Collective Bargaining Agreement, and to provide for changes in planned sabbatical activities to be approved by appropriate University management prior to the sabbatical leave.

Finding No. 19: Purchasing Policies and Procedures

During the 2004-05 fiscal year, the University implemented a new enterprise resource planning financial system; however, as of June 30, 2006, the University had not updated its written policies and procedures for the Purchasing Department to reflect the new financial system. University personnel informed us that the University was in the process of updating written purchasing policies and procedures, and was using unofficial user instructions for the new financial system for training.

Implementation of the new financial system has changed the purchasing process, necessitating the University to update written policies and procedures for its Purchasing Department to ensure appropriate training of staff and assist in the efficient implementation of the new financial system.

Recommendation: The University should continue its efforts to update written policies and procedures for its Purchasing Department.

Finding No. 20: General Disbursement Controls

The University is responsible for establishing controls that provide assurance that the process of acquiring goods or services is effectively and consistently administered. Our review of the University’s disbursement process disclosed the following:

- Our test of 63 disbursements disclosed 8 instances, totaling $17,858, in which purchases were not supported by either a written contract or purchase order that was properly approved and dated prior to the invoice date. Contracts and purchase orders serve to document management’s authorization to acquire goods and services, and the specifications and prices of the goods and services ordered, provide a basis for controlling the use of appropriated resources through encumbrances, and authorize vendors to provide goods and services to the ordering agency.
In our report No. 2005-032, we noted that improvements were needed in University vendor payment procedures to avoid late charges and to take advantage of prompt payment discounts. Our test of 63 disbursements during the current audit disclosed improvement in this area; however, we noted 5 payments, totaling $6,749, for which vendors were not paid in a timely manner (from 53 to 320 days after the goods or services were received).

We noted numerous instances in which payments were supported by faxed, rather than original, invoices. The disbursements (ranging from $480 to $45,177) included, for example, payments for software support, a sound and lighting system, and supplies. In these instances, University records did not evidence that University personnel had taken measures to validate the invoice, such as confirming the particulars of the invoice with the vendor or verifying that the fax number was associated with the vendor indicated on the invoice. Under these conditions, there is an increased risk of unsubstantiated or improper expenditures.

Recommendation: The University should ensure that written contracts or purchase orders are used to document the approval of purchases prior to incurring an obligation for payment, and should continue its efforts to ensure that vendors are promptly paid. The University should also ensure that original invoices, or evidence of validated faxed invoices, are retained in support of disbursements.

Finding No. 21: Athletic Medical Payments

Student athletes receive various forms of health insurance. Athletic medical payments are administered by the University's Athletic Department. Primary coverage is provided by the athletes' parents' insurance policy, if available. The University provided for athletic accident insurance, which pays accidental medical expenses over a $95,000 deductible, per injury. The University pays for any medical expenses not covered by the athletes' parents' policy and under the $95,000 deductible of the accidental medical insurance policy.

In our report No. 2005-032, we noted that Athletic Department records for payments to medical providers were incomplete and payments were untimely. Our current review again disclosed that the Athletic Department's administration of medical payments needed improvement, as follows:

Our review of 11 athletic medical payments during the 2005-06 fiscal year, disclosed 1 payment for 8 medical claims totaling $23,918.01 that was not supported by a vendor's invoice or an Explanation of Benefits (EOB) by the insurance provider.

Nine of the 11 payments we reviewed, totaling $109,340, were not timely (from 59 to 552 days after the services were rendered). For example, one untimely payment included 16 medical claims totaling $7,433.64 for services rendered from August 24, 2004, to November 24, 2004, that was not paid until February 2, 2006.

The insurance policy provided by the insurer requires that the insured must give written proof of loss within 90 days after the date of the loss or as soon as is reasonably possible, but no later than 12 months from the time otherwise required. For the 8 medical claims not supported by a vendor's invoice or EOB, and the 16 medical claims that were not timely paid (from 345 to 437 days after the 90 days), the University may no longer have the option of obtaining payment from the insurer if it was needed. Therefore, an undetermined, but possibly significant, financial loss may have occurred due to incomplete and inadequate record keeping of medical claims. Also, continued nonpayment to medical service providers may cause discontinuation of services.
Recommendation: The University should improve the process of record keeping and monitoring payments for medical claims.

**Communication Expenses**

**Finding No. 22: Communication Expenses**

The University’s communications system provides for local and long-distance transmission of both voice and data for all University facilities as an integral part of the University’s operations. The system includes equipment and services provided by the State of Florida Sunshine Telecommunications (SUNCOM) Network as well as independent vendors. Communication charges for the 2005-06 fiscal year totaled $3,162,174, consisting of $3,108,885 for telephones, $47,762 for cellular telephones, and $5,527 for pagers.

**Long-Distance Calls**

University procedures required employees to maintain a log for all long-distance calls made after 6:00 p.m. and on weekends, and employees were required to reimburse the University for any calls that were not for University business. In addition, each month a printout of the SUNCOM charges were to be sent to each department, and each department head was responsible for monitoring SUNCOM charges for their department.

Our review of 30 communication charges during the 2005-06 fiscal year disclosed 3 charges totaling $6,588.12 that were not supported by long-distance logs evidencing review and approval by a department head. These included charges for several calls made between the hours of midnight and 7:00 a.m.

**Cellular Telephones and Pagers**

The University provided cellular telephones (cell phones) and pagers to certain employees for use in performing their duties. According to University personnel, the departmental Vice President’s and President’s approval was required for cell phone and pager service. Our review of the 30 communication charges disclosed the following:

- A $146.16 charge (for the months of January 2006 through March 2006) for pager service for six pagers for which we requested, but were not provided, with service request forms supporting the need and approval for the pagers.
- A $291 charge for June 2005 for eight cell phones that were not used during the billing period. Although requested, we were not provided with service request forms supporting the need and approval for the cell phones.

Recommendation: The University should ensure that long-distance telephone logs, documenting the public purpose of such calls, are maintained in accordance with University procedures. The University should also retain documentation evidencing the need for, and approval of, the assignment of pagers and cell phones to employees.
Finding No. 23: Cellular Telephones

In our report No. 2005-032, we noted the University had no coordinated procedure for determining the most economic and efficient use of cellular telephones (cell phones). Our current audit disclosed that the University had established such a procedure, and had achieved a reduction in cell phone charges compared to prior fiscal years. According to University records, as of June 30, 2006, 62 employees were assigned cell phones for use in performing their duties.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the University to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee’s cell phone bill is an example of such a record.

The University’s written cell phone usage procedures permitted employees to use cell phones for personal use and, if the number of minutes used in any one month exceeded the number of minutes on the plan, the employee was required to reimburse the University to the extent that personal calls contributed to the excess minutes. The procedures also required employees to identify on cell phone bills which calls were business related and which were for personal use. However, the procedures did not require employees to state the specific business purpose of each call or require an independent review of cell phone bills to ascertain any personal calls, and reimbursement thereof. As such, the University should have conferred with the Florida Department of Financial Services (FDFS) regarding reporting to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the University had not conferred with FDFS regarding the inclusion of the value of these services in the income reported on the employees’ W-2 forms.

We selected 16 cell phone charges, totaling $18,583, for review to determine the propriety of the charges and compliance with University procedures for documenting and obtaining reimbursement for personal calls. However, although requested, we were not provided with the cell phone bills supporting these charges.

Recommendation: The University should revise its procedures to require employees to state the specific business purpose of each call and independent reviews of cell phone bills to determine personal calls made and any needed reimbursements. In the absence of such procedures, the University should confer with FDFS to report appropriate amounts in income to the IRS in accordance with Federal requirements. In addition, the University should ensure that bills supporting cell phone charges are retained to demonstrate the propriety of such charges.

Follow-up to Management Response

Subsequent to delivery of the preliminary and tentative findings, the University provided us documentation (cell phone bills) supporting the 16 cell phone charges totaling $18,583 referred to in the finding. Our review of this documentation disclosed that 3 of the 16 charges were properly reviewed for business use in a timely manner in accordance with University procedures. However, the remaining 13 charges were either not reviewed, of record, by University personnel for business and nonbusiness use, not reviewed in a timely manner (30 to 46 days late), not signed or dated to demonstrate timeliness of the review, or were not supported by the call detail in order for the University to determine business or nonbusiness use.
Finding No. 24: Travel Expenses – Student Meals

Section 112.061, Florida Statutes, governs per diem and travel expenses of public agencies, including universities. Among the requirements of Section 112.061, Florida Statutes, are specific documentation requirements for the payment or reimbursement of travel expenses incurred by employees or other persons in connection with official business. For universities, other authorized persons may include students traveling in connection with grants or athletic events.

Our test of 25 travel expenditures disclosed two instances in which travel expenditures were not supported by adequate documentation. These instances involved travel payments for student meals, totaling $4,610, to University employees who were to disburse the payments to students. Although requested, we were not provided documentation evidencing that the students received the money. Without documentation attested to by the students, the University cannot demonstrate that the student meal payments were used for the intended purpose.

Recommendation: The University should ensure that travel payments for student meals are properly documented. The University should also ensure that the $4,610 was distributed to the student travelers, as appropriate.

Follow-up to Management Response

The President, in her letter that accompanied the University’s response to our preliminary and tentative findings, requests that this finding be removed from our report. However, there is no apparent basis for this request as the University did not provide any documentation or information to indicate that the finding was inaccurate.

Subsequent to delivery of the preliminary and tentative findings, the University provided us documentation, consisting of lists purportedly signed by the students certifying that they received the portion of the $4,610 that they were entitled to. However, such documentation did not sufficiently demonstrate this because the lists did not show the amount received by each student.

Finding No. 25: Contractual Services

As a matter of good business practice, contractual arrangements should be evidenced by written contracts embodying all provisions and conditions of the procurement of such services. The use of a well-written, complete, and properly executed written contract protects the interests of both parties, defines the services to be performed, and provides a basis for payment. In addition, the University is responsible for establishing controls to ensure that payments to contractors are for services actually performed and in accordance with agreed-upon terms.

Our review of payments for contractual services for the 2005-06 fiscal year disclosed the following instances in which payments to contractors were not made pursuant to signed written agreements:
We also noted that the University, on March 30, 2006, paid $2,566,790 to a contractor for technology consulting services pursuant to a settlement agreement. The University originally entered into an agreement with the contractor for the period September 1, 2003, through September 30, 2005. The settlement agreement was needed because after the original agreement expired, the contractor continued to provide services to the University for the period October 1, 2005, through February 28, 2006, without benefit of a signed written agreement. According to University personnel, extended services were needed for postproduction support due to insufficient University staff and training; however, a written agreement addressing the extended services was not completed due to a vacancy in the University’s technology office.

In addition, we noted the following instances in which written agreements, or supporting documentation for payments, were not adequate:

- For one contractor who was paid $327, the University’s written agreement with the contractor did not provide sufficient information to determine the specific services to be performed.
- In connection with our review of the University’s use of the Northwest Regional Data Center (NWRDC) (see further discussion in finding No. 34), we noted that the University had entered into a written agreement with NWRDC; however, payments to NWRDC for certain services (i.e., batch job and CPU usage) were not addressed in the written agreement.
- Supporting documentation for some payments was not sufficient, as follows:
  - For one contractor who was paid $79,870, the written agreement required that the contractor provide technical reports evidencing work performed. Although requested, we were not provided the required reports.
  - One contractor was reimbursed $1,871 for travel costs. Although requested, we were not provided documentation evidencing that these travel costs were actually incurred. In addition, two payments to this contractor were for more than the agreed-upon price, resulting in overpayments totaling $4,534.

Recommendation: The University should ensure that all payments for contractual services are made pursuant to signed written agreements, and purchase orders where appropriate, clearly establishing the specific responsibilities of the parties to the contracts, and the University’s financial obligations, prior to the services being rendered and paid.
Follow-up to Management Response

Subsequent to delivery of the preliminary and tentative findings, regarding the third bullet of this finding, the University provided us documentation evidencing that the contractors were entitled to the payments received, and that a $4,534 overpayment to one of the contractors had not occurred. Accordingly, we have revised the recommendation relating to this finding.

