



Item: AF: I-1c

AUDIT AND FINANCE COMMITTEE

Wednesday, April 21, 2010

SUBJECT: REVIEW OF AUDITS: REPORT NO. 2010-165, STATE OF FLORIDA COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING AND FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133 FOR FISCAL YEAR ENDED JUNE 30, 2009.

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/summaries/2010-165.pdf>

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 major 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 09-087: Certain access controls protecting eighteen institution's IT resources needed improvement. Specific details of the deficiencies are not disclosed in this report to avoid the possibility of compromising institution information. However, appropriate institution personnel have been notified of the deficiencies.

Condition: Discussed and provided to management during exit conferences with appropriate institutional personnel.

FAU Response: Florida Atlantic University concurs with the finding related to enhancing IT control and access. To address this recommendation, Information Resource Management (IRM), in collaboration with the Division of Financial Affairs and Enrollment Management, has engaged in the following activities: The University is actively recruiting for an Information Security Officer. This individual will be responsible to oversee, review, and recommend new policies and procedures to better safeguard sensitive information IRM has developed a report to identify concerns and issues with the Banner/Oracle access control files. The scope of this report will be expanded to include Financial Aid access control. FAU has adopted procedures and weekly reports generated are IRM and distributed to the Associate Provost for review. The weekly log will provide a record of the review and, if necessary, note any action taken.

Implementation Date: January 1, 2010

Finding 2. FA 09-107: CAS exemptions totaling \$8,346.88 (\$6,408.92 office supplies; \$780 membership dues; \$280.35 postage; \$877.61 local phone usage) for four grants tested were charged during the 2008-09 fiscal year. CAS exemptions are used to charge indirect costs as direct costs and are to be applied for “unlike circumstances”. It is not clear whether the CAS exemptions used by the institution met the criteria for “unlike circumstances” as contemplated by the U.S. Department of Health and Human Services (USDHHS), the cognizant agency.

Condition: In accordance with institutional cost accounting practices, in certain circumstances the institution charges costs, which are normally indirectly charged, directly to its Federal grants. The institution determines that such circumstances exist when a Federal grant, due to its size and nature, requires administrative or clerical services, or supplies, postage, or telecommunications costs that are well beyond the core of departmental support routinely provided for departmental activities. Institution personnel stated that because those costs can be identified readily and specifically with a project and have been specifically budgeted and approved by the sponsoring agency in the grant award application, the costs are allowable. In cases where the sponsoring agency has delegated budget approval to the institution, institution approval is assumed equivalent to Federal agency approval. The existence of “unlike circumstances” is evaluated on a project-by-project basis, and in certain instances the institution may apply CAS exemptions retroactively if it subsequently determined that a cost meets the institution’s criteria for exemption. However, because the institution’s records do not evidence how the amounts exempted are well beyond the core of departmental support routinely provided, it is questionable as to whether the CAS exemptions used by the institution would meet Federal cost principle criteria.

FAU Response: In August 2009 we requested that USDHHS review our policy and to give us feedback as to whether or not it is in compliance with A-21. We are currently awaiting their response. Florida Atlantic University’s policies and procedures require that all CAS 502 items are evaluated on a project by project basis. Each evaluation includes a review of the request along with a proper justification, the project budget, and scope. Based on the justification, budget narrative and project scope, the Research Accounting Office assesses whether the requested items are unlike and unusual. If, based on the assessment, the requested items are considered unlike and unusual, the CAS 502 request is approved. While the guidelines set forth in OMB Circular A-21 section F. 6b and Exhibit C create some level of subjectivity in identifying the unlike and unusual circumstances, FAU’s policies and procedures are strictly enforced.

Implementation Date: June 30, 2010

Finding 3. FA 09-113: 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: In our report No. 2009-144, finding No. FA 08-108, we noted that 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 is 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.

During our current audit, we were advised by institution personnel that to ensure compliance, the institution is implementing a new time-and-effort system to address these issues with an anticipated completion date of Spring 2010.

FAU Response: We are well along in our implementation. Florida Atlantic University is currently testing the new Effort Certification system and is expecting to go live in the Spring of 2010. An intensive roll-out program, which includes meetings with faculty, announcements via monthly newsletters, and other email announcements is currently in progress to prepare University faculty and staff for this new requirement.

