



Item: AF: I-1d

AUDIT AND FINANCE COMMITTEE

Wednesday, April 15, 2009

SUBJECT: REVIEW OF AUDITS: REPORT NO. 2009-144, STATE OF FLORIDA COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORT AND FEDERAL AWARDS FOR FISCAL YEAR ENDED JUNE 30, 2008.

PROPOSED COMMITTEE ACTION

Information Only. The complete audit can be accessed on the Auditor General's website located at: http://www.myflorida.com/audgen/pages/pdf_files/2009-144.pdf#Page1

BACKGROUND INFORMATION

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires an audit of the State's financial statements and Federal awards programs as described in OMB Circular A-133. The audit of the State's financial statements, performed in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, culminates in an *Independent Auditor's Report* and a *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards*.

Florida Atlantic University has three audit findings:

Finding 1. FA 08-099, Return of Title IV Higher Education Act Funds -- Unofficial Withdrawals: The institution had not implemented adequate procedures to determine, within 30 days after the end of the payment period, whether Title IV HEA funds were earned for students who ceased attendance without providing official notification to the institution of their withdrawal. As a result, the institution did not timely identify, calculate, and return (within 45 days) unearned Title IV HEA funds to the applicable Federal programs for those students who unofficially withdrew prior to the 60 percent point of the payment period.

Condition: For 2 of 10 students tested who unofficially withdrew and received Title IV HEA funds during the Fall 2007 term, the institution did not maintain documentation to support attendance past the 60 percent point of the payment period. The institution did not timely identify these students as unofficial withdrawals, nor timely return the unearned funds to the applicable Federal program. Subsequent to audit inquiry, 205 and 233 days late, the institution calculated the returns totaling \$1,178.42 subsidized FFEL, and returned the funds on August 14, 2008, (\$673.38) and September 5, 2008, (\$505.04).

FAU Response: In order to assure accurate reporting of students, grades and attendance, FAU will begin to obtain statistical data from Blackboard, a university supported faculty software tool. It will store course data for 3 years on campus. In addition, a university task force (including faculty and administrators) has been created to review university

policies and procedures related to attendance and withdrawal issues. The committee will develop recommended actions for enhancing record-keeping in relation to student attendance.

Implementation Date: June 30, 2009

Finding 2. FA 08-103, Student Status Changes -- National Student Loan Data System Roster Files: The institution did not always timely report enrollment status changes to NSLDS for FFEL student loan borrowers. Unless the institution expects to submit its next roster file (enrollment data) to NSLDS within 60 days, it must notify NSLDS directly within 30 days of discovering that a student who received an FFEL loan ceased to be enrolled on at least a half-time basis.

Condition: For four of nine FFEL student loan borrowers tested who withdrew, graduated, or otherwise ceased to be enrolled at least half-time during the 2007-08 award year, the institution reported the enrollment status changes 16 to 146 days late to NSLDS.

FAU Response: FAU implemented a new student information system, SCT Banner, during the 2007-08 academic year. Submission of the Student Status Confirmation Reports (SSCR) to the Clearinghouse were delayed during Spring 2008 as automated programs were developed and fine-tuned to accurately submit the required enrollment updates. Effective Spring 2009, the SSCR's to the Clearinghouse will be submitted bi-weekly instead of monthly to meet federal reporting requirements.

Implementation Date: January 31, 2009.

Finding 3. FA 08-108, Allowable Cost/Cost Principles -- Time and Effort Reporting: After-the-fact time-and-effort payroll certification forms did not reflect actual time worked by employees on various Federal contracts and grants, and such forms and reports documenting time-and-effort were not always certified by the employee or an individual with direct knowledge of the employee's work, contrary to Federal cost principles.