Finding No. 26: Competitive Procurement of Contractual Services

Board of Governors (BOG) Regulation 6C-18.045 requires that University contracts for the purchase of commodities or contractual services exceeding $25,000 be awarded pursuant to a competitive solicitation, unless otherwise authorized by BOG Regulation 6C-18.050. During the 2005-06 fiscal year, University Rule 6C3-6.007 included similar provisions.

Additionally, BOG Regulation 6C-18.050(7) lists purchasing actions that are not subject to a competitive solicitation process, such as emergency purchases. For example, BOG Regulation 6C-18.050(7)(a) provides that when a university president determines, in writing, that the delay due to the competitive selection process is an immediate danger to the welfare of the institution, the institution may proceed with the procurement of contractual services without a competitive solicitation. During the 2005-06 fiscal year, University Rule 6C3-6.011, Emergency Procurement, included similar provisions.

As similarly noted in our report No. 2005-032, our review of contractual arrangements for six contractors that were paid in excess of $25,000 during the 2005-06 fiscal year disclosed that the University acquired services without benefit of a properly documented competitive selection process, or exemption, as follows:

- The University paid $33,625 for athletic accident insurance for the period September 11, 2005, through September 11, 2006, pursuant to a written agreement dated September 8, 2005. Pursuant to University Rule 6C3-6.007(2)(a), the University, prior to signing the agreement, was required to solicit competitive sealed bids unless it is determined that it is not practical to use an invitation to bid, in which case the University was required to solicit competitive sealed proposals. University records indicate that the contractor was selected based on quotes instead of competitive bids. According to University personnel, this was done because the coverage had expired; however, it was not apparent, of record, why the University did not initiate the competitive selection process a reasonable period of time prior to the coverage expiring. Nor did University records indicate why it was not practical to use a formal invitation to bid to solicit competitive sealed bids. Also, University personnel signed the contract on September 8, 2006, although an emergency action exemption was not requested until September 21, 2006, 13 days later. In addition, although requested, we were not provided evidence that an emergency action exemption was approved by the President.

- The University paid $180,820 for assistance in the executive search for five academic deans. The payments were made pursuant to a written agreement dated February 18, 2006. University records indicate that the contractor was selected based on internet searches, not competitive solicitation, because the University considered this an emergency purchase. University personnel signed the agreement on February 18, 2006, although an emergency action exemption was not approved by the President until February 21, 2006, three days later.

In addition, according to the emergency action exemption, this purchase was treated as an emergency because the five deans’ positions had remained vacant for an extended length of time. We determined that these positions had been vacant from 5 to 31 months at the time the written agreement for services was
signed; however, it was not apparent, of record, why the University did not initiate a competitive selection process sooner, which may have avoided the need for the University to consider this an emergency situation. In addition, the agreement for services did not indicate when the services had to be completed, indicating that there was no urgency in the services being performed. As such, there was no apparent basis for the emergency action exemption.

- The University paid $670,341 for consulting services for the student financial aid office (according to University records, there were seven unfilled positions in the office during that time period, including a change in the director). We requested, but were not provided, documentation evidencing that the University selected the contractor using a competitive solicitation process or evidencing that the purchase of these services was exempt from competitive selection.

- The University paid $1,908,608 for various accounting and other administrative services. The payments were made pursuant to a Master Services Agreement dated July 1, 2005. The University entered into several task orders pursuant to the Master Services Agreement, which prescribed specific services the contractor was to provide to the University. Such services included accounting functions, grant administration, advising University project management teams tasked with improving internal operating processes and controls, and assisting the University's internal audit function with certain risk assessment activities and in developing an internal audit/compliance plan. Our review disclosed the following regarding the University’s use of this contractor:
  - Although requested, we were not provided documentation evidencing that the University selected the contractor using a competitive solicitation process or evidencing that the purchase of these services was exempt from competitive selection. University personnel advised us that the Master Services Agreement was entered into pursuant to existing State contract No. 973-001-00-1. However, the Master Services Agreement did not make reference to that State contract.
  - The Florida Department of Management Services rewrote State contract No. 973-001-00-1 effective June 1, 2006. The revised State contract (No. 973-001-06-01) included a requirement that at least three quotes be solicited for task orders issued in amounts between $25,000 and $2,000,000. The University entered into three task orders totaling $1,957,062 during the 2006-07 fiscal year (each exceeded $25,000). As such, if the above-noted Master Services Agreement was entered into pursuant to State contract No. 973-001-00-1, the University would have been required to obtain the required quotes prior to entering into these task orders. However, although requested, we were not provided documentation evidencing that the University had done this.

We also noted that at its December 7, 2006, meeting, the Board of Trustees repealed its purchasing regulations, including University Rules 6C3-6.007 and 6C3-6.011, and adopted University Regulation 6.005. University Regulation Section 6.005(9)(a) requires competitive solicitation of all contracts for the purchase of commodities and services exceeding $50,000. However, this Regulation is in conflict with Board of Governors Regulation 6C-18.045, which provides for a competitive solicitation threshold of $25,000.

Section 1001.74(4), Florida Statutes, provides that each university board of trustees may adopt rules to implement the provisions of law conferring duties upon it; however, such rules must be consistent with rules of the State Board of
Education. University board of trustees’ rules must also be consistent with State Board of Education Rules adopted by the Board of Governors\(^2\) (referred to as Board of Governors Regulations).

**Recommendation:** The University should ensure that contractual services exceeding $25,000 are procured using a competitive selection process as required by BOG Regulations, or properly and timely document that such procurements are exempt from competitive selection requirements. Also, the Board of Trustees should revise University Regulation 6.005 to be consistent with Board of Governors Regulation 6C-18.045.

**Follow-up to Management Response**

The President, in her letter that accompanied the University’s response to our preliminary and tentative findings, requests that this finding be removed from our report. However, there is no apparent basis for this request as the University did not provide any documentation or information to indicate that the finding was inaccurate.

The University’s response to the first bullet of this finding, regarding the purchase of athletic accident insurance, indicates that the policy covering the insurance renews September 11 of each year, and that it was determined that the action taken to pay the yearly premium was just a renewal of the existing policy, not a new purchase. University Rule 6C3-6.007(2)(c) provides for certain contractual services to be renewed without competitive solicitation; however, that Rule requires that the renewal be subject to the same terms and conditions set forth in the original agreement. This was not the case for the accident insurance as the new agreement provided for fees totaling $33,625, which is $3,410 more than the fees provided for in the prior agreement.

The University’s response to the second bullet of this finding, regarding the executive search for five deans, states that the University’s Purchasing Regulations require the University to comply with Section 287.058, Florida Statutes, which provides that an emergency certification must be prepared within 30 days after the contractor begins rendering the service, and that an emergency certification was completed and filed within 30 days of the execution of the contract. However, the 30-day provision included in Section 287.058, Florida Statutes, referred to by the University pertains to when a certification must be prepared regarding the facts and circumstances (valid emergency) that precluded the execution of a written agreement prior to the contractor rendering the services. Section 287.058, Florida Statutes, does not address circumstances under which competitive solicitation of services would not be required. Further, pursuant to BOG Regulation 6C-18.050, the President’s determination as to an emergency action exemption must occur prior to the institution procuring the services without competitive solicitation.

The University’s response to the fourth bullet of this finding, regarding accounting and administrative services, indicates that the services primarily performed by the consultant consisted of accounting and internal auditing services, which are exempt under the University’s Purchasing Regulations. Although the task orders associated with the contractor, as provided for our review, indicate that the contractor provided accounting and other services, the BOG Regulations Chapter 6C-18 and University Rules Chapter 6C3, which were in effect at the time the University entered into the Master Services Agreement dated July 1, 2005, did not exempt these services from competitive solicitation.

\(^2\) Pursuant to Section 1000.01(5)(a)2., Florida Statutes, all rules of the former Board of Regents became State Board of Education rules. Such rules were adopted by the Board of Governors by resolution on January 7, 2003.
The University’s response to this finding, regarding the competitive solicitation threshold, indicates that the Board of Trustees has the authority to promulgate purchasing rules that include the establishment of a $50,000 threshold, and that such authority was granted by the Board of Governors (BOG)’ resolution adopted on January 7, 2003. We agree that the Board of Trustees has the authority to establish purchasing rules; however, such rules must be consistent with BOG regulations, which provide for a $25,000 threshold. The University also indicates that the BOG regulation (presumably BOG Regulation 6C-18.045) is being reviewed and will be made consistent with competitive solicitation thresholds adopted by other State universities. The University should comply with BOG Regulation 6C-18.045 until such regulation is revised by the BOG.

**Construction and Capital Outlay**

**Finding No. 27: Labor Burden Costs**

Pursuant to Section 1013.45(1), Florida Statutes, a university may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The University entered into guaranteed maximum price (GMP) contracts with multiple CMEs for various projects. Under GMP contracts, the University may realize cost savings if the cost of construction is less than the GMP. As such, a GMP contract requires University personnel to closely monitor construction costs, including the CME’s selection of subcontractors to ensure subcontracts are properly solicited, evaluated, and awarded.

As part of the guaranteed maximum price (GMP) contracts, provisions were included for personnel costs. In addition to direct salary costs, such costs also included an indirect salary cost element commonly referred to as the labor burden. Components of the labor burden typically include social security and medicare taxes; unemployment taxes; medical insurance; workers’ compensation; and may additionally include various company paid benefits, such as vacation and sick leave pay, depending on the method chosen to recover those benefits.

The University paid labor burden costs at the rate of 49 percent of direct personnel costs for the $6.6 million Recreation Center project. The University did not, of record, evaluate the labor burden costs for reasonableness. Although university personnel asserted that the 49 percent rate represented what they felt was a fair and reasonable representation of the CME’s personnel costs, this position was held without the benefit of having obtained documentation of actual cost data from the CME demonstrating the rate’s reasonableness. In the absence of verifiable cost data from the CME, the amount by which the CME’s labor burden rate may have exceeded the actual rate represented payments to the CME for additional overhead and profit rather than for verifiable personnel costs.

Effectively negotiating the components of labor burden costs and monitoring their application is essential to ensuring that potential cost savings are realized under GMP contracts.

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**Recommendation:** The University should document its determination of the reasonableness of the components of the labor burden costs.
Finding No. 28: Sponsored Research

Sponsored research contracts and grants are administered by the University’s Division of Research and Division of Fiscal Affairs. Our review disclosed that the University’s administration of non-Federal sponsored research contracts and grants could be improved. Specifically, we noted the following regarding a $3,250,000 non-Federal grant awarded for the period September 1, 2003, through August 31, 2007:

- The grantor made two expenditure reimbursement payments totaling $1,010,777 to the University during the 2005-06 fiscal year, neither of which was recorded in the University’s accounting records in a timely manner. In one instance, a $748,112 payment received on September 27, 2005, was not recorded to the accounting records until June 1, 2006 (247 days after receipt). In the other instance, a $262,664 payment received on January 24, 2006, was not recorded to the University’s accounting records until June 1, 2006 (128 days after receipt). Failure to timely record grant reimbursements limits University management’s ability to properly manage its cash resources, and could result in improper financial reporting.

- The University’s general ledger reported expenditures of $802,407 for the 2005-06 fiscal year, which was $222,622 less than the $1,025,029 amount reported in the grant subsidiary records and billed to the grantor. The difference was due in part to unrecorded indirect costs of $133,699. According to University personnel, the remaining difference was due to the conversion to the new financial system. Given the above, the University could not be assured that its records accurately reflected expenditures that were eligible for reimbursement under the grant, which increases the risk that the University may not be reimbursed the proper amount for expenditures.

- The University billed the grantor for an amount which included an unallowable expenditure of $7,453, representing reimbursement for out-of-state tuition costs instead of in-state tuition costs. Subsequent to audit inquiry, the University obtained grantor approval to allow this exception from the agreed-upon grant terms.

Recommendation: The University should enhance its procedures to ensure that grant transactions are timely posted to the accounting records. The University should also investigate and resolve the difference between the general ledger and the grant subsidiary records to ensure that its records accurately reflect grant expenditures, and ensure that it has billed the grantor the proper amount.