The University will establish new policies and procedures to ensure that after-the-fact activity certification in the new Time-and-Effort system reflects the actual effort and that this effort is certified by the employees and other staff with direct knowledge of the employee's work in accordance with OMB Circular A-21.

Implementation Date: April 30, 2010

IMPLEMENTATION PLAN/DATE

June 30, 2010..

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. 2010-165.

Presented by: Mr. Dennis J. Crudele, Interim Senior Vice President-Financial Affairs

Phone: 561-297-3266

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, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

Inquiries regarding financial statement-related findings should be addressed directly to Kathryn Walker, CPA, Audit Manager, by e-mail at kathrynwalker@aud.state.fl.us or by telephone at (850) 487-9085. Inquiries regarding Federal awards findings for State universities or colleges should be addressed directly to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us, or by telephone at (850) 922-2263. Please address all other inquiries regarding this report to Lisa A. Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 487-9143.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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, 2009, 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, 2009, 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 to be significant deficiencies:

- The **Agency for Health Care Administration** did not record a receivable and deferred revenue to represent its claim on Federal financial resources related to incurred but not reported (IBNR) Medicaid claims liabilities. (Finding No. FS 09-001)
- For receivable and related financial statement accounts, we found that the **Agency for Health Care Administration** and the **Departments of Education and Revenue**, and the **Agency for Workforce Innovation** did not properly accrue revenues due in accordance with generally accepted accounting principles. (Finding Nos. FS 09-002, FS 09-003, FS 09-004, FS 09-005, FS 09-006, and FS 09-007)
- For accounts payable and accrued liability accounts, the **Agency for Workforce Innovation** did not correctly record amounts due related to benefit payments. Additionally, the **Agency for Workforce Innovation** did not properly record a receivable to represent its claim on Federal financial resources for the payment of the Federally-funded portion of unemployment benefit payments. (Finding No. FS 09-008)
- For one or more financial statement accounts, the **Executive Office of the Governor** and the **Departments of Transportation, Management Services, and Financial Services** did not accurately report or classify assets, net assets, revenues, expenses, or liabilities in accordance with generally accepted accounting principles. (Finding Nos. FS 09-009, FS 09-010, FS 09-011, FS 09-012, and FS 09-013)

We consider the significant deficiencies described above relating to finding Nos. FS 09-001 through FS 09-008 to be material weaknesses.

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

- For one or more financial statement accounts, the **Departments of Revenue, Management Services, and Financial Services** did not accurately report or classify assets, net assets, revenues, expenses, or liabilities in accordance with generally accepted accounting principles. (Finding Nos. FS 09-014, FS 09-015, and FS 09-016)
- 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 09-017)
- The **Department of Financial Services** did not have sufficient procedures or did not completely follow established procedures to ensure that adjustments having an effect on fund balance accounts were correctly made and that all disclosures related to prior period adjustments were made. (Finding No. FS 09-018)

- The **Department of Financial Services'** processes for comparison of the Schedule of Expenditures of Federal Awards to the financial statements did not include the investigation and resolution of differences shown at the agency level. (Finding No. FS 09-019)

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

State agencies, universities, and community colleges administered over 560 Federal awards programs or program clusters during the 2008-09 fiscal year. Expenditures for the 39 major programs totaled \$28.7 billion, or approximately 95 percent of the total expenditures of \$30.2 billion, as reported on the supplementary Schedule of Expenditures of Federal Awards.

Compliance requirements for major programs are identified pursuant to the OMB *Circular A-133 Compliance Supplement*. Types of compliance requirements include: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Awards; Procurement and Suspension and Debarment; Program Income; Real Property Acquisition/Relocation Assistance; Reporting; Subrecipient Monitoring; and Special Tests and Provisions.