Condition: As noted in our prior audit, the institution's procedures required that payroll certification forms be approved at the end of each pay period by the Department head and the timekeeper. These forms were prepared after-the-fact; however, the percentage of effort was based on budgeted or anticipated percentages of effort rather than actual effort and were not signed by the employee or an individual with direct knowledge of the employee's activities. In addition, faculty are required to document non-instructional activities in the Faculty Academic and Information Reporting system; however, these reports (timesheets) are not always signed by the employee or an individual with direct knowledge of the employee's activities.

As a result of inadequate after-the-fact time-and-effort documentation, questioned costs totaled \$364,777.31 for salary and benefits (\$222,689.56 grant No. N00014-05-1-0341H and \$98,281.57 grant No. 5R01 EY013022-09) and other personnel service employees (timesheet) (\$24,495.88 grant No. N00014-05-1-0341H and \$19,310.30 grant No. 5R01 EY013022-09) payroll for the two Federal grants tested.

Agency personnel indicated that they are in the process of revising and implementing procedures relating to Research Accounting, which includes future implementation of a new time-and-effort reporting system that will comply with Federal reporting standards.

FAU Response: Florida Atlantic University is actively pursuing a Time and Effort system that will assist the institution in meeting the A-21 requirements. The University has set the following requirements for acquiring this system:

- Must meet the A-21 requirements.
- Can be delivered at a reasonable cost
- Must be integrated with the University's Banner Enterprise Resource Planning (ERP) system
- Must be user friendly

The University is in the final phase of evaluating the responses to the Invitation to Negotiate (ITN) as described in the auditor's "cause" section of this finding. The vendors on the shortlist can all provide a system that is both A-21 compliant and user friendly. These systems may require bridge programs in order to integrate with Banner. The University recently learned that Banner SCT (provider of current ERP system) has released a new version of its ERP system which includes a Time and Effort module. The University is in the process of comparing this module with the systems that were included in the ITN. If the Banner module meets all of the requirements listed above, the institution may upgrade to this new Banner version and include the system's Time and Effort module in the upgrade.

In the meantime, the University is also reviewing its current FAIR system to determine if current processes could be enhanced in order to meet the A-21 requirements until a new system is implemented.

Implementation Date: December 31, 2009

IMPLEMENTATION PLAN/DATE

December 2009.

FISCAL IMPLICATIONS

Not Applicable.

STATE OF FLORIDA
COMPLIANCE AND INTERNAL CONTROLS OVER
FINANCIAL REPORTING AND FEDERAL AWARDS

In Accordance With OMB Circular A-133

For the Fiscal Year Ended
June 30, 2008



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

STATE OF FLORIDA
COMPLIANCE AND INTERNAL CONTROLS OVER
FINANCIAL REPORTING AND FEDERAL AWARDS

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The State of Florida's basic financial statements, as of and for the fiscal year ended June 30, 2008, were fairly presented in all material respects, in accordance with accounting principles generally accepted in the United States. Our report is included in the Florida Comprehensive Annual Financial Report for fiscal year ended June 30, 2008, issued by the Chief Financial Officer.

**Summary of Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements Performed
in Accordance with Government Auditing Standards****Internal Control Over Financial Reporting**

We noted the following matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies:

- For one or more financial statement accounts, the Departments of Revenue and Management Services and the Agency for Health Care Administration did not accurately report or classify assets, net assets, revenues, expenses, or liabilities in accordance with generally accepted accounting principles. (Finding Nos. FS 08-001, FS 08-002, FS 08-003, and FS 08-004)

We believe that none of the significant deficiencies described above is a material weakness.

We noted additional matters that were reported to management but that we did not consider to be significant deficiencies or material weaknesses.