Finding No. 29: Presidential Scholars Program

The University administers a Presidential Scholars Program (Program) for students meeting eligibility requirements, such as achieving specified grade point averages (GPA) and standardized college entrance test scores. The University’s Office of Recruitment and Scholarships selects students for participation in the Program and forwards the recommendations to the President. Upon approval by the President, the list of recipients is submitted to the Office of Student Financial Aid and to the University Controller for payment to the student. University policy is to award Program scholarships to all students meeting the criteria for the award.
Our review of the University’s administration of the Program disclosed that there were eight different scholarship categories in the Program, which were recorded in ten different departments within the University’s accounting records. The Program’s 2005-06 fiscal year budget totaled $8,666,547. The University had not implemented procedures to reconcile scholarship disbursements per the general ledger to scholarship awards per the Office of Student Financial Aid’s records. Subsequent to our inquiry, University personnel prepared a reconciliation of scholarship disbursements per the general ledger ($6,882,279) to the Office of Student Financial Aid’s records; however, we noted that the reconciliation did not include disbursements for two of the eight scholarship categories.

Without timely and adequate reconciliations of scholarship disbursements per the general ledger to the Office of Student Financial Aid's records, the University cannot be assured that its records accurately reflect scholarship awards, which diminishes University management’s ability to make informed decisions regarding the level at which the Program should be funded.

**Recommendation:** The University should implement procedures that provide for an adequate periodic reconciliation of scholarship disbursements per the general ledger to the Office of Student Financial Aid's records.

### Motor Vehicles

**Finding No. 30: Vehicle Purchases**

In our report No. 2005-032, we noted that the University did not document that purchases of vehicles were cost effective based on miles driven per year. Subsequently, the Board of Trustees adopted Policy No. 2006-05, which provides that no University department shall purchase, lease, or otherwise acquire any motor vehicle without the President’s (or designee’s) prior approval. Although the policy does not require documented justification for the purchase, the former Vice-President for Administration and Financial Services issued a directive that all departments requesting the purchase of a new vehicle provide information such as the proposed use of the vehicle, estimated annual mileage, number of employees expected to use the vehicle, and geographical area in which the vehicle will be used.

According to University records, the University owned 89 passenger vehicles (excluding trucks, cargo vans, and motorcycles) as of June 30, 2006, an increase of 14 passenger vehicles since April 2004, which includes 2 passenger vehicles purchased at a total cost of $37,524 during the 2005-06 fiscal year. Although these purchases were appropriately approved, University records did not demonstrate the basis for such approvals (i.e., that it was more cost-effective to purchase these additional vehicles than to reimburse employees for personal vehicle usage). Subsequent to our inquiry, University personnel prepared documents describing the reasons the 2 passenger vehicles were purchased. However, the documents did not include the information specified in the former Vice-President for Administration and Financial Services’ directive necessary to evidence justification for purchasing replacement vehicles.

**Recommendation:** The University should document its efforts to determine the cost-effectiveness of passenger vehicle purchases.
Finding No. 31: Vehicle Records

According to University records, there were 212 University-owned motor vehicles as of June 30, 2006. Board of Trustees Policy No. 2006-05 requires each driver of a University motor vehicle to maintain vehicle usage logs on a monthly basis. Our review of vehicle usage logs for ten vehicles for the 2005-06 fiscal year disclosed the following:

- For eight of the ten vehicles, vehicle usage logs were not maintained for 3 to 11 months.
- For five of the ten vehicles, we noted numerous gaps between the ending mileage on one trip and the beginning mileage on the next trip, ranging from 2 to 584 miles.
- Vehicle usage logs for the ten vehicles generally had not been signed to evidence supervisory review.

Under these conditions, there is an increased risk that University-owned vehicles may be used for unauthorized purposes.

Recommendation: The University should ensure that properly completed vehicle usage logs are maintained for all months and include evidence of review by supervisory personnel.

Finding No. 32: Student Records

The University Registrar is the official custodian of academic records at the University. Specific responsibilities include processing course grade changes and graduation of degree-seeking students. University procedures provided that the Registrar verify appropriate authorization prior to processing these activities. Grade change forms and degree certifications were to include the signature of both the applicable department chair and dean.

The Registrar did not maintain a list of authorized signatures in effect for the 2005-06 fiscal year. In the absence of a list of authorized signatures, and given the large number of department chairs and deans at the University, it was not apparent how the Registrar was able to verify that signatures included on grade change forms or degree certifications were valid and represented the appropriate individual (chair and dean). Under these conditions, there is an increased risk of unauthorized grade changes or degree certifications.

Subsequent to our inquiry, the Registrar, in January 2007, developed an up-to-date list of authorized signatures. Our review of four grade change forms and four degree certifications disclosed that signatures were included on documents we reviewed. However, we determined for one of the degree certification forms we reviewed that the signature on the form for the dean did not match the signature on the January 2007 signature list. The Registrar did not know why the signatures did not match; however, we were able to determine that the signature on the form was that of an individual authorized to sign the form on the dean’s behalf, although there was no indication of this on the form.

Recommendation: The Registrar should maintain and utilize current signature lists to ensure that grade changes and degree certifications are appropriately authorized.
Finding No. 33: Fire Safety

Section 1013.12, Florida Statutes, regarding fire safety inspections of educational and ancillary plants and facilities, provides that when deficiencies are noted in a fire safety inspection report, the report should include a plan of action and a schedule for the correction of each deficiency. Section 1013.12(5), Florida Statutes, provides that upon failure by an institution to take action to correct a fire safety deficiency within the time designated in the plan of action, the local fire official is to contact the State Fire Marshal, who shall have enforcement authority as provided in Chapter 633, Florida Statutes.

Our review of ten deficiencies noted in fire safety inspection reports completed during the 2004-05 fiscal year that required re-inspection disclosed that four remained uncorrected as of October 2006. The four deficiencies were originally detected during inspections in February 2005 and included, for example, a smoke detection system that was not operating as intended and an untested sprinkler system. Allowing fire safety deficiencies to continue increases the risk that facilities may be, or become, unsafe for occupancy, which could result in additional future costs to the University.

Recommendation: The University should ensure that fire safety deficiencies are timely corrected.

Finding No. 34: Disaster Recovery

Disaster recovery planning is an element of information technology (IT) controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. Its main objective is to provide the organization a plan for continuing critical IT-dependent operations. Effective disaster recovery planning considers, in part, the extent to which the entity’s business processes depend on IT. The success and effectiveness of a disaster recovery plan requires detailed development of back-up and recovery procedures, including identification of facilities, personnel, hardware, software, communications, and support services, as well as a commitment from management.

The University utilized the Oracle-PeopleSoft (PeopleSoft) Financials and Student Administration systems as its enterprise resource planning solution. During the 2005-06 fiscal year, the PeopleSoft systems were operated within an Internet-based environment on servers housed and maintained by the Northwest Regional Data Center (NWRDC). The human resource component of PeopleSoft had not been implemented at the time of our audit and the University continued to utilize a mainframe-based human resource system, also located at NWRDC.

In our report No. 2006-187, we noted that the University did not have a current and comprehensive disaster recovery plan for its IT resources, including the PeopleSoft systems. During our current audit, we were provided a copy of the NWRDC Disaster Recovery Plan, dated June 8, 2006. This disaster recovery plan provided coverage for the University’s mainframe human resource system only, and did not cover the University’s PeopleSoft systems. On August 1, 2006, the University entered into a contract with a vendor to provide the University a PeopleSoft enterprise resource planning hosting solution within a comprehensive Application Service Provider Delivered Services Project Plan. This plan included, among others, disaster recovery and service level agreements for the PeopleSoft systems. During December 2006, the production environments of PeopleSoft were moved from NWRDC to the site of the new application service provider, with the remaining PeopleSoft environments to follow shortly thereafter. According to University personnel, once the PeopleSoft systems are stabilized with the new
application service provider and the disaster recovery plan for the PeopleSoft systems is in place, the University will begin expanding its efforts in disaster recovery planning to encompass the entire IT infrastructure at the University. Additionally, University personnel stated that completing a University-wide disaster recovery plan will be contingent upon the completion of a formal risk assessment and business impact analysis scheduled for April 2007.

The lack of a sufficiently comprehensive disaster recovery plan may jeopardize the University’s efforts to efficiently and effectively continue operations with minimal loss and processing disruption, should an event occur that interrupts IT services.

**Recommendation:** The University should continue its efforts to establish a current, comprehensive, University-wide disaster recovery plan that addresses all IT resources, including the PeopleSoft systems, and should regularly test the plan’s provisions to provide assurance of a timely and orderly resumption of IT operations in the event of an interruption in service.

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**Finding No. 35: Staffing**

In our report No. 2007-007, we noted that significant turnover in key positions, and understaffing of certain areas of the University’s business operations, contributed to material weaknesses and may have contributed to the need to use consultants to provide support in key operational areas and to assist in preparing the financial statements. In response to that finding, the University indicated that an organizational analysis to determine staffing needs had been completed and that efforts had begun to recruit and hire additional staff until appropriate staffing levels were achieved.

Our current audit disclosed that the University has taken some actions to address its staffing needs, including reorganization of some departments and hiring of additional personnel; however, the University needs to continue its efforts to achieve adequate staffing levels (for example, see finding Nos. 3, 8, and 12). In addition, we noted the following:

- As disclosed by our 2005-06 fiscal year Statewide Federal awards audit, continued staffing shortages experienced in the University’s financial aid office contributed to deficiencies in the University’s administration of Title IV Higher Education Act programs.

- Our review disclosed certain departments for which an unusually large amount of overtime payments were made, including the Campus Security and Grounds Departments. The overtime may have been necessitated by staffing shortages. For example, in response to our inquiry, regarding the need for overtime, University personnel advised us that the Grounds Department has been significantly short staffed due to budget constraints, staff turnovers, and a high level of absenteeism, and that on average, there had been seven vacancies in the Department over the last few years.

- According to university records, the University’s consulting services costs have increased from $874,362 for the 2002-03 fiscal year to $10,222,823 for the 2005-06 fiscal year. Although some of the increased consultant services costs were due to the University’s implementation of its new enterprise resources planning system, the increased use of consultants to perform University business functions may have been necessitated by staff shortages. For example, as discussed in finding No. 26, during the 2005-06 fiscal year, the University paid $670,341 for consulting services related to its financial aid office, and $1,908,608 for various accounting and administrative services.
The increased use of consultants may have been necessary in the circumstances (e.g., to ensure that student financial aid payments were promptly and accurately processed or to ensure compliance with statutory deadlines for submitting financial information to the Florida Department of Education). However, continued use of consultants in lieu of hiring additional staff may not be cost effective.

**Recommendation:** The University should continue its efforts to achieve adequate levels of staffing, and review the cost effectiveness of continuing extensive use of consultants in lieu of hiring additional staff.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this operational audit were to obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient operation of the University; the reliability of financial records and reports; and the safeguarding of assets. Specifically, we reviewed internal controls and administration of accounting records and management reporting, board organization and control environment, cash and investments, construction projects, capital assets, revenues and receivables, purchasing processes, selected expenditures and contractual arrangements, human resources and employee compensation, and student records system for the fiscal year ended June 30, 2006, and selected actions taken prior and subsequent thereto.

This audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards.

**PRIOR AUDIT FINDINGS**

The areas of the University’s operations affected by findings included in our report No. 2007-007, except for finding No. 9, were not included in the scope of this audit. We will determine whether the University took adequate corrective actions for findings included in report No. 2007-007 as part of our 2005-06 fiscal year financial audit of the University.