Compliance

For the Unemployment Insurance Program, we were not able to audit the State's compliance with certain requirements included as Special Tests and Provisions, because the **Department of Revenue** did not maintain detailed records or data files to support the underlying computations used in the determination of the 2009 calendar year employers' unemployment tax contribution rates. (Finding No. FA 09-014)

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 Children and Family Services** did not document, in a significant number of instances, the eligibility of clients to receive benefits under the Medicaid Cluster. Additionally, data exchange responses received were not processed timely. (Finding No. FA 09-059)
- **Agency for Health Care Administration** procedures did not reasonably ensure that current provider agreements were in effect for Medicaid providers receiving payments. (Finding No. FA 09-062)
- The **Department of Children and Family Services** did not meet the maintenance of effort requirement for the Block Grants for Community Mental Health Services. (Finding No. FA 09-067)
- The **Department of Children and Family Services** procedures did not provide for independent peer reviews for at least 5 percent of the entities providing Substance Abuse Prevention and Treatment Program services. (Finding No. FA 09-068)
- The **Division of Emergency Management's** final inspections and project closeout procedures did not provide an adequate and timely accounting of eligible costs for completed large projects. Additionally, **Division of Emergency Management** records were inaccurate and incomplete. (Finding No. FA 09-084)

The results of our audit also disclosed other instances of noncompliance pertaining to programs administered by **various State agencies, universities, and community colleges** as described in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS. Some of the instances of noncompliance resulted in questioned costs subject to disallowance by the grantor agency.

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 several compliance requirements. The following significant deficiencies were considered material weaknesses:

- The Department of Military Affairs did not have procedures in place to ensure compliance with the provisions of the Davis-Bacon Act. Additionally, the Department of Military Affairs did not have procedures in place to determine whether vendors were debarred or suspended prior to entering into agreements equal to or greater than \$25,000, for the National Guard Operations and Maintenance Projects Program. (Finding Nos. FA 09-005 and FA 09-006)
- For the Child Support Enforcement Program, Department of Revenue procedures did not always provide for timely establishment of support obligations or commencement of proceedings to establish support obligations and, if necessary, paternity, within the required time frame. The Department of Revenue also did not have controls in place to utilize the National Medical Support Notice (NMSN) which provides notice of Federal requirements to employers concerning obligations to provide health care coverage for children of noncustodial parents, when appropriate. Additionally, Department of Revenue procedures did not always provide for the provision of required child support services for interstate cases within the specified time frames. (Finding Nos. FA 09-048, FA 09-049, and FA 09-050)
- The instances described in the previous paragraphs on compliance for the Unemployment Insurance Program (Finding No. FA 09-014); Medicaid Cluster (Finding Nos. FA 09-059 and FA 09-062); Block Grants for Community Mental Health Services (Finding No. FA 09-067); and the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program (Finding No. FA 09-084) 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

American Recovery and Reinvestment Act of 2009 (ARRA)

During the 2008-09 fiscal year, the State of Florida received and expended over \$1.8 billion in Federal funding provided pursuant to the ARRA. The United States Congress mandated additional reporting and transparency requirements to be met by recipients of ARRA funds, and the Federal Single Audit has been identified as one of the tools that will be used to measure the degree of stewardship and accountability provided by the states for moneys provided under ARRA. Expenditures of ARRA funds are separately identified on the supplementary Schedule of Expenditures of Federal Awards. Programs that included ARRA funds, and for which findings are disclosed in the SCHEDULE OF FINDINGS AND QUESTIONED COSTS, are distinctively identified in the INDEX OF FINDINGS BY FEDERAL AGENCY AND COMPLIANCE REQUIREMENT.

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, 2009. 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, 2009.

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 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.

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida as of and for the fiscal year ended June 30, 2009, which collectively comprise the State of Florida's basic financial statements and have issued our report thereon dated February 25, 2010. Our report was modified to include a reference to other auditors, the State's reclassification of certain funds, and issues with respect to the measurement of the Retiree Health Insurance Subsidy Program's actuarial accrued liability and unfunded actuarial accrued liability. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Prepaid College Program, the Florida Turnpike System, the Hurricane Catastrophe Fund, the College Savings Plan, certain discretely presented component units, and the Legislature, as described in our report on the State of Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in finding Nos. FS 09-01 through FS 09-13 in the **FINANCIAL STATEMENT FINDINGS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider finding Nos. FS 09-01 through FS 09-08 in the **FINANCIAL STATEMENT FINDINGS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted six additional matters involving the State's internal control over financial reporting, that we reported to management and that are described in finding Nos. FS 09-14 through FS 09-19 in the **FINANCIAL STATEMENT FINDINGS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

State agency responses to each of the findings identified in our audit are included in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. We did not audit these responses and, accordingly, we express no opinion on them.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, the Executive Office of the Governor, and applicable management and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 25, 2010

AUDITOR GENERAL STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

Compliance

We have audited the compliance of the State of Florida with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The State of Florida's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the management of the State of Florida. Our responsibility is to express an opinion on the State of Florida's compliance based on our audit.

