FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Operational Audit

For the Fiscal Year Ended June 30, 2006
And Selected Actions Taken Prior and Subsequent Thereto
# TABLE OF CONTENTS

**SUMMARY OF FINDINGS** ......................................................................................................................................................... 1

**BACKGROUND** ........................................................................................................................................................................ 4

**FINDINGS AND RECOMMENDATIONS** ........................................................................................................................................ 4

**GENERAL AND MANAGEMENT CONTROLS** ......................................................................................................................... 4
  Inspector General ........................................................................................................................................................................... 4
  Operating Budget .......................................................................................................................................................................... 6

**CASH AND RECEIVABLES** ......................................................................................................................................................... 8
  Electronic Fund Transfers ......................................................................................................................................................... 8
  Returned Checks Receivables ....................................................................................................................................................... 9

**CAPITAL ASSETS** ................................................................................................................................................................. 10
  Tangible Personal Property – Annual Physical Inventory ..................................................................................................... 10
  Tangible Personal Property – Capital Outlay Expenditures ................................................................................................. 11

**REVENUES** ........................................................................................................................................................................... 12
  Decentralized Collections ......................................................................................................................................................... 12
  Auxiliary Contracts .................................................................................................................................................................. 12
  Tuition Refunds ......................................................................................................................................................................... 13
  Financial Aid Fees .................................................................................................................................................................. 14
  Student Activity and Service, Health, Athletic, and Transportation Access Fees ............................................................... 14

**PERSONNEL AND PAYROLL ADMINISTRATION** .................................................................................................................. 15
  Salary Payments ........................................................................................................................................................................... 15
  Salary Increases .......................................................................................................................................................................... 17
  Salary Payment Cancellations ................................................................................................................................................ 18
  Fingerprinting ............................................................................................................................................................................ 19
  Leave Records ............................................................................................................................................................................ 19
  Performance Evaluations ......................................................................................................................................................... 20
  Sabbatical Leave ....................................................................................................................................................................... 20

**PURCHASING** ......................................................................................................................................................................... 21
  Purchasing Policies and Procedures ........................................................................................................................................ 21

**DISBURSEMENT PROCESSING** ........................................................................................................................................... 21
  General Disbursement Controls ........................................................................................................................................... 21
  Athletic Medical Payments ....................................................................................................................................................... 22

**COMMUNICATION EXPENSES** ............................................................................................................................................. 23
  Communication Expenses ......................................................................................................................................................... 23
  Cellular Telephones ................................................................................................................................................................. 24

**TRAVEL EXPENSES** ............................................................................................................................................................. 25
  Travel Expenses – Student Meals ........................................................................................................................................... 25

**CONTRACTUAL SERVICES** .................................................................................................................................................. 25
  Contractual Services ................................................................................................................................................................. 25
  Competitive Procurement of Contractual Services .................................................................................................................. 27

**CONSTRUCTION AND CAPITAL OUTLAY** ......................................................................................................................... 30
  Labor Burden Costs ................................................................................................................................................................. 30
FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

TABLE OF CONTENTS (Continued)

<table>
<thead>
<tr>
<th>CONTRACTS, GRANTS, and SCHOLARSHIPS</th>
<th>31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Research</td>
<td>31</td>
</tr>
<tr>
<td>Presidential Scholars Program</td>
<td>31</td>
</tr>
<tr>
<td>MOTOR VEHICLES</td>
<td>32</td>
</tr>
<tr>
<td>Vehicle Purchases</td>
<td>32</td>
</tr>
<tr>
<td>Vehicle Records</td>
<td>33</td>
</tr>
<tr>
<td>OTHER MATTERS</td>
<td>33</td>
</tr>
<tr>
<td>Student Records</td>
<td>33</td>
</tr>
<tr>
<td>Fire Safety</td>
<td>34</td>
</tr>
<tr>
<td>Disaster Recovery</td>
<td>34</td>
</tr>
<tr>
<td>Staffing</td>
<td>35</td>
</tr>
<tr>
<td>OBJECTIVES, SCOPE, AND METHODOLOGY</td>
<td>36</td>
</tr>
<tr>
<td>PRIOR AUDIT FINDINGS</td>
<td>36</td>
</tr>
<tr>
<td>AUTHORITY</td>
<td>37</td>
</tr>
<tr>
<td>MANAGEMENT RESPONSE</td>
<td>37</td>
</tr>
<tr>
<td>APPENDIX A – FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY'S BOARD OF TRUSTEES</td>
<td>38</td>
</tr>
<tr>
<td>APPENDIX B – MANAGEMENT RESPONSE</td>
<td>39</td>
</tr>
</tbody>
</table>
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.