As part of our current audit, we determined that the University had taken adequate corrective actions for findings included in our report No. 2005-032, except as noted in finding Nos. 3, 5, 8, 20, 21, 26, and 30 of this report.
AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

The University's response is included as Appendix B of this report. The University submitted numerous documents with its response. Due to the volume, these documents are not included in this report.
Members of the University’s Board of Trustees who served during the 2005-06 fiscal year are listed below:

**Board Member**

Ms. Challis M. Lowe, Chair  
Mr. C. William “Bill” Jennings, Vice-Chair  
Mr. Philip Agnew from 5-1-06 (1)  
Mr. Ramon J. Alexander to 4-30-06 (1)  
Mr. W. George Allen  
Dr. Regina M. Benjamin  
Mr. Barney T. Bishop, III, to 1-6-06 (2)  
Ms. Laura Branker  
Mr. Alberto “Al” R. Cardenas, Esq.  
Dr. Mary Diallo (3)  
Ms. Pamela Duncan  
Mr. David Griffin to 3-24-06 (4)  
Reverend R. B. Holmes, Jr.  
Mr. Leerie T. Jenkins, Jr.  
Dr. Spurgeon McWilliams from 4-7-06 (4)

Notes:  
(1) Student body president  
(2) Position remained vacant through June 30, 2006.  
(3) Faculty senate chair  
APPENDIX B
MANAGEMENT RESPONSE

OFFICE OF THE PRESIDENT

William O. Monroe, CPA
Auditor General
476 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

The accompanying binder is Florida Agricultural and Mechanical University’s response to the Preliminary and Tentative Findings and Recommendations resulting from an Operational Audit covering the fiscal year ended June 30, 2006 and selected actions taken prior and subsequent thereto.

The University appreciates the Auditor General’s Office broad scope review of internal controls, policies, procedures and processes at the University, as evidenced by the 35 findings, on multiple issues, covering fiscal and operational management in all divisions of the University. We thank your staff for their time and patience with us as we tried to provide all the information they requested over the eight-month period of this audit. The University leadership and I found this to be a very enlightening experience as we discovered and addressed our weaknesses, and made decisions to promote continuous improvement in both fiscal and operational management. The decisions include, but are not limited, to the strengthening of policies and procedures, additional training, additional qualified and experienced staffing, data processing and other systems infrastructure evaluation.

It is our opinion that

- Based on the explanations and supporting documentation provided in our responses, findings 1, 3, 24 and 26 should be removed.
- Corrective action has been completed on findings 2, 7, 10, 11, 12, 13, 14, 16, 18, 20, 21, 25, 27, 30.
- Corrective action has began and will be completed by June 30, 2007 on findings 4, 5, 8, 9, 15, 17, 19, 28, 29, 31, 32, 33.
- Findings 6, 22, 23, 34, 35 are being addressed but will require six months or more for the completion of corrective action.

FAMU IS AN EQUAL OPPORTUNITY/EQUAL ACCESS UNIVERSITY
Please contact me at (850) 599-3225, Dr. Grace Ali at (850) 599-3211, or Mr. Rufus Little at (850) 412-5479 if you need additional information.

Sincerely,

[Signature]

Castell Vaughn Bryant
Interim President

Cc: Board of Trustees
Grace L. Ali, CPA, PhD, CFO and VP Fiscal Affairs
Rufus Little, VP Compliance and Audit
Finding No. 1: Inspector General

Finding Summary: Contrary to the University’s Inspector General charter and applicable professional standards, the Inspector General did not report directly to the President, and did not provide for a required peer review. Also, the University had not documented, of record, why certain Inspector General Audit reports were not published, or that the President and Chairman of the Audit Committee had been advised of the decision to not publish these reports and had approved such action.

Recommendation: The University should ensure that Inspector General reports are timely published, or document, of record, why reports are not published. In addition, the University should ensure that the Inspector General undergoes a timely quality assurance or peer review in accordance with IIA Standards and GAS.

Response No. 1

Inspector General Charter and Reporting Structure
In June 2005, the Florida A&M University Board of Trustees (BOT) approved Resolution 14-05 adopting a university-wide compliance program as the foundation of the internal control and compliance environment. Within the resolution, the BOT expressed its intent for the University to create a Division of Compliance & Audit and hire a vice president for that division. Over the course of the next year and a half, the University transitioned into creating the Division of Compliance & Audit and away from an Office of the Inspector General. The Vice President of Compliance & Audit was hired in September 2005 as the chief audit executive and university compliance officer with direct reporting to the President and the Audit Committee of the BOT. The BOT approved a revised charter for the Audit Committee in September 2006, which among other things changed the title of that committee to the Audit & Compliance Committee. Further, the Board recently adopted the charter of the Division of Compliance & Audit. In accordance with University policy and auditing standards, the correct reporting structure is now observed.

Inspector General Reports
The University has procedures in place to ensure that the work of our Office of Audit & Assurance Services (formerly Office of the Inspector General) is published as appropriate in a timely manner. As it relates to Report No. R-05-312 (dated June 30, 2005, a review of University finances), neither the President nor the Audit Committee Chair were aware the review was being conducted. Further, the President advised that she never requested such work to be done. Staff that worked on the review indicated that the work performed during the review was never completed. While the University has a copy of this report provided to us by the Auditor General’s Office, the University has no work papers or supporting documentation on this review. As such, it would not be prudent for the University to publish this report.

As it relates to Report No. R-05-312A (dated November 11, 2005, related to a review of the University’s costs to implement the new enterprise resource planning system), both the Interim Director of Audit & Assurance Services and Vice President for Compliance & Audit were aware that work was performed on the review, but the review was never completed. A review of the work papers supports this fact, in that the work papers were not signed off by the former Interim Inspector General (Responsible for Lead Review) nor the Director (Auditor-In-Charge). In fact, a review of the work papers reflects that the review program utilized for this engagement was also never completed and most of the summary work papers were never referenced to the supporting detailed work papers.
Both the President and The Audit Committee Chair were aware of this review. In fact, The President used information provided by the former Interim Inspector General in an update to make a presentation to the Board of Trustees (BOT) on the status of the Enterprise Resource Planning Department (ERP) and her decision to reorganize the ERP Department (now Enterprise Information Technology).

Nonetheless, the report was still draft at the time Former Interim Inspector General was put on administrative leave in June 2006 and subsequently terminated from the university. Though the work papers for the review remained in the office, the University does not have access to the electronic version of the report. Neither the Vice President for Compliance & Audit, nor the Interim Director of Audit & Assurance Services, has the historical knowledge of the details of the work performed to adequately resume the review and publish the report. For all these reasons, the report has not been published in final form.

However, it should also be noted that these were review projects (consulting engagements) and not audits. The projects were not part of the yearly audit plan that was approved by the Board of Trustees or the University President. As is the case for communicating results in regards to the Professional Practices Framework published by the Institute of Internal Auditors (IIA), it is not a requirement for consulting engagements to be published in the same manner as work performed from the approved annual audit plan. In fact, the Practice Advisories for the IIA specifically state that “Reporting requirements are generally determined by those requesting the consulting service…” Given this, and as mentioned in the above paragraphs, it is apparent that some if not all of the results were communicated to the President in another form other than a written report, as evidenced by the fact that the President used the information when making her decision to reorganize the Enterprise Resource Planning Department.

Quality Assurance Review
The University is aware of the Institute of Internal Auditors (IIA) and Government Auditing Standards (GAS) that call for a periodic quality assurance or peer review. With recent turnover in the department the University felt it more prudent to conduct the review when staffing was more stable. The University plans to have a quality assurance review performed by the end of the fiscal year.

Finding No. 2: Operating Budget

Finding Summary: The University’s accounting records did not accurately reflect budgeted revenues and expenditures per the Board of Trustees-approved operating budget. Also, contrary to Board policy, the operating budget did not include all planned revenues and expenditures, and several budget amendments were not approved by the Board or President.

Recommendation: The University should ensure that future operating budgets submitted to the Board for approval include all planned revenues and expenditures, and ensure that the accounting records accurately reflect budgeted revenues and expenditures included in the Board-approved operating budget.

Response No. 2

Florida Statutes Section 1011.40(2) requires the University’s Board of Trustees (Board) to adopt an operating budget. The FAMU Board policy No. 2005-05 requires the President to prepare and submit an operating budget that includes and identifies categories of expenditures and expected revenues; and that
all amendments to the operating budget be approved by the Board, except for certain budget amendments that only require the President’s approval.

The Auditor General’s preliminary and tentative findings suggest that “budgeted expenditures recorded to the accounting records included $39,315,635 of expenditures (and related revenues) that were not included in the Board-approved operating budget” when in fact the $39,315,635 relates to budget spending authority and was not recorded as budgeted expenditures, for the reasons identified below. The Board-approved operating budget expenditures for the Fiscal Year ended June 30, 2006 totaled $394,643,481 and the University’s actual operating expenditures were only $356,337,997 or $38,305,485 below the Board-approved operating budget amount (See Attachment 2-1).

The University had additional budget spending authority of $39,315,635 in the following categories:

A. **$1,500,000 – Spending Authority for Capital Improvement Fees and Building Fees**

This spending authority enables the University to collect capital improvement fees and building fees for student-funded construction projects, and forward them to the Department of Education (DOE). These fees are then redistributed by DOE to the universities, as public educational capital outlay funds (PECO). Since these fees are for capital expenditures they are not included in the operating budget. In future, the University will estimate the fees to be collected and provide this information to the Board at the time the operating budget is submitted for approval.

B. **$7,792,999 – Spending Authority as Fiscal Agent for Agency and Local Funds**

This is spending authority designed for funds for which the University is only functioning as a temporary custodian. For example, the University collects or holds funds collected by student clubs and other entities through fund-raising and other such efforts. The funds are expended at the discretion of these entities and therefore not considered a part of the University’s operating budget. The University also collects funds for these entities and forwards the funds, as directed by the entities. Examples are funds collected for student meal plans and funds for operating the Developmental Research School’s food service. The University will conduct a thorough review and analysis of these types of on-going custodial activities to determine which ones should be projected and included in the operating budget for the Board’s approval effective for the Fiscal Year beginning July 01, 2007.

C. **$1,588,541 – Spending Authority for Certified-Forward Funds**

This is spending authority for Educational and General (E&G) expenses incurred in the prior fiscal year (FY 04-05) but which were not paid as of the close of the accounting period for that fiscal year (FY 04-05). In the future, the University will include an estimate of the certified-forward dollars in the operating budget presentation to the Board.

D. **$10,588,574 – Spending Authority for Carry-Forward Funds**

This is spending authority for the use of unexpended and un-obligated E&G funds remaining from the approved prior year’s (FY 04-05) E&G operating budget. In the future, an estimate of the carry-forward will be included in the operating budget submitted for approval by the Board.
E. $17,845,521 – Spending Authority as Fiscal Agent for Loans and Other Funds

The University serves as the Fiscal Agent for funds collected and owned by students and others. Most of these transactions relate to the facilitation of loans and scholarships for students. The University collects the funds and disburses them as designated by the payor. The University will conduct a thorough review and analysis of these types of custodial activities to determine which ones should be included in the operating budget for the Board’s approval effective for Fiscal Year beginning July 01, 2007.

In addition, the Auditor General noted that budgeted expenditures in the fiscal year ended June 30, 2006 were increased by $1,724,520 through several budget amendments that were not approved by the Board or President, contrary to Board Policy No. 2005-05. Of this $1,724,520 of budget amendments, $1,400,000 relate to a transfer of funds from the Auxiliary Trust Fund to an Auxiliary unit to cover that unit’s budget shortfall in the Fiscal Year ended June 30, 2005. The remaining $324,520 is non-E&G encumbrances for expenses incurred in the prior fiscal year (FY 04-05) but which were not paid as of the close of the accounting period for that fiscal year (FY 04-05) (See Attachment 2-2). Since the spending authority for these certified-forward funds is equal to the amount of expenses brought forward, the resulting effect on the spending authority for the Fiscal Year ended June 30, 2006 was zero.

The University has revised and developed budget forms to clearly identify and distinguish budget amendments and transfers (see Attachments 2-3 and 2-4) that require the President’s or the Board’s approval pursuant to Board policy 2005-05.

Finding No. 3: Electronic Fund Transfers

Finding Summary: The University’s controls over electronic fund transfers needed improvement.

Recommendation: The University should strengthen its controls over electronic fund transfers by amending its written agreements with the banks to limit amounts that may be transferred, and by separating incompatible duties.

Response No. 3

In Report No. 2005-032 (Operational Audit for 2003-2004), the University was sited for internal control weakness in its handling of electronic funds transfer. Eight different issues were identified in that finding and were subsequently addressed by the University. The handling of Electronic funds transfer (EFT) is a repeat finding covering other weaknesses identified by the auditors. These new issues have been addressed as follows.