The State of Florida's basic financial statements include the operations of component units that received Federal awards during the fiscal year ended June 30, 2009, that are not included in the State's supplementary Schedule of Expenditures of Federal Awards. Our audit of Federal awards, as described below, did not include the operations of the blended component units, Workforce Florida, Inc., and Scripps Florida Funding Corporation, or discretely presented component units of the State agencies, universities, and community colleges. As applicable, Federal awards administered by these component units are the subjects of audits completed by other auditors. Our audit, as described below, also did not include the operations of the Legislature.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Except as discussed in the following paragraph, we believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State of Florida with the Unemployment Insurance Program (CFDA No. 17.225) regarding Special Tests and Provisions – Employer Experience Rating (see finding No. FA 09-014 in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**), nor were we able to satisfy ourselves as to the State of Florida's compliance with those requirements by other auditing procedures.

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the State of Florida did not comply with the requirements listed below for the Federal Programs listed below. Compliance with such requirements is necessary, in our opinion, for the State of Florida to comply with the requirements applicable to the respective Program.

Finding No. FA 09-	Major Program	Types of Compliance Requirements Not Complied With
059, 062	Medicaid Cluster (CFDA Nos. 93.775, 93.776, 93.777, and 93.778)	Eligibility and Special Tests and Provisions – Provider Eligibility
067	Block Grants for Community Mental Health Services (CFDA No. 93.958)	Matching, Level of Effort, Earmarking
068	Block Grants for the Prevention and Treatment of Substance Abuse (CFDA No. 93.959)	Special Tests and Provisions – Independent Peer Reviews
084	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	Special Tests and Provisions – Project Accounting

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State of Florida's compliance with the requirements of the Unemployment Insurance Program regarding Special Tests and Provisions – Employer Experience Rating, and except for the noncompliance described in the preceding paragraph, the State of Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as finding Nos. FA 09-:

004 through 006	008	011 and 012	015
019	023 through 025	027 and 028	030 and 031
035	044	047 through 050	052 through 054
058	060 and 061	065	071 through 073
081	083	086	088 through 103
106 through 116			

Internal Control Over Compliance

The management of the State of Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State of Florida's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Florida's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the following finding Nos. of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** to be significant deficiencies:

001 through 010	012 through 019	022	027 through 029
031	033 through 039	045	047 through 054
057 through 059	062	064 and 065	067 and 068
071 through 073	075 and 076	079 and 080	083 and 084
086 and 087	089	092	100 and 101
106 through 116			

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, we consider the following items to be material weaknesses.

Finding No. FA 09-	Major Program	Compliance Requirement
005, 006	National Guard Operations Maintenance Projects (CFDA No. 12.401)	Davis-Bacon Act, Procurement, and Debarment and Suspension
014	Unemployment Insurance (CFDA No. 17.225)	Special Tests and Provisions – Employer Experience Rating
048 through 050	Child Support Enforcement (CFDA No. 93.563)	Special Tests and Provisions – Establishment of Paternity and Support, Securing and Enforcing Medical Support, and Provision of Child Support Services for Interstate Cases
059, 062	Medicaid Cluster (CFDA Nos. 93.775, 93.776, 93.777, and 93.778)	Eligibility and Special Tests and Provisions – Provider Eligibility
067	Block Grants for Community Mental Health Services (CFDA No. 93.958)	Matching, Level of Effort, Earmarking
084	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	Special Tests and Provisions – Project Accounting

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida as of and for the year ended June 30, 2009, and have issued our Independent Auditor's Report thereon dated February 25, 2010. Our Independent Auditor's Report was modified to include a reference to other auditors, the State's reclassification of certain funds, and issues with respect to the measurement of the Retiree Health Insurance Subsidy Program's actuarial accrued liability and unfunded actuarial accrued liability. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Florida's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State agencies, universities, and community colleges' responses to the findings identified in our audit are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. We did not audit these responses and, accordingly, we express no opinion on them.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, the Executive Office of the Governor, applicable management, and Workforce Florida, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