- The Department of Financial Services used a standard form to obtain from State entities the information needed to compile amounts disclosed in Note 2 regarding deposits and related custodial credit risk. These forms did not require the entities to certify compliance with Chapter 280, Florida Statutes, which governs the collateralization of State deposits. (Finding No. FS 08-005)
- The Department of Financial Services did not have effective IT general controls in place to ensure the integrity and reliability of data relating to Special Disability Trust Fund claims. (Finding No. FS 08-006)
- The Department of Management Services used a long-term investment rate assumption in determining the actuarial accrued liability for the Health Insurance Subsidy Pension plan that was not commensurate with the nature and mix of current and expected plan investments. The actuarial accrued liability is reported as required supplementary information to the basic financial statements. (Finding No. FS 08-007)

Compliance

The results of our audit of the State's basic financial statements disclosed no instances of noncompliance that are required to be reported by *Government Auditing Standards*.

**Summary of Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control over Compliance in Accordance with OMB Circular A-133**

During the 2007-08 fiscal year, State agencies, universities, and community colleges administered over 540 Federal awards programs or program clusters. Expenditures for the 39 major programs totaled \$21.5 billion, or approximately 88 percent of the total expenditures of \$24.5 billion, as reported on the Supplementary Schedule of Expenditures of Federal Awards.

Compliance

We were unable to express and did not express an opinion on the Division of Emergency Management's compliance with requirements applicable to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program. Because of internal control deficiencies noted in the Florida Public Assistance System,

the lack of sufficient documentation supporting the allowability of payments to subgrantees, and the failure to timely complete final inspections on completed projects, it was not practicable in the circumstances for us to obtain audit evidence sufficient to the expression of an opinion. (Finding Nos. FA 08-080, FA 08-081, and FA 08-086)

The State of Florida complied, in all material respects, with the compliance requirements applicable to each of its other major Federal awards programs, except as described in the following instances, which resulted in opinion qualifications:

- The Department of Education set aside moneys for Immigrant Children and Youth under the English Language Acquisition Grants Program, but did not make such moneys available to subgrantees during the 2007-08 fiscal year. (Finding No. FA 08-026)
- The Department of Children and Family Services did not document, in a significant number of instances, the eligibility of clients to receive benefits under the Medicaid Cluster and the performance of required data exchanges. Additionally, data exchange processes were not timely performed. (Finding No. FA 08-058)
- The Division of Emergency Management reimbursed subgrantees without adequate documentation under the Homeland Security Cluster and the Hazard Mitigation Grant Program. (Finding Nos. FA 08-068, FA 08-087 and FA 08-088)

The results of our audit also disclosed other instances of noncompliance pertaining to various programs administered by various State agencies, universities, and community colleges. Some of the instances of noncompliance resulted in questioned costs subject to disallowance by the grantor agency. The compliance requirements involved primarily those pertaining to Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; and Matching, Level of Effort, and Earmarking. Other instances of noncompliance pertained to various compliance requirements including, but not limited to, Subrecipient Monitoring and Special Tests and Provisions. Instances of noncompliance are described in the Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

We noted numerous matters at various State agencies, universities, and community colleges involving internal control over compliance and its operation that we consider to be significant deficiencies. Significant deficiencies are described in the Schedule of Findings and Questioned Costs and pertained to various compliance requirements including, but not limited to, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Subrecipient Monitoring, and Special Tests and Provisions. The following significant deficiencies were considered material weaknesses:

- The Department of Community Affairs did not have appropriate controls in place regarding user access and system documentation for systems used to process payments and administer the Community Development Block Grant Program (Finding No. FA 08-002) and the Low-Income Home Energy Assistance Program (Finding No. FA 08-046).
- The Department of Revenue did not ensure adequate oversight and monitoring of State Disbursement Unit collection and disbursement of child support payments and the reporting thereof. Additionally, the Department of Revenue did not always request the necessary information from the responsible parents to determine whether health insurance was reasonably available or take enforcement action to secure medical support for Child Support Enforcement Program clients. (Finding Nos. FA 08-039 and FA 08-042)
- The Division of Emergency Management did not have appropriate general and application controls in place for the Florida Public Assistance System used in administering the Disaster Grants - Public Assistance (Presidentially Declared Disasters) Program. (Finding No. FA 08-080)
- The Division of Emergency Management did not maintain adequate documentation to demonstrate whether payments to subgrantees for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) Program were for allowable costs incurred during the authorized project period. (Finding No. FA 08-081)