The Electronic Funds Transfer (EFT) Agreement (Attachment 3-1) with Capital City Bank was updated in January 2007 to identify the new authorized representatives and to cancel all previously authorized representatives. All of the University’s approved account numbers were specifically and individually identified on the face of the Agreement. The Board policy governing the administration of EFT was adopted on February 25, 2005 (Attachment 3-2).

The University implemented an internal review and authorization procedure which provided greater internal control and separation of duties for EFTs and wire requests during the period of short staffing. All wire and EFT requests were submitted to the Associate Vice President or the Assistant Vice
President (Attachment 3-3). Neither of these two individuals had transfer authority during the period of review. A new Treasury Operations Office was established in November 2006 and the Assistant Vice President for Treasury Operations was given authority to approve the transfer of electronic funds.

Through a formal written Agreement (Attachment 3-4), the University deposits its revenue into an investment account managed by the State of Florida’s Department of Financial Services, Division of Treasury. In the normal course of business, transfers are made from this investment account to fund operating and payroll transactions as processed in the accounts payable and payroll systems. The agreement and University policy specifically prohibits the transfer of funds from the Investment account to any account other than the University’s operating account at Capital City Bank.

Two employees in the General Accounting office did have interchangeable duties due to the number of vacancies in that office, during the period under audit review. However these two employees could only initiate transfers between University accounts and under no circumstances did the same person initiate and verify the same EFT. As an added precaution and to mitigate collusive behavior, the initiator and the verifier will be from different reporting hierarchies between the Controller’s Office and Treasury Operations. Attachment 3-5 is the University’s notification to Capital City Bank requesting that the President and the CFO be notified, in writing, of any request or action that is inconsistent, or appears inconsistent, with the University’s instructions for the processing of electronic funds transfer.

**Finding No. 4: Returned Checks Receivables**

Finding Summary: Contrary to law, University personnel wrote off returned check receivables without Board of Trustees approval. Also, the University had not, of record, performed collection procedures for certain returned check receivables.

Recommendation: The University should ensure that returned checks receivable to be written off are presented to the Board for its review and approval. The University should also implement collection procedures for returned checks originating from decentralized collection points, including a determination of which receivables are for students or employees so that academic holds can be placed on student records or amounts due deducted from employee paychecks.

**Response No. 4**

The University begins its internal collection efforts once an account reaches 30 days past due. Debtors are sent notices via email each month followed by a formal debtor letter which is mailed each term. Once the debt becomes 120 days old, the account is forwarded to one of three collection agencies. The collection agency pursues collection for six months and if the account remains unpaid after the six months, the account is returned to the University. Attachment 4-1 lists the student accounts selected by the auditors followed by the corresponding reports from the collection agency evidencing their collection efforts for each account. The $11,761 identified as returned checks written off by the University, is in fact student receivables which have been deemed uncollectible after collection efforts were exhausted.

Uncollectible student accounts are submitted to the Board for write-off authorization for financial statement purposes only. The balance owed by the student remains on the student’s account in a subsidiary ledger until it is paid in full. A student with an unpaid balance is permanently
prohibited from registering for additional classes, receiving a transcript or receiving a diploma. Attachment 4-2 is a copy of the University’s “Cash Collection and Control Manual

Attachment 4-3 is the University’s proposed Board Agenda Item requesting authorization to assess and include fees to cover the cost of collection efforts associated with returned checks and delinquent accounts. Attachment 4-4 is the University’s proposed Board Agenda Item to establish A Write off Policy for Uncollectible Receivables and Attachment 4-5 is the proposed format to request Board approval for the annual write off of uncollectible accounts at the end of each fiscal year. Preparation of Board agenda item requesting approval for the write off uncollectible accounts was added to the year-end closing checklist to ensure this request is presented to the Board timely.

Prior to the establishment of the Treasury Operations Office in November 2006, collection efforts on returned checks were not centralized. Each department was responsible for pursuing their own collections actions. Since the inception of the Treasury Operations Office, the process has been centralized. The issuer of a returned check is contacted by mail and given 7 days to remit the amount of the check and applicable fees by cash, cashier’s check or money order. If the issuer fails to remit the amount due, the University forwards the check to the State Attorney’s Office and forwards the account to a collection agency. If the issuer is a student his/her student account is placed on hold and he/she is prohibited from registering for classes and receiving transcripts. If the issuer is an employee, set-off procedures or payroll deduction will be initiated if the amount due is not paid within the specified timeframe. Attachment 4-2 pages 21-24 describes the Returned Check Procedures Guidelines.

Finding No. 5: Tangible Personal Property – Annual Physical Inventory

Finding Summary: The University’s 2005-06 fiscal year annual physical inventory of tangible personal property disclosed numerous property items that could not be located. Although University personnel investigated the missing items, they had not, of record, reported items still missing after the investigation to the appropriate law enforcement agency. Nor had University personnel timely adjusted the property records for the missing property items.

Recommendation: The University should report items missing after investigation to the appropriate law enforcement agency, and ensure that the property records are timely adjusted to reflect missing property.

Response No. 5

In recent prior audits, the University was sited for failure to have a reliable tangible personal property inventory, to properly update the property records in three years and failure to reconcile the property records to the general ledger. Significant effort was made from August 2005 through June 2006 to complete the physical inventory and reconcile the subsidiary ledger to the general ledger. In its initial report, the Property Management Office reported missing items (with original historical cost totaling approximately $2,668,833 for 987 items) for a variety of reasons, including the absence of faculty and staff over the holiday period, restricted access to locked rooms, and time constraints.

- It is important to note that these 987 missing items (with original historical cost of $2,668,833 at the time of purchase) currently have a net book value (NBV) of $208,272; and an average age of 9.41 years.
- Of the 987 missing items, 770 currently have a total NBV of $0.00 (are fully depreciated) and an average age of 10.87 years.
- See Attachment 5-1

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The University’s Property Survey Board recommended 853 of the 987 missing items for write off. See Attachment 5-1

- 701 of these items, with original historical cost of $2,159,608 at the time of purchase, now have NBV of $0.00 (were fully depreciated) and an average age of 11.07 years.
- The other 152 items had an original historical cost of $344,128 at the time of purchase; currently have NBV of $96,763 and an average age of 4.96 years. No decision has been made yet to recommend this write off to the University President or Board hence no journal entry was prepared or processed to effect such a write-off. Instead, the Property Management Office continues to search and find missing items and will continue their search until all possible options are exhausted or until the cost of the search exceeds the value of the item.
- The University’s Property Survey Board met on April 05, 2007 and agreed to a policy that requires all missing University tangible personal property be reported to Campus Security (Attachment 5-2). A sampling of the police reports on missing items is in Attachment 5-3.

### Finding No. 6: Tangible Personal Property – Capital Outlay Expenditures

**Finding Summary:** The University did not reconcile capital outlay expenditures to property record additions.

**Recommendation:** The University should perform reconciliations of capital outlay expenditures to property record additions.

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### Response No. 6

The Controller’s Property Management Office is working with Enterprise Information Technology (EIT) systems analyst for the Asset Management Module to develop reports which can be used to complete the reconciliation process (see Attachment 6-1). This reconciliation tools request was also included in the list of Financial Management System issues. Additionally, a work order (Attachment 6-2) was submitted to EIT on April 2, 2007 requesting that a regular monthly report of capital outlay expenditures be generated from the Accounts Payable (A/P) module. This report is a standard PeopleSoft report that will enable the asset management accountant to reconcile the additions in the General Ledger (G/L) with the additions in the Asset Management Module.

Currently, there are two vacant coordinator positions in the property Management Office that have been approved for advertising during the week of April 09, 2007 vacant. Both positions are expected to be filled by the end of April. One of these positions will assume the duties of reconciling capital outlay expenditures, a function that is temporarily assigned to a staff coordinator.

Additionally, the Controller’s office conducted training for Purchasing and A/P staff on April 3, 2007. This training covered the University’s capitalization policy and the proper account codes to be used for capital versus operating expenditures. The same training will be offered to the University’s fiscal representatives (Attachment 6-3). The Asset Management procedures have been updated (Attachment 6-4) and will be updated again when the reconciliation tools become available for use.

The University is currently finalizing the FY 05-06 reconciliation which is expected to be completed by April 30, 2007 and will then initiate monthly reconciliations to be monitored via the monthly closing checklist.
Finding No. 7: Decentralized Collections

Finding Summary: The University’s procedures for decentralized collections needed improvement. In addition, the University did not, contrary to Section 119.021, Florida Statutes, retain records supporting $1,823,389 of reported Athletic Department collections.

Recommendation: The University should enhance its procedures to provide for timely deposit of collections, use of transfer documents to document transfers between employees, and sequential receipt numbering and accountability for receipt numbers. The University should also ensure that records supporting collections are retained in accordance with Section 119.021, Florida Statutes.

Response No. 7

A comprehensive Cash Collections and Control Manual was developed in 2006 to standardize cash handling procedures, provide for timely deposit of cash collections, and document the procedures to be followed at all cash collection points in the University (Attachment 4-1). To increase internal controls over cash handling the University leadership approved, in November 2006, the consolidation of cash collection sites reducing the number of collection points from 46 to 16 (Attachment 7-1).

In accordance with procedures in the Cash Collections and Control Manual, payments received in the Housing Department will be delivered daily to the University’s Central Cashier’s Office for daily deposit. Effective May 1, 2007, all payments for the Child Care Center services will be made directly to the Central Cashiers at one of two designated and authorized locations. (See Attachment 7-2)

Further, the finding reports that ticket-sales receipts that would normally be housed in the Ticket Office for the 2005 Football Season, were inadvertently discarded. While this is true, the records for the sales in question are available for review. The following documents have been retrieved by request to TicketMaster, Inc., the sole provider and distributor of all tickets sold at the Florida A&M University Ticket Office. These files include record and daily receipts for the following;

1. Season Ticket Sales
2. Four (4) Home Games (listed by date and name)
3. Florida Classic Sales
4. Atlanta Classic Sales

Additionally, the close-out report from our participation in the University of South Florida football contest, verifies all sales attributed to that event.

The above mentioned records are further verifiable, by reviewing the daily deposit records filed with the University’s Cashier Office.

These records and files constitute the sum total of documents normally associated with ticket office sales. To date, the University has been able to identify $1,816,207 in deposits associated with ticket sales. Going forward we will reconcile the TicketMaster record of receipts to our record of deposits, and we will continue efforts to reconcile deposits to the general ledger.

The Department of Athletics is recommending as a budget item for 2007-08, the purchase of scanning equipment to provide a more permanent and accurate file for documents of this nature.
Finding No. 8: Auxiliary Contracts

Finding Summary: The University did not adequately monitor compliance with auxiliary contract provisions to ensure that it received the correct amount of commission income it was due.

Recommendation: The University should continue its efforts to ensure it is receiving all commission income to which it is entitled. The University should also pursue revising the agreements with the contractors to include a penalty provision for late commission payments and to establish a timeframe for submittal of the audit reports.

Response No. 8

Staff in the Business and Auxiliary Services Department will no longer be required to perform annual reviews of vendor financial information, or review annual independent audit reports of contract vendors to ensure accuracy of commission income earned and paid to the University. This responsibility will be transferred to staff with technical expertise in the Compliance and Audit Division. The transfer of responsibility also accomplishes a separation of duties from staff in Business and Auxiliary Services who have day-to-day interaction with the service providers. The Vice President of the Compliance and Audit Division has accepted this responsibility.

Staff in the Business and Auxiliary Services Department will, however, continue to be responsible for the monitoring, logging and timely deposit of commission checks; preparing, mailing and monitoring late payment notifications; and monitoring compliance with all other contract provisions, including renewal provisions and service delivery (Attachment 8-1).

In preparation for the annual reviews, letters were sent on April 02, 2007 to four of the five contractors requesting copies of their most recent Independent Audited Financial Reports (Attachment 8-2). The University will amend the contract language in the Laundry agreement, or add the language upon renewal of the agreement, to ensure financial information and audit reports are received annually.

Upon renewal, the University will add provisions to all business and auxiliary vendor contracts that allow for the assessment of penalties on late payment of commissions.