March 15, 2010

(except as related to field work in regard to the Schedule of Expenditures of Federal Awards that was performed concurrently with the Independent Auditor's Report on Financial Statements dated February 25, 2010)

U.S. DEPARTMENT OF EDUCATION

Finding Number	FA 09-087
CFDA Number	Various
Program Title	Student Financial Assistance Cluster (SFA)
Compliance Requirement	Allowable Costs/Cost Principles and Eligibility
State Educational Entity	Various
Finding Type	Significant Deficiency
Finding	Certain access controls protecting eighteen institution's IT resources needed improvement. Specific details of the deficiencies are not disclosed in this report to avoid the possibility of compromising institution information. However, appropriate institution personnel have been notified of the deficiencies.
Criteria	<p>Information Technology (IT) Industry Standards: General Controls</p> <p>IT Governance Institute <i>Control Objectives for Information and related Technology (COBIT) 4.1</i></p> <p>DS5.3 Identity Management – User access rights to systems and data should be in line with defined and documented business needs and job requirements.</p> <p>PO8.2 IT Standards and Quality Practices – Standards, procedures, and practices for key IT processes should be identified and maintained.</p> <p>Effective access controls over IT resources provide safeguards to assist in the prevention or detection of errors or misappropriations. Effective access controls provide employees access to IT resources based on an employee's demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their area of responsibility.</p>
Condition	Discussed and provided to management during exit conferences with appropriate institution personnel.
Cause	Discussed and provided to management during exit conferences with appropriate institution personnel.
Effect	Weak access controls increase the risk that unauthorized or inappropriate changes to data may occur and not be detected in a timely manner.
Recommendation	The institutions should enhance access control procedures as noted.
FAMU Response and Corrective Action Plan	<p><u>Florida Agricultural and Mechanical University (FAMU)</u></p> <p>The University concurs with finding. The Director of Financial Aid and the Director of Information Security will conduct an assessment of the student information system (PeopleSoft) in relation to the financial aid module. The University will institute effective controls over user access rights to computer operations, restrict authorizations to only those functions needed for individuals to perform their job duties and ensure that such access prevents them from being involved in multiple aspects of a financial transaction. In this way, software access controls will help to preserve the proper separation of duties. Additionally, the Vice President of Student Affairs and the Director of Financial Aid will review audit logs that show changes made to certain data records to provide additional safeguards over access rights.</p>
Estimated Corrective Action Date	June 15, 2010
FAMU Contact and Telephone Number	Marcia D. Boyd (850) 412-5278
FAU Response and Corrective Action Plan	<p><u>Florida Atlantic University (FAU)</u></p> <p>Florida Atlantic University concurs with the finding related to enhancing IT control and access. To address this recommendation, Information Resource Management (IRM), in collaboration with the Division of Financial Affairs and</p>

Enrollment Management, has engaged in the following activities:

The University is actively recruiting for an Information Security Officer. This individual will be responsible to oversee, review, and recommend new policies and procedures to better safeguard sensitive information

IRM has developed a report to identify concerns and issues with the Banner/Oracle access control files. The scope of this report will be expanded to include Financial Aid access control. FAU has adopted procedures and weekly reports generated are IRM and distributed to the Associate Provost for review. The weekly log will provide a record of the review and, if necessary, note any action taken.

**Estimated Corrective
Action Date**

January 1, 2010

**FAU Contact and
Telephone Number**

Jason Ball, Associate Provost and Chief Information Officer
(561) 297-3440

Florida International University (FIU)

**FIU Response and
Corrective Action Plan**

Management has considered the audit recommendation and has adjusted practices to meet those recommendations.

**Estimated Corrective
Action Date**

February 1, 2010

**FIU Contact and
Telephone Number**

Francisco Valines
(305) 348-2333

Florida State University (FSU)

**FSU Response and
Corrective Action Plan**

Florida State University's Office of Financial Aid uses a homegrown Financial Aid Management system to administer and deliver financial aid. The current security of the financial system is based on the following broad premises:

1. All personnel requiring access to the financial aid system are routed through a departmental security administrator who assigns the level of security based on their job functions.
2. Compliance and Adherence to student eligibility are the key considerations when accessing or making changes to any student data. Any change made to a student's data is logged (date and user) and requires the reviewer to make comments on why the change was necessary.