- The Division of Emergency Management had not implemented procedures to provide for the timely completion of final inspections of large projects for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program. (Finding No. FA 08-086)
- The Division of Emergency Management did not have appropriate controls in place regarding user access and system documentation for the system used to administer the Hazard Mitigation Grant Program. (Finding No. FA 08-089)
- The instances described in the previous paragraphs on compliance for the English Language Acquisition Grants Program (Finding No. FA 08-026); Medicaid Cluster (Finding No. FA 08-058); Homeland Security Cluster (Finding No. FA 08-068); and Hazard Mitigation Grant Program (Finding Nos. FA 08-087 and FA 08-088) also involved material weaknesses in internal control.

Schedule of Expenditures of Federal Awards

The State's Supplementary Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the State's basic financial statements. The State's SEFA does not include the State's blended component units, Workforce Florida, Inc., and Scripps Florida Funding Corporation; discretely presented component units of the State's universities and community colleges; or discretely presented component units other than the State's universities and community colleges. Information on the schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Scope

As a condition of receiving Federal funds, the U.S. Office of Management and Budget (OMB) requires, as described in OMB Circular A-133, an audit of the State's financial statements and major Federal awards programs. Pursuant to Section 11.45, Florida Statutes, we conducted an audit of the basic financial statements of the State of Florida as of and for the fiscal year ended June 30, 2008. We also subjected supplementary information contained in the State's Comprehensive Annual Financial Report and the State's Schedule of Expenditures of Federal Awards to auditing procedures applied in our audit of the basic financial statements. Additionally, we audited the State's compliance with governing requirements for the Federal awards programs or program clusters that we identified as major programs for the fiscal year ended June 30, 2008.

Objectives

The objectives of our audit were:

- The expression of opinions concerning whether the State's basic financial statements were presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.
- The expression of an opinion concerning whether the State's Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the State's basic financial statements taken as a whole.
- To obtain an understanding of the internal control over compliance for each major Federal program, assess the control risk, and perform tests of controls, unless the controls were deemed to be ineffective.
- The expression of opinions concerning whether the State complied, in all material respects, with laws, regulations, and the provisions of contracts or grant agreements pertaining to major Federal awards that may have a direct and material effect applicable to each of the major Federal programs.

Methodology

We conducted our audit in accordance with auditing standards generally accepted in the United States; applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and related guidance provided by OMB Circular A-133.

STATE UNIVERSITIES AND COMMUNITY COLLEGES
SUMMARY OF QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Compliance Requirement/ Institutions	Questioned Costs	Questioned Costs Restored	Net Questioned Costs
Student Financial Assistance Cluster			
CASH MANAGEMENT - Finding No. FA 08-092			
Escheating:			
Florida A & M University	\$ 9,038.75	\$	\$ 9,038.75
ELIGIBILITY - Finding No. FA 08-094			
Overaward:			
University of North Florida	10,141.00	10,141.00	
SPECIAL TESTS AND PROVISIONS - Finding No. FA 08-098			
Return of Title IV Funds - Official Withdrawal:			
Seminole Community College	611.00		611.00
St. Petersburg College	325.51	325.51	
Total	<u>936.51</u>	<u>325.51</u>	<u>611.00</u>
SPECIAL TESTS AND PROVISIONS - Finding Nos. FA 08-099, 100			
Return of Title IV Funds - Unofficial Withdrawal:			
Florida Atlantic University	1,178.42	1,178.42	
St. Petersburg College	468.96	468.96	
Total	<u>1,647.38</u>	<u>1,647.38</u>	
SPECIAL TESTS AND PROVISIONS - Finding No. FA 08-101			
Nonattendance:			
St. Petersburg College	4,935.00	4,935.00	
Total Questioned Costs	<u>\$ 26,698.64</u>	<u>\$ 17,048.89</u>	<u>\$ 9,649.75</u>