Finding No. 9: Tuition Refunds

Finding Summary: Contrary to Board of Governors regulations, procedures for determining tuition waivers and refunds had not been approved by the Board of Trustees. Also, our tests disclosed instances in which tuition refunds were not calculated correctly.

Recommendation: The University Board of Trustees should adopt, by rule, procedures for determining tuition waivers and refunds. The University should also modify its computer program, as necessary, to ensure that refunds are calculated in accordance with University policy.

Response No. 9

The University concurs with the recommendation and has taken action as described below:

Regulations on Refunds and Waivers
The University has developed draft regulations for both refunds and waivers that will be presented to the Board of Trustees for approval at its May 2007 meeting (See Attachments 9-1 and 9-2).
Calculation of Refunds

The University concurs with the above recommendation. The Offices of Student Financial Services, Financial Aid, the Registrar and Enterprise Information Technology determined that the withdrawal refund reason code for a student was not recorded correctly in the system, and that the return of Title IV funds process was not run prior to the refund being issued for another student.

Additionally, a student was originally approved for a 25% refund based on withdrawal at the end of the fourth week of classes. However, the student later returned with appropriate medical documentation that entitled her to a 100% refund of registration fees due to a medical withdrawal. Accordingly, the 100% refund authorization was appropriate and the student will be properly credited.

Corrective action has been taken for all students cited above. Moreover, the above departments will follow the appropriate systems process in accordance with the outlined Tuition Refund/Release of Liability Policy.

Finding No. 10: Financial Aid Fees

Finding Summary: University records did not provide for adequate accountability over receipts and expenditures of financial aid fees.

Recommendation: The University should investigate and resolve the above-noted records discrepancies and make necessary adjustments to its records to accurately reflect the receipt and use of financial aid fees.

Response No. 10

The University concurs with the recommendation. To address this recommendation, the University has made the necessary adjustments, which included, adding the Administrative Fee to the Financial Aid Fee Report. Once the expenditures were added, the report was recalculated and the corrected report will be transmitted on April 30, 2007, to the State of Florida, Department of Education (see Attachment 10-1).

Finding No. 11: Student Activity and Service, Health, Athletic, and Transportation Access Fee

Finding Summary: The University had not established written policies and procedures governing the use of health, athletic, and transportation access fees. Also, the University’s records did not adequately demonstrate accountability for the receipt and expenditure of student activity and service, health, athletic, and transportation access fee.

Recommendation: The University should establish written policies and procedures governing the use of each of these student fees and ensure that disbursements of such fees are properly documented. The University should also investigate and resolve the above-noted records discrepancies and make necessary adjustments to its records to accurately reflect the receipt and use of these fees.

Response No. 11

The University concurs with the above finding.
Policy – The Division of Student Affairs has updated its policies and procedures to govern health, athletic and transportation access fees. The updated policies and procedures were developed to align University policies and procedures with state statutes. See Attachment 11-1. Additionally, the University Regulations governing the schedule of tuition fees, parking and health will be submitted for approval at the May 2007 Board of Trustees’ meeting. See Attachment 11-2.

Disbursement – The $8,931.67 transportation access fee was paid to the Department of Revenue and represented sales tax that was due based upon the number of student decals distributed by Parking Services. The attached documentation reflects payment of these funds to the Department of Revenue. The total payment amount on the Wire Report Remittance is listed as $10,937.00 of which 8,931.67 was paid for the transportation access fee. See Attachment 11-3.

Departmental Ledgers – Student fees are recorded into the Student module as a debit to a receivable account and a credit to a revenue account. Transportation access fees and health fees are recorded directly to those respective accounts. All other fees are prorated based upon an approved methodology. Imbalances may be due to item type mapping incorrectly into the general ledger. Mapping discrepancies will continue to be researched and resolved.

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**Finding No. 12: Salary Payments**

**Finding Summary:** Numerous employees were not paid timely for work performed. Although the University had made an attempt to identify employees still owed salary for work performed, such efforts could be enhanced. Also, our tests disclosed instances in which payments to resolve claims of untimely payments were not supported by documentation evidencing the propriety of such payments.

**Recommendation:** The University should continue its efforts to identify and pay all employees that are still owed salary payments, and to take additional corrective action, as necessary, to prevent future late salary payments from occurring. Such efforts should include sending written directives to all departments requiring them to make the appropriate inquiries and perform the necessary research to identify in writing any employees in their departments that may not have been paid for work performed for any pay periods, including those prior to May 2006. The directives should include appropriate guidance regarding the specific procedures to be followed in making the inquiries and performing the research. The head of each department should be required to provide a written description of the inquiries and research, and certify the results to the President. In addition, the University should ensure that all payments, including “on-demand” payments, are orderly maintained and supported by documentation evidencing the propriety of such payments.

**Response No. 12**

The budget office currently verifies funds availability for all employee contracts prior to an employee being entered into the Human Resources system. A pay calendar highlighting deadline dates to support the hiring process and payroll certifications is sent to all payroll representatives and Vice Presidents to ensure timely submission of documents (See Attachment 12-1).

The on-demand payment request and procedure was revised so that all requests can be tracked and documented as appropriate. (See Attachments 12-2A and 12-2B). All on demand requests and proof of payment are being maintained in a separate file and alphabetized by department and employee name. A
log has been established to readily track all on-demand payments made by the Payroll Office (see Attachment 12-3).

A payroll certification workshop is scheduled for April 17, 2007 and is mandatory for all payroll representatives. The agenda items will include, but not be limited to: information accuracy; familiarity of related documents and their related attributes; signature verification and authorization; and timely submission of payroll documents.

### Finding No. 13: Salary Increases

**Finding Summary:** The University did not timely implement salary increases for certain employees and did not promptly resolve resulting salary underpayments.

**Recommendation:** The University should enhance its procedures to ensure that employees timely receive salary increases to which they are entitled, and ensure that future disputes regarding salary increases are promptly and properly handled. The University should also take immediate action to comply with the settlement agreement by paying amounts owed to the faculty members.

#### Response No. 13

The documentation to process the salary increases was received in the Office of Human Resources during the month of September 2005. Since this was after the effective date of the salary increases, the State Bureau of Payroll procedures required the University to provide settlement agreements between the University and the subject employees for the employees to receive such retroactive pay. Individual settlement agreements and releases were prepared for the eighteen (18) employees. Twelve (12) of employees executed their settlement agreements were paid as indicated on Attachment 13-1. The remaining six (6) employees initiated an unfair labor practice action challenging the settlement agreement. The unfair labor practice was settled on November 3, 2006.

After execution of the required settlement agreements for the above six (6) employees, the University received checks for the employees on April 2, 2007. See Attachment 13-2.

To ensure the timely payment of such promotional increases to faculty, the Office of the Provost will submit a Personnel Action Request (PAR) to the Office of Human Resources prior to the end of the fiscal year so that the faculty member’s contract for the upcoming year will reflect any promotional salary increase.

### Finding No. 14: Salary Payment Cancellations

**Finding Summary:** The University did not always retain adequate documentation for salary payment cancellations or evidence that cancelled payroll warrants were destroyed or defaced.

**Recommendation:** The University should ensure that salary payment cancellations are properly documented as to reason, and documentation retained evidencing that cancelled payroll warrants were destroyed or defaced.
Response No. 14

The current procedure for salary warrant cancellations requires that the Associate Director of Payroll cancel salary warrants in accordance with the Bureau of State Payroll Preparation Manual, Volume V. Section 5. Payroll warrants are cancelled using the Bureau of State Payroll on-line cancellation system. Electronic Funds Transfer (EFT) warrants slated for cancellation must be input by the Payroll Specialist and cancelled by the Associate Director of Payroll by every Wednesday, before 11:00 a.m. Cancelled warrants are maintained in the Payroll Office.

The Payroll Office has revised the Destruction of Cancelled and Voided Payroll Warrants guideline (See Attachment 14-1 and 14-2) to reflect the following:

- The word “cancelled” or “cancel” is being stamped or clearly written on the face of each salary warrant that is to be cancelled in a manner that will clearly render the warrant non-negotiable.
- The word “void” is being stamped or clearly written on the face of the original warrant when a duplicate warrant has been issued and the original warrant is subsequently located.
- The destruction of the warrant(s) is being witnessed and attested to by a minimum of two persons. One of the persons attesting to the destruction of the warrants should be from a unit that is independent of the section that routinely handles this function.
- The attestation will include a written record or report showing which warrants were destroyed and the date of the destruction.

In addition,

- Payroll Specialists will submit the Payroll Warrant Cancellation Memorandum to the Assistant Director of Payroll Operations after payroll data input and proof of payroll has been completed. The warrant or EFT copy is pulled from the Controller’s Office and given to the Assistant Director of Payroll Operations.
- The Assistant Director of Payroll Operations will maintain a file for the Warrant Cancellations and ensuring the Warrant is defaced.
- The Associate Director of Payroll Operations will schedule the destruction of the warrants with a person outside of the department to ensure the integrity of the destruction process. This process also requires verification of the warrants that have been destroyed and the dates they were destroyed.

The attached policies and procedures, provided as Attachments 14-3A and 14-3B, will be circulated and implemented by July 01, 2007.

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<th>Finding No. 15: Fingerprinting</th>
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Finding Summary: Fingerprinting was not performed for certain employees in positions of special trust or of a sensitive nature.

Recommendation: The University should ensure that fingerprinting is performed for all employees in positions of special trust or of a sensitive nature in accordance with the new policy.

Response No. 15

The University concurs with the recommendation. The University has an agreement with the VECHS program of the Florida Department of Law Enforcement. This program provides for fingerprinting and
criminal background checks. All parking service and campus law enforcement employees have been fingerprinted. Students working in the Child Care Center were submitted to a level 2 fingerprinting and background check by April 6, 2007.

The University has developed a draft regulation on employee background screening and fingerprinting that will be submitted to the Board of Trustees for approval at its May meeting (Attachment 15-1).

### Finding No. 16: Leave Records

**Finding Summary:** University procedures were not adequate to ensure that employee leave records were properly updated for unused leave payments to terminated employees.

**Recommendation:** The University should enhance its procedures to ensure that employee leave records are properly updated for unused leave payments to terminated employees. The University should also review leave records for all employees who terminated during the 2005-06 fiscal year to determine if leave records were properly adjusted for unused leave payments.

**Response No. 16**

The University concurs with the above finding and the following corrective actions have been implemented by the University:

Proper updating of unused leave time payable to terminating employees – Human Resources will review and check the completed and approved clearance forms to ensure that all leave balance adjustments have been applied. Leave Payouts will occur within thirty (30) calendar days after receipt of the last salary payment check. The leave balances of paid out employees are zeroed out at the time the final payment check is made. Employees must have satisfied all University debts and obligations prior to a final check being issued. See Attachment 16-1.

### Finding No. 17: Performance Evaluations

**Finding Summary:** The University’s procedures were not adequate to ensure that required annual performance evaluations were completed in accordance with University regulations.

**Recommendation:** The University should enhance its procedures to ensure that required annual performance evaluations are completed in accordance with University regulations.

**Response No. 17**

The University, on a continuous basis, informs supervisors of due dates for employee evaluations. These letters include deadline dates and all forms necessary to complete the evaluations. Records reflect the University has continuously sent out reminder letters to all supervisors regarding past due A&P and USPS evaluations. There is also a specific letter to remind supervisors that probationary evaluations for USPS employees are due prior to completion of the first six months on the job.

It is strongly recommended that managers complete a performance review prior to the conclusion of an employee’s first six months at Florida A&M University. The introductory period review and the University’s annual review use the same form. Managers must complete performance reviews annually for all employees within their reporting line.
Finding No. 18: Sabbatical Leave Reports

Finding Summary: The University did not always obtain sabbatical leave reports within the timeframe required by the Collective Bargaining Agreement. Also, the University had not established policies and procedures requiring notification and approval of changes to planned sabbatical activities.

Recommendation: The University should implement policies and procedures to ensure that sabbatical leave reports are provided in a timely fashion, as required by the Collective Bargaining Agreement, and to provide for changes in planned sabbatical activities to be approved by appropriate University management prior to the sabbatical leave.