ACTION PLAN

1. Staff will conduct a detailed analysis of all the current security design of the Financial Aid Management system
2. Staff will consult with central IT to develop and implement best practices as related to system security.
3. Florida State University's Office of Financial Aid is implementing scheduled reviews to audit changes made to student financial aid data.

**Estimated Corrective
Action Date**

Effective Immediately

**FSU Contact and
Telephone Number**

Darryl Marshall, Director, Financial Aid
(850) 644-5716
Somnath Chatterjee, Associate Director, Financial Aid
(850) 644-5716

**STATE UNIVERSITIES AND COMMUNITY COLLEGES
SUMMARY OF QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2009**

<u>Compliance Requirement/ Institutions</u>	<u>Questioned Costs</u>
<u>Research and Development Cluster (R&D)</u>	
ALLOWABLE COSTS/COST PRINCIPLES - Finding No. FA 09-106	
Other:	
University of Florida	\$ 57,637.10
ALLOWABLE COSTS/COST PRINCIPLES - Finding Nos. FA 09-107, 108	
Cost Accounting Standards (CAS) Exemptions:	
Florida Atlantic University	8,346.88
Florida State University	unknown
Total	<u>8,346.88</u>
ALLOWABLE COSTS/COST PRINCIPLES - Finding No. FA 09-110	
Cost Transfers:	
University of Florida	<u>55,591.68</u>
ALLOWABLE COSTS/COST PRINCIPLES - Finding Nos. FA 09-111, 112	
General Expenditures:	
University of Florida	5,428.91
University of South Florida	<u>7,227.19</u>
Total	<u>12,656.10</u>
ALLOWABLE COSTS/COST PRINCIPLES - Finding Nos. FA 09-114, 115	
Time-and-Effort:	
University of Central Florida	4,168.07
University of Florida	<u>17,206.08</u>
Total	<u>21,374.15</u>
MATCHING, LEVEL OF EFFORT, EARMARKING - Finding No. FA 09-116	
University of Florida	<u>31,993.00</u>
Total Questioned Costs	<u>\$ 187,598.91</u>

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number	FA 09-107
CFDA Number	12.300, 20.514, 47.076, 97.017
Program Title	Research & Development Cluster (R&D) Basic and Applied Scientific Research (12.300) Public Transportation Research (20.514) Education and Human Resources (47.076) Pre-Disaster Mitigation Grant (97.017)
Compliance Requirement	Allowable Costs/Cost Principles – Cost Accounting Standards (CAS) Exemptions
State Educational Entity	Florida Atlantic University (FAU)
Federal Grant/Contract Number and Grant Year	CFDA No. 12.300 N00014-06-1-0461, March 1, 2006 – March 31, 2009 CFDA No. 20.514 FL-26-7102-00, July 16, 2004 – December 31, 2009 CFDA No 47.076 REC-0228353, October 1, 2002 – September 30, 2009 CFDA No. 97.017 08DM-07-11-16-05-303, January 16, 2008 – December 31, 2008
Finding Type	Noncompliance and Significant Deficiency Questioned Costs – \$8,346.88 (\$1,716.86 grant No. N00014-06-1-0461; \$1,383.23, grant No. FL-26-7102-00; \$3,710.45, grant No. REC-0228353; \$1,536.34, grant No. 08DM-07-11-16-05-303)
Prior Year Finding	Report No. 2007-146, Finding No. FA 06-104
Finding	CAS exemptions totaling \$8,346.88 (\$6,408.92 office supplies; \$780 membership dues; \$280.35 postage; \$877.61 local phone usage) for four grants tested were charged during the 2008-09 fiscal year. CAS exemptions are used to charge indirect costs as direct costs and are to be applied for “unlike circumstances”. It is not clear whether the CAS exemptions used by the institution met the criteria for “unlike circumstances” as contemplated by the U.S. Department of Health and Human Services (USDHHS), the cognizant agency.
Criteria	OMB Circular A-21, Section F 6.b., <i>Departmental Administration Expenses</i> and Exhibit C, <i>Examples of “Major Project” Where Direct Charging of Administrative or Clerical Staff Salaries May Be Appropriate</i>
Condition	In accordance with institutional cost accounting practices, in certain circumstances the institution charges costs, which are normally indirectly charged, directly to its Federal grants. The institution determines that such circumstances exist when a Federal grant, due to its size and nature, requires administrative or clerical services, or supplies, postage, or telecommunications costs that are well beyond the core of departmental support routinely provided for departmental activities. Institution personnel stated that because those costs can be identified readily and specifically with a project and have been specifically budgeted and approved by the sponsoring agency in the grant award application, the costs are allowable. In cases where the sponsoring agency has delegated budget approval to the institution, institution approval is assumed equivalent to Federal agency approval. The existence of “unlike circumstances” is evaluated on a project-by-project basis, and in certain instances the institution may apply CAS exemptions retroactively if it subsequently determined that a cost meets the institution's criteria for exemption. However, because the institution's records do not evidence how the amounts exempted are well beyond the core of departmental support routinely provided, it is questionable as to whether the CAS exemptions used by the institution would meet Federal cost principle criteria.