U.S. DEPARTMENT OF EDUCATION

Finding Number	FA 08-099
CFDA Number	84.032
Program Title	Student Financial Assistance Cluster (SFA) Federal Family Education Loans (FFEL)
Compliance Requirement	Special Tests and Provisions – Return of Title IV Higher Education Act (HEA) Funds – Unofficial Withdrawals
State Educational Entity	Florida Atlantic University (FAU)
Finding Type	Noncompliance and Significant Deficiency Questioned Costs – \$1,178.42 FFEL subsidized
Finding	The institution had not implemented adequate procedures to determine, within 30 days after the end of the payment period, whether Title IV HEA funds were earned for students who ceased attendance without providing official notification to the institution of their withdrawal. As a result, the institution did not timely identify, calculate, and return (within 45 days) unearned Title IV HEA funds to the applicable Federal programs for those students who unofficially withdrew prior to the 60 percent point of the payment period.
Criteria	34 CFR 668.22, <i>Treatment of Title IV funds when a student withdraws</i>
Condition	For 2 of 10 students tested who unofficially withdrew and received Title IV HEA funds during the Fall 2007 term, the institution did not maintain documentation to support attendance past the 60 percent point of the payment period. The institution did not timely identify these students as unofficial withdrawals, nor timely return the unearned funds to the applicable Federal program. Subsequent to audit inquiry, 205 and 233 days late, the institution calculated the returns totaling \$1,178.42 subsidized FFEL, and returned the funds on August 14, 2008, (\$673.38) and September 5, 2008, (\$505.04).
Cause	The institution relies on faculty to accurately identify students and note the last date of attendance when inputting the final grades for students who unofficially withdraw. Maintenance of the records supporting attendance is not centralized once the term is completed, and therefore, not archived. As a result, there is an increased risk that subsequent to the end of the term, the records will not be available to support the coding input by faculty because faculty may be on leave or may have terminated and the records were not archived.
Effect	The institution retained unearned Title IV HEA funds that should have been returned to the applicable Federal programs and lenders.
Recommendation	The institution should enhance its procedures to ensure the accurate and timely identification, calculation, and return of unearned Title IV HEA funds to the applicable Federal programs and lenders.
FAU Response and Corrective Action Plan	In order to assure accurate reporting of students, grades and attendance, FAU will begin to obtain statistical data from Blackboard, a university supported faculty software tool. It will store course data for 3 years on campus. In addition, a university task force (including faculty and administrators) has been created to review university policies and procedures related to attendance and withdrawal issues. The committee will develop recommended actions for enhancing record-keeping in relation to student attendance.
Estimated Corrective Action Date	June 30, 2009
FAU Contact and Telephone Number	Carole Pfeilsticker, Student Financial Aid Director (561) 297-3528