Response No. 18

The University concurs with the above finding. The following corrective actions have been implemented by the University:

1. Adherence to the deadlines for submission of sabbatical reports – The Collective Bargaining Agreement specifies that reports should be submitted no later than 30 days after faculty member’s return from sabbatical. By sending a reminder notice to the two faculty members who were on approved sabbaticals for Fall 2006, the University received the faculty members’ sabbatical reports in a timely manner. The University will provide reminders for future sabbatical reports to any applicable faculty member. In addition, the revised sabbatical schedule will be posted on the University website and it now specifies the deadlines for written reports. (Attachment 18-1)

2. Provision for changes to approved sabbaticals – A draft Sabbatical Leave Agreement has been developed (Attachment 18-2) which outlines the above reporting requirement and which clearly states that a sabbatical leave program may not be altered without the written consent of the Dean and the Provost. However, before this draft can be finalized and an Agreement implemented, the contents must be raised in consultation with the appropriate FAMU United Faculty of Florida (UFF) representatives. Consultation between the University representative(s) and the UFF representative(s) will occur before faculty members are officially notified of the 07-08 sabbatical awards.

Finding No. 19: Purchasing Policies and Procedures

Finding Summary: The University had not updated written policies and procedures for its Purchasing Department to reflect its new financial system.

Recommendation: The University should continue its efforts to update written policies and procedures for its Purchasing Department.

Response No. 19

On December 07, 2006, the Board of Trustees (BOT) adopted Purchasing Regulations for the University and shortly thereafter the Purchasing Department began updating it policies and procedures to have consistency with the Regulations and the new automated financial system. The revised purchasing policies and procedures will be completed May 1, 2007, and placed on the Purchasing Department’s
website [http://www.famu.edu/oldsite/about/admin/vpad/purchasing](http://www.famu.edu/oldsite/about/admin/vpad/purchasing). The Regulations may be viewed at [http://www.famu.edu/index.cfm?a=regulations&p=chapter6](http://www.famu.edu/index.cfm?a=regulations&p=chapter6).

Prior to launching the revised policies and procedures to the University community, the Purchasing Department and other key, impacted University employees will receive hands-on training on the system’s proper use and functionality.

### Finding No. 20: Disbursement Processing

**Finding Summary:** The University’s disbursement processing procedures needed improvement.

**Recommendation:** The University should ensure that written contracts or purchase orders are used to document the approval of purchases prior to incurring an obligation of payment, and should continue its efforts to ensure that vendors are promptly paid. The University should also ensure that original invoices are retained in support of disbursements.

**Response No. 20**

The Purchasing Department continues to enforce the University’s policies and procedures requiring all procurements to be processed through the Purchasing Department. To this end, five training sessions were provided to 495 employees in 2006. The Purchasing Department will continue to provide ongoing training. Under the new policies and procedures, the failure of University staff to attend mandatory training will result in the loss of their credentials to access the automated procurement system. If requests for purchase orders are received after a vendor has commenced or completed delivery of a commodity or service, the school or department is required to submit an After-The-Fact Certification to the Purchasing Department. (Attachment 20-1). The After-The-Fact Certification request will be reported to the appropriate vice president for corrective and/or disciplinary action. In addition, vendors are continually reminded (via telephone, vendor application and purchase order) not to provide or continue providing commodity or service without an official, valid and un-expired Florida A & M University contract, purchasing order or change order. Vendor applications can be found at: [http://www.famu.edu/oldsite/about/admin/vpad/purchasing/frm_purchasing%20Vendor%20Application_PDF](http://www.famu.edu/oldsite/about/admin/vpad/purchasing/frm_purchasing%20Vendor%20Application_PDF).

The University has also improved the timeliness of payment processing by requiring vendors to send invoices directly to the Controller’s Office (Attachment 20-2). Previously, it was not mandated that vendors send their invoices to the Controller’s office, hence, in numerous cases; invoices were being sent to the respective requisitioning department. This delayed payment to the vendor and resulted, in some cases, in late charges to the University. The University has begun a series of Accounts Payable (A/P) workshops designed to educate the departmental fiscal representatives on vendor payment processes and problem resolution.

The Controller’s A/P staff has written procedures documenting the necessity to pay from original invoices only. In the event an original is not available, the (A/P) processor must contact the vendor to obtain a written verification that an original cannot be created. The processor must attach the vendor’s written documentation in addition to noting that the invoice copy was “received as an original.” The processor must also validate the invoice by researching the vendor payment history file to ensure a payment has not been processed previously for the same item(s). This information is also being disseminated at the A/P workshops and is included in the Accounts Payable procedures (See Attachment 20-2).
Finding No. 21: Athletic Medical Payments

Finding Summary:  University records for payments to medical providers for student athletes were not always complete, and payments were not always timely.

Recommendation: The University should improve the process of record keeping and monitoring payments for medical claims.

Response No. 21

The University concurs with the above recommendation. The University has developed draft procedures for the Athletic Business Office that addresses among other items, timely payment to vendors and accurate record keeping. In the future, the Department will designate one (1) account representative, whose responsibility will be the sole tracking of each student-athlete injury through the process, ending with final payment of the invoiced accounts. Following these procedures the University will be able to ensure the timely payments to athletic medical providers and that all records and payments are maintained in a manner to permit the monitoring and review of such records and payments.

Finding No. 22: Communication Expenses

Finding Summary:  The University needed to improve its controls over communication expenses.

Recommendation: The University should ensure that long-distance telephone logs, documenting the public purpose of such calls, are maintained in accordance with University procedures. The University should also retain documentation evidencing the need for, and approval of, the assignment of pagers and cell phones to employees.

Response No. 22

The University concurs with the recommendations. The University will be presenting the attached draft policy governing all communication uses and expenses for approval by the University Board of Trustees at its meeting in May 2007. See Attachment 22-1.

The Office of Enterprise Information Technology (EIT) will revise its present procedures to reflect the policy being presented to the Board of Trustees. The revised procedure will address the following:

- Roles and responsibilities
- Documentation requirements
- Oversight and audit requirements and schedules
- Retention requirement of source documents including call logs

EIT will also initiate mandatory training covering the new policies and procedures as part of the implementation plan. The expected date of implementation is June 30, 2007.

Finding No. 23: Cellular Telephones

Finding Summary: University procedures did not provide for adequate monitoring of cellular telephone (cell phone) usage. Also, the University did not confer with the Florida Department of Financial Services to report to the Internal Revenue Service the value of cell phone services as income for employees who did not make an adequate accounting of the business use of their
assigned cell phones. In addition, University personnel did not provide us with supporting documentation (including cell phone bills) for cell phone charges selected for audit testing.

Recommendation: The University should revise its procedures to require employees to state the specific business purpose of each call and independent reviews of cell phone bills to determine personal calls made and any needed reimbursements. In the absence of such procedures, the University should confer with FDFS to report appropriate amounts in income to the IRS in accordance with Federal requirements. In addition, the University should ensure that bills supporting cell phone charges are retained to demonstrate the propriety of such charges.

Response No. 23

The University concurs with the recommendations. The University will be presenting the attached draft policy governing all communication uses and expenses for approval by the University Board of Trustees at its meeting in May 2007. See Attachment 22-1.

The Office of Enterprise Information Technology (EIT) will revise its present procedures to reflect the policy being presented to the Board of Trustees. The revised procedure will address the following:

- Roles and responsibilities
- Documentation requirements
- Oversight and audit requirements and schedules
- Retention requirement of source documents including call logs

EIT will also initiate mandatory training covering the new policies and procedures as part of the implementation plan. The expected date of implementation is June 30, 2007.

Finding No. 24: Travel Expenses – Student Meals

Finding Summary: Our tests disclosed instances in which University records did not evidence that travel payments for student meals were actually disbursed to the students.

Recommendation: The University should ensure that travel payments for student meals are properly documented. The University should also ensure that the $4,610 was distributed to the student travelers, as appropriate.

Response No. 24

The University concurs with the recommendation that travel payments for student meals are properly documented. The University has a process that requires students to sign for travel payments when they are distributed by the University chaperons traveling with them. Documentation has been provided to the Auditor General evidencing that the $4,610 was distributed to student travelers.

Finding No. 25: Contractual Services

Finding Summary: Payments to some contractors were not made pursuant to signed, and sufficiently detailed, written agreements. Also, the University needed to enhance its procedures to ensure that payments to contractors were for services actually performed and in accordance with agreed-upon terms.
Recommendation: The University should ensure that all payments for contractual services are made pursuant to signed written agreements, and purchase orders where appropriate, clearly establishing the specific responsibilities of the parties to the contracts, and the University’s financial obligations, prior to the services being rendered and paid. The University should also enhance its payment processing procedures to ensure payments are for services actually performed and in accordance with agreed-upon terms. In addition, the University should recover the $4,534 of contractor overpayments.

Response No. 25

The University generally concurs with the recommendation. The Purchasing Department continues to enforce the University’s policies and procedures requiring all procurements to be processed through the Purchasing Department. To this end, five training sessions were provided to 495 employees in 2006. The Purchasing Department will continue to provide on-going training. Under the new policies and procedures, the failure of University staff to attend mandatory training will result in the loss of their credentials to access the automated procurement system. If requests for purchase orders are received after a vendor has commenced or completed delivery of a commodity or service, the school or department is required to submit an After-The-Fact Certification to the Purchasing Department. (Attachment 20-1). The After-The-Fact Certification request will be reported to the appropriate Vice President for corrective and/or disciplinary action. In addition, vendors are continually reminded (via telephone, vendor application and purchase order) not to provide or continue providing commodity or service without an official, valid and un-expired Florida A & M University contract, purchasing order or change order. Vendor applications can be found at: http://www.famu.edu/oldsite/about/admin/vpad/purchasing/frm_purchasing%20Vendor%20Application. PDF

Contracts with NWRDC regarding variable cost associated with CPU usage and disk storage was part of a previous audit recommendation in the Auditor General Report Number 2006-187. The University and EIT are in the process of resolving this issue by transitioning from the services of the NWRDC. (See Attachment 25-1). The NWRDC Policy Board finalized a Service Level Understanding document outlining services to be provided to all mainframe customers of the data center. See Auditor General’s Report No. 2007-129.

The University disagrees with the recommendation as to the recovery of the $4,534. A further review of the vendor’s contract indicates the $4,534 was appropriately paid to the vendor pursuant to the contract, and documentation has been provided to the auditors evidencing this. Further, the University has provided supporting documentation for the following:
- the contractor paid $79,870 (documents evidence the work performed)
- the contractor reimbursed $1,871 for travel costs (documents evidence the travel costs were actually incurred)

Finding No. 26: Competitive Procurement of Contractual Services

Finding Summary: The University did not always procure contractual services using the competitive selection process prescribed by Board of Governors regulations and University rules, or properly and timely document that such procurements were exempt from competitive selection requirements. Also, subsequent to the 2005-06 fiscal year, the Board of Trustees changed the University’s competitive procurement threshold to an amount that exceeded the limit established by Board of Governors regulations.
Recommendation: The University should ensure that contractual services exceeding $25,000 are procured using a competitive selection process as required by BOG Regulations, or properly and timely document that such procurements are exempt from competitive selection requirements. Also, the Board of Trustees should revise University Regulation 6.005 to be consistent with Board of Governors Regulation 6C-18.045.

Response No. 26

The University concurs that contractual services exceeding the university’s bid threshold must be procured using a competitive selection process, unless such services are procured on an emergency basis or are exempt from the competitive selection process.

Athletic Accident Insurance

The policy covering athletic accident insurance renews September 11 of each year. After a review of the policy with the University’s Risk Manager, it was determined that the action taken to pay the yearly premium was just a renewal of the existing policy, not a new purchase.

Executive Search Firm

The regulation applicable to this audit, 6C3-6.011, governing emergency procurement specifically provides the President may make an emergency procurement without competitive bidding, “when the delay incident to such procurement may be detrimental to the interest of the University.” The University’s Purchasing Regulations requires the university to comply with Section 287.058, F.S., for the questioned contract. Pursuant to the statutory provision, an emergency certification must be prepared within 30 days after the contractor begins rendering the service. In this instance, the President determined that there was an emergency for the academic area due to the number of vacant dean positions and an emergency certification was completed and filed within 30 days of the execution of the contract. In this instance, the certification was filed within 3 days of execution of the contract.