U.S. DEPARTMENT OF EDUCATION

Finding Number	FA 08-103
CFDA Number	84.032
Program Title	Student Financial Assistance Cluster (SFA) Federal Family Education Loans (FFEL)
Compliance Requirement	Special Tests and Provisions – Student Status Changes – National Student Loan Data System (NSLDS) Roster Files
State Educational Entity	Various
Finding Type	Noncompliance
Finding	Three institutions did not always timely report enrollment status changes to NSLDS for FFEL student loan borrowers. Unless the institution expects to submit its next roster file (enrollment data) to NSLDS within 60 days, it must notify NSLDS directly within 30 days of discovering that a student who received an FFEL loan ceased to be enrolled on at least a half-time basis.
Criteria	34 CFR 682.610(c), <i>Student Status Confirmation Reports</i>
Effect	When NSLDS is not timely notified with accurate information, NSLDS may not be aware of when a FFEL student loan borrower ceases at least half-time enrollment, thereby not timely starting the grace period for repayment of FFEL student loans, which may result in an increased default rate.
	<u>Florida Atlantic University (FAU)</u>
Condition	For four of nine FFEL student loan borrowers tested who withdrew, graduated, or otherwise ceased to be enrolled at least half-time during the 2007-08 award year, the institution reported the enrollment status changes 16 to 146 days late to NSLDS.
Cause	The institution submitted its roster files to the National Student Clearinghouse (NSC) and relied on NSC to transmit student status changes to NSLDS for FFEL student loan borrowers; however, the institution did not have monitoring procedures in place to ensure that NSC submitted student status changes to NSLDS timely.
Recommendation	The institution should work with NSC and NSLDS to correct the submission problems or develop alternative procedures to timely provide NSLDS with FFEL student loan borrowers' enrollment status information.
FAU Response and Corrective Action Plan	FAU implemented a new student information system, SCT Banner, during the 2007-08 academic year. Submission of the Student Status Confirmation Reports (SSCR) to the Clearinghouse were delayed during Spring 2008 as automated programs were developed and fine-tuned to accurately submit the required enrollment updates. Effective Spring 2009, the SSCR's to the Clearinghouse will be submitted bi-weekly instead of monthly to meet federal reporting requirements.
Estimated Corrective Action Date	January 31, 2009
FAU Contact and Telephone Number	Carole Pfeilsticker, Student Financial Aid Director (561) 297-3528
	<u>Florida Gulf Coast University (FGCU)</u>
Prior Year Finding	Report No. 2008-141, Finding No. FA 07-090
Condition	For 5 of 20 FFEL student loan borrowers who withdrew, graduated or otherwise ceased to be enrolled at least half-time during the 2007-08 award year, the institution reported the enrollment status changes to NSLDS, 19 to 173 days late. Additionally, two students, (one of the five and another student) had unofficially withdrawn and were incorrectly reported to NSLDS as half-time instead of less

STATE UNIVERSITIES AND COMMUNITY COLLEGES
SUMMARY OF QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2008

Compliance Requirement/ Institutions	Questioned Costs
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<u>Research and Development Cluster (R&D)</u>	
ALLOWABLE COSTS/COST PRINCIPLES - Finding No. FA 08-106	
General Expenditures:	
University of South Florida	\$ 18,500.03
 ALLOWABLE COSTS/COST PRINCIPLES - Finding No. FA 08-107	
Leave Payouts:	
Florida State University	25,869.05
 ALLOWABLE COSTS/COST PRINCIPLES - Finding Nos. FA 08-108, 109	
Time-and-Effort:	
Florida Atlantic University	364,777.31
University of Central Florida	24,969.47
Total	389,746.78
 MATCHING, LEVEL OF EFFORT, EARMARKING - Finding No. FA 08-110	
Florida State University	4,773,104.00
 Total Questioned Costs	 \$ 5,207,219.86

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number	FA 08-108
CFDA Number	12.300 and 93.867
Program Title	Research and Development Cluster (R&D) Basic and Applied Scientific Research (12.300) Vision Research (93.867)
Compliance Requirement	Allowable Cost/Cost Principles - Time-and-Effort
State Educational Entity	Florida Atlantic University (FAU)
Federal Grant/Contract Number and Grant Year	CFDA No. 12.300 N00014-05-1-0341H, October 16, 2006 – July 31, 2008 CFDA No. 93.867 5R01 EY013022-09, December 1, 2004 – November 30, 2009
Finding Type	Noncompliance and Significant Deficiency Questioned Costs – \$364,777.31 (\$247,185.44, grant No. N00014-05-1-0341H and \$117,591.87, grant No. 5R01 EY013022-09)
Prior Year Finding	Report No. 2008-141, Finding No. FA 07-099
Finding	After-the-fact time-and-effort payroll certification forms did not reflect actual time worked by employees on various Federal contracts and grants, and such forms and reports documenting time-and-effort were not always certified by the employee or an individual with direct knowledge of the employee's work, contrary to Federal cost principles.
Criteria	OMB Circular A-21, Section C., <i>Basic Considerations</i> and J. 10.c.(2), <i>Compensation for Personal Services</i> ; and the institution's Directives and Procedures. Federal regulations require that after-the-fact personnel activity reports be completed within six months of the end of the academic term for academic personnel, and monthly for non-academic or non-professional personnel. These reports should be signed by the employee and a supervisor with direct knowledge of the employee's activities.
Condition	As noted in our prior audit, the institution's procedures required that payroll certification forms be approved at the end of each pay period by the Department head and the timekeeper. These forms were prepared after-the-fact; however, the percentage of effort was based on budgeted or anticipated percentages of effort rather than actual effort and were not signed by the employee or an individual with direct knowledge of the employee's activities. In addition, faculty are required to document non-instructional activities in the Faculty Academic and Information Reporting system; however, these reports (timesheets) are not always signed by the employee or an individual with direct knowledge of the employee's activities. As a result of inadequate after-the-fact time-and-effort documentation, questioned costs totaled \$364,777.31 for salary and benefits (\$222,689.56 grant No. N00014-05-1-0341H and \$98,281.57 grant No. 5R01 EY013022-09) and other personnel service employees (timesheet) (\$24,495.88 grant No. N00014-05-1-0341H and \$19,310.30 grant No. 5R01 EY013022-09) payroll for the two Federal grants tested. Agency personnel indicated that they are in the process of revising and implementing procedures relating to Research Accounting, which includes future implementation of a new time-and-effort reporting system that will comply with Federal reporting standards.

Cause	Throughout the 2007-08 fiscal year, the institution actively evaluated alternative systems to handle the time-and-effort reporting. A committee determined the needs of the institution and issued an Invitation to Negotiate for vendor systems. As of June 2008, the committee formulated a short list of vendors capable of providing the institution with systems that will comply with time-and-effort requirements. Complicating this selection is the need for new systems to interface effectively with the institution's payroll and timekeeping software, SCT Banner, and to be effectively implemented for all research activities of the institution. The institution plans to make a final decision and recommendation by Fall 2008.
Effect	When time-and-effort reporting is inadequate financial data may not be reliable, reports to users may not be accurate, and unallowable costs may be charged to grants and go undetected.
Recommendation	The institution should continue its efforts to implement the revised time-and-effort reporting system to ensure that the records reflect the employee's actual effort and are certified by the employee or individual with direct knowledge of the employee's work in accordance with Federal regulations.
FAU Response and Corrective Action Plan	<p>Florida Atlantic University is actively pursuing a Time and Effort system that will assist the institution in meeting the A-21 requirements. The University has set the following requirements for acquiring this system:</p> <ul style="list-style-type: none"> Must meet the A-21 requirements Can be delivered at a reasonable cost Must be integrated with the University's Banner Enterprise Resource Planning (ERP) system Must be user friendly <p>The University is in the final phase of evaluating the responses to the Invitation to Negotiate (ITN) as described in the auditor's "cause" section of this finding. The vendors on the shortlist can all provide a system that is both A-21 compliant and user friendly. These systems may require bridge programs in order to integrate with Banner.</p> <p>The University recently learned that Banner SCT (provider of current ERP system) has released a new version of its ERP system which includes a Time and Effort module. The University is in the process of comparing this module with the systems that were included in the ITN. If the Banner module meets all of the requirements listed above, the institution may upgrade to this new Banner version and include the system's Time and Effort module in the upgrade.</p> <p>In the meantime, the University is also reviewing its current FAIR system to determine if current processes could be enhanced in order to meet the A-21 requirements until a new system is implemented.</p>
Estimated Corrective Action Date	December 31, 2009
FAU Contact and Telephone Number	Dr. Edwin Bemmell, Director of Research Accounting (561) 297 2606