Student Financial Aid Office

The University engaged the services of the consultant to conduct a review and analysis of its financial aid program. The initial services of the consultant were properly obtained pursuant to the University’s purchasing regulations. After the review and analysis process, the University found it was necessary to relieve some of the financial aid staff of their duties, in an effort to prevent the University from losing its privilege to participate in the Federal Title IV Financial Aid Programs. Since the consultant had been rendering satisfactory services, the University decided to continue with the services of the consultant. The services were obtained to provide financial aid professionals to the University in processing files for the upcoming school year, as the school year was beginning; closing out the current year activities; and assist in responding to the two prior year federal financial aid audit findings. Thus, the University concurs that subsequent services of the consultant procured on an emergency basis should have been properly certified as an emergency.

Master Service Agreement

In February, 2005, the University was advised by the Joint Legislative Audit Committee of the Florida Legislature to submit a comprehensive workplan based upon the University’s operational audit rendered for 2004. The University was given 30 days to submit its workplan. The consultant was retained to assist the University with the preparation of the workplan given the consultant’s previous work history with the University and the fact that the consultant was on state contract. The workplan was presented to Joint Legislative Audit Committee, the University Board of Trustees and the Audit Committee of the Florida Board of Governors. On June 30, 2005, the Board of Trustees, pursuant to Resolution 11-05,
authorized the Interim President to negotiate and execute a master service agreement with the consultant for the performance of work pursuant to task orders. Upon such action by the Board of Trustees, the workplan was divided into tasks orders where oversight would be provided by the specific operational areas. The services primarily performed by the consultant consisted of accounting and internal auditing services which are exempt under the University’s Purchasing Regulations.

**$50,000 Competitive Bid Threshold**

The Florida A&M University Board of Trustees had authority to promulgate purchasing rules including establishing a $50,000 bid threshold. Such authority had been granted to university board of trustees by the Florida Board of Governors’ resolution adopted on January 7, 2003. The university’s implementation of the increased bid threshold is consistent with the actions of other state universities. The General Counsel for the Florida Board of Governors has indicated the Board of Governors regulation is being reviewed and will be made consistent with actions of the state universities. Thus, by virtue of the delegated authority from the Board of Governors, the university has the authority to set bid threshold as established.

**Finding No. 27: Labor Burden Costs**

Finding Summary: The University did not document its determination of the reasonableness of the labor burden rate the construction management entity applied to construction contracts.

Recommendation: The University should document its determination of the reasonableness of the components of the labor burden costs.

**Response No. 27**

The University concurs with the recommendation. The project in question was identified as the $6.6 million Recreation Center. This was one of three projects reviewed during this audit. While the University does a rigorous review of the labor burden rates included in construction manager contracts, this was an isolated instance where the project manager, prior to leaving the University, did not include the standard documentation in the project file. This standard documentation, found in other project files, includes a comparison to the industry standards for labor burden experience with past projects, and comparisons of labor burden rates on similar construction projects at other universities.

The University requests documentation for verification when rates are deemed excessive. To ensure the necessary documentation is included in all construction project files, the Director of Facilities Planning will review, after contract execution, each project file to verify that the labor burden documentation is included in the file.

**Finding No. 28: Sponsored Research**

Finding Summary: The University’s controls over sponsored research contracts and grants needed improvement.

Recommendation: The University should enhance its procedures to ensure that grant transactions are timely posted to the accounting records. The University should also investigate and resolve the difference between the general ledger and the grant subsidiary records to ensure
that its records accurately reflect grant expenditures, and ensure that it has billed the grantor the proper amount.

Response No. 28

The University concurs with the findings and has enhanced procedures with the Office of Fiscal Affairs to ensure that all grant transactions are posted in a timely manner. In FY 2005-2006 the Office of Contracts and Grants was challenged with the accounting system and the Billing & A/R process to apply payments for grant reimbursements for both 2004-2005 and 2005-2006 fiscal years. Though this occurred on a continuous basis over FY 05-06 there was a huge effort by C&G Office to complete the task of cash application for grant reimbursements during the months of May and June 2006. This was in part due to the desire to finish this project by the end of FY 05-06. Attached is a copy of the bank statement and the posted journals for the grant cash provided to the auditors (Attachment 28-1).

The university’s general ledger reported expenditures of 802,407 for the 2005-06 fiscal year, which were $802,407. This amount was $222,622 less than the $1,025,029 amount reported in the grant subsidiary records and billed to the grantor. As reported in the finding $133,699 of this amount was due to unrecorded indirect costs. The remaining differences of $88,925 are payroll charges taken from “FLAIR” payroll records. Payroll records are taken from “FLAIR” and then posted to PeopleSoft. There are delays in this process which result in Payroll data not being timely posted to PeopleSoft. The grant subsidiary records are generated both from the expenditure data in PeopleSoft and the payroll records in flair.

The University has corrected the indirect cost rate in PeopleSoft for this award to reflect the actual expenditures eligible for reimbursement. Attached is a copy of the F&A rate information provided to the auditors (See Attachment 28-2).

As stated in the finding The Office of Sponsored Programs within the Division of Research requested and received the necessary approvals from the non-federal granting agency for reimbursement of out-of-state tuition costs of $7453 (See Attachment 28-3). The office will continue to provide the necessary training and oversight to ensure compliance with its current procedure for the Review of Non-Payroll Expenditure Requests. The Office of Sponsored Programs will also continue to identify strategies to strengthen existing processes, policies and procedures.

Finding No. 29: Presidential Scholars Program

Finding Summary: The University needed to improve accountability over scholarships awarded to students under its Presidential Scholars Program.

Recommendation: The University should implement procedures that provide for an adequate periodic reconciliation of scholarship disbursements per the general ledger to the Office of Student Financial Aid’s records.

Response No. 29

The University concurs with the recommendation that procedures should be implemented to provide for monthly reconciliation of scholarship disbursements. The Office of Student Financial Aid and Scholarships, Student Financial Services, and the Controller’s Office will work collaboratively in completing these reconciliations. The University has developed scholarship fund reconciliation
procedures to assure that monthly and year-end reconciliations are conducted and distributed appropriately. The proposed procedures for reconciliation of scholarship disbursements are included as Attachment 29-1.

Finding No. 30: Vehicle Purchases

Finding Summary: The University had not adequately documented that purchases of passenger vehicles were cost-effective.

Recommendation: The University should document its efforts to determine the cost-effectiveness of passenger vehicle purchases.

Response No. 30

The University concurs with the recommendation. The University Board of Trustees has approved a policy, BOT Policy 2006-05, that provides basic guidelines regarding the acquisition, ownership and use of University owned and operated vehicles. The policy may be found on the University’s website, http://www.famu.edu/index.cfm?a=bot&p=Policies. The Associate Vice President for Construction and Facilities Management is required by the policy to implement procedures in furtherance of the policy. Procedures have been developed to implement the policy and to ensure cost-effectiveness in the purchase of University vehicles (Attachment 30-1).

Finding No. 31: Vehicle Records

Finding Summary: Vehicle usage logs for University-owned vehicles were not always properly completed or maintained for all months, and generally did not include evidence of supervisory review.

Recommendation: The University should ensure that properly completed vehicle usage logs are maintained for all months and include evidence of review by supervisory personnel.

Response No. 31

The University concurs with the recommendation. Effective May 1, 2007, the University will require each responsible individual for all University owned/leased vehicles to sign and submit monthly Vehicle Mileage Logs (Attachment 31-1) to Plant Operations and Maintenance no later than the 7th of the following month. The responsible personnel must ensure all mileage is logged in and out for each vehicle trip taken and that the log is maintained in the vehicle at all times.

Finding No. 32: Students Grades

Finding Summary: The University needed to enhance its controls relating to grade changes and degree certifications.

Recommendation: The Registrar should maintain and utilize current signature lists to ensure that grade changes and degree certifications are appropriately authorized.
Response No. 32

The University concurs with the recommendation that the Office of the University Registrar should maintain and utilize a current master signature list to ensure grade changes and degree certifications are appropriately authorized. Based upon the finding and recommendation, the University has enhanced its procedures related to grade changes and degree certifications. On an annual basis, the University Registrar will require all deans and department chairperson complete the Signature Authorization form. This form will be kept on file in the Office of the University Registrar. A copy of the procedures is attached. See Attachment 32-1.

Finding No. 33: Fire Safety

Finding Summary: The University did not always timely correct deficiencies noted in fire safety inspection reports.

Recommendation: The University should ensure that fire safety deficiencies are timely corrected.

Response No. 33

The University concurs with the recommendation. All the outstanding fire code violations noted in the report were corrected subsequent to the audit period, but prior to audit fieldwork completion (Attachments 33-1, 33-2, 33-3). The University agrees that it is extremely important to address all life safety issues in an expeditious manner. To ensure timely follow-up and correction of all fire code violations noted by the Fire Marshall, a Project Task Team within the Plant Operations and Maintenance Life Safety Electronics Shop, has been assembled to closely monitor and correct fire safety concerns listed in the Fire Code Violations Reports. The team’s primary purpose is to be proactive by monitoring to ensure compliance with fire safety regulations and to make necessary corrections to all fire safety concerns listed in the Fire Code Violations Reports. The team’s responsibilities also include ensuring the following items are operational: emergency lights, exit lights, fire extinguishers, fire alarms, and any other fire safety devices.

Finding No. 34: Disaster Recovery

Finding Summary: The University lacked a sufficiently comprehensive disaster recovery plan that addressed all information technology resources.

Recommendation: The University should continue its efforts to establish a current, comprehensive, University-wide disaster recovery plan that addresses all IT resources, including the PeopleSoft systems, and should regularly test the plan’s provisions to provide assurance of a timely and orderly resumption of IT operations in the event of an interruption in service.

Response No. 34

The University concurs with the recommendation. The need for a university-wide disaster recovery plan was identified in the Auditor General’s Information Technology Audit Report Number 2006-187 (See Attachment 34-1). As stated in the report, EIT Steering Committee along with the Chief Information Officer are developing a disaster recovery (DR) plan template that will be comprehensive and include back-up and recovery procedures for all critical EIT systems not covered by the application service
provider (ASP). Also, as recommend by the Auditor General, a third party risk assessment will be performed to establish the business risks affecting all computer related systems and data hosted on-campus and off-campus. Based on the result of the assessment, the appropriate recovery criteria will drive the solution design and implementation schedule.

Current Status:
On-line PeopleSoft administrative modules have been re-hosted at IBM’s Application On-Demand Application Service Provider. Service level agreements and disaster recovery are included as part of the University’s contract with IBM.

Release of Request for Quote (RFQ) for a University-wide risk assessment is scheduled for April 30, 2007. The risk assessment will identify all critical computing and information components and is the first step to developing detailed disaster recovery processes, procedures, and test plans.

Expected Implementation Date: December 31, 2007

| Finding No. 35: Staffing |

Finding Summary: Understaffing of certain areas of the University may have contributed to some of the control deficiencies disclosed in this report, and may have contributed to the need to use consultants to provide support in key operational areas.

Recommendation: The University should continue its efforts to achieve adequate levels of staffing, and review the cost effectiveness of continuing extensive use of consultants in lieu of hiring additional staff.

Response No. 35

The University concurs with the recommendation. While the University has made some strides in addressing our staffing needs, staffing remains a significant priority. The University has identified its personnel needs (see Attachment 35-1) and has already begun recruitment of qualified candidates to fill the vacancies in Fiscal Affairs, Division of Research, Facilities & Construction (Grounds), Financial Aid, Student Financial Services, Compliance & Audit, and Enterprise Information Technology. In the course of evaluating our staffing needs, the University has been careful to review the overall organizational structure of affected departments and in many cases has reorganized departments to ensure that structure efficiently and effectively meets the needs of the University. Our focus remains on hiring qualified, capable staff to carry out the business of this institution. As we build our workforce, the University will continue to evaluate the need for consultant support. Attached is a summary describing staffing efforts in the various departments.