INDEX OF FINDINGS BY STATE UNIVERSITIES AND COMMUNITY COLLEGES

State Universities and Community Colleges Finding Number Program Title

Florida A & M University

FA 08-092 Student Financial Aid Cluster
FA 08-096
FA 08-097
FA 08-104
FA 08-105

Florida Atlantic University

FA 08-099 Student Financial Aid Cluster
FA 08-103
FA 08-108 Research and Development Cluster

Florida Gulf Coast University

FA 08-103 Student Financial Aid Cluster
FA 08-104

Florida International University

FA 08-096 Student Financial Aid Cluster
FA 08-098
FA 08-104

Florida State University

FA 08-107 Research and Development Cluster
FA 08-110
FA 08-112

University of Central Florida

FA 08-025 Reading First State Grants
FA 08-109 Research and Development Cluster

University of Florida

FA 08-024 Special Education - Grants for Infants and Families with
Disabilities
Temporary Assistance for Needy Families

State Universities and Community Colleges Finding Number Program Title

University of North Florida

FA 08-094 Student Financial Aid Cluster
FA 08-096 Student Financial Aid Cluster

University of South Florida

FA 08-106 Research and Development Cluster

University of West Florida

FA 08-111 Research and Development Cluster

Central Florida Community College

FA 08-097 Student Financial Aid Cluster
FA 08-104

Edison College

FA 08-103 Student Financial Aid Cluster
FA 08-104

Miami-Dade College

FA 08-093 Student Financial Aid Cluster
FA 08-102

Seminole Community College

FA 08-098 Student Financial Aid Cluster
FA 08-104

St. Petersburg College

FA 08-095 Student Financial Aid Cluster
FA 08-097
FA 08-098
FA 08-100
FA 08-101

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FLORIDA ATLANTIC UNIVERSITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Paragraph/Finding No(s).(1)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status of Finding</u>	<u>Comments</u>
FA 06-104 FA 04-107	R&D Cluster Various	The frequency of grants claiming CAS exemptions (approximately 60 percent) does not appear to qualify as unlike circumstances.	Partially Corrected	Last year, FAU contracted with a consulting firm to conduct a Compliance Risk Assessment study. As a result of this assessment, the Division of Research drafted several new policies related to sponsored projects/programs. One of these policies specifically addresses the issue of direct versus indirect costs. FAU expects that the draft policies will be fully vetted and ready for rollout by Fall 2008. Once the policies are approved for implementation, FAU will submit a copy of the policy related to direct versus indirect cost to USDHHS to seek an interpretation from them regarding compliance of the policy to OMB Circulars. Upon their approval, FAU will implement the policy.
FA 07-099	R&D Cluster CFDA Nos. 15.364, 20.514, and 66.468	The institution did not comply with time-and-effort requirements.	Partially Corrected	Throughout 2007-08, FAU has actively evaluated alternative systems to handle the University's time-and-effort reporting. A committee has determined the needs of the University and has issued an Invitation to Negotiate (ITN) for vendor systems. As of June 2008, the committee formulated a short list of vendors capable of providing the University with systems that will comply with time-and-effort requirements. Complicating this selection is the need for new systems to interface effectively with FAU's payroll and timekeeping software, SCT Banner. A final decision and

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				recommendation will be made by Fall, 2008 for the selected vendor. Upon selection of the vendor, planning and implementation of a new time-and-effort system will begin. Concurrently, implementation of new policies and procedures will be issued to assure A-21 compliance. It is expected that full integration will take as long as 9 months to a full year to implement. As an interim measure, FAU is exploring the use of stopgap options and processes to assure A-21 compliance.

Note: (1) Paragraph/Finding No(s). refer to audit findings in report No. 2005-158 (FA 04-), report No. 2007-146 (FA 06-), or report No. 2008-141 (FA 07-).

Name and Title of Responsible Official: Kenneth A. Jessell, Vice President for Financial Affairs