Cause	Although the institution continues to follow the policies and procedures disclosed in its CAS Board Disclosure Statement (DS-2), clarification from the cognizant agency has not been obtained to define "unlike circumstances."
Effect	Federal funds may have been overcharged for goods or services that were charged 100 percent as direct costs instead of being charged at the lesser indirect cost rate. If it is determined by USDHHS that any CAS exemptions are disallowed, the institution may be required to return disallowed costs.
Recommendation	The institution should seek an opinion and clarification from the cognizant agency (USDHHS) and the USDHHS Division of Cost Allocation as to whether the institution is using CAS exemptions that meet the criteria for "unlike circumstances" as contemplated by the cognizant agency.
FAU Response and Corrective Action Plan	<p>In August 2009 we requested that USDHHS review our policy and to give us feedback as to whether or not it is in compliance with A-21. We are currently awaiting their response.</p> <p>Florida Atlantic University's policies and procedures require that all CAS 502 items are evaluated on a project by project basis. Each evaluation includes a review of the request along with a proper justification, the project budget, and scope. Based on the justification, budget narrative and project scope, the Research Accounting Office assesses whether the requested items are unlike and unusual. If, based on the assessment, the requested items are considered unlike and unusual, the CAS 502 request is approved. While the guidelines set forth in OMB Circular A-21 section F. 6b and Exhibit C create some level of subjectivity in identifying the unlike and unusual circumstances, FAU's policies and procedures are strictly enforced.</p>
Estimated Corrective Action Date	June 30, 2010
FAU Contact and Telephone Number	Edwin Bemmell, Director of Research Accounting (561) 297-2606

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number	FA 09-113
CFDA Number	Various
Program Title	Research and Development Cluster (R&D)
Compliance Requirement	Allowable Cost/Cost Principals – Time-and-Effort
State Educational Entity	Florida Atlantic University (FAU)
Federal Grant/Contract Number and Grant Year	Various
Finding Type	Noncompliance and Significant Deficiency
Prior Year Finding	Report No. 2009-144, Finding No. FA 08-108
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 nonacademic or nonprofessional personnel. These reports should be signed by the employee and a supervisor with direct knowledge of the employee's activities.
Condition	In our report No. 2009-144, finding No. FA 08-108, we noted that 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 is required to document noninstructional 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. During our current audit, we were advised by institution personnel that to ensure compliance, the institution is implementing a new time-and-effort system to address these issues with an anticipated completion date of Spring 2010.
Cause	Agency personnel indicated that they are in the process of contracting for future implementation of a new time-and-effort reporting system that will comply with Federal reporting standards. Specifically, the institution has decided to utilize Banner's new Effort Certification module which was released with the 8.1 version of Banner. The anticipated upgrade to Banner 8 should be completed by the Spring of 2010.
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 employees' actual effort and are certified by the employee or individual with direct knowledge of the employees' work in accordance with Federal regulations.
FAU Response and Corrective Action Plan	We are well along in our implementation. Florida Atlantic University is currently testing the new Effort Certification system and is expecting to go live in the Spring of 2010. An intensive roll-out program, which includes meetings with

faculty, announcements via monthly newsletters, and other email announcements is currently in progress to prepare University faculty and staff for this new requirement.

The University will establish new policies and procedures to ensure that after-the-fact activity certification in the new Time-and-Effort system reflects the actual effort and that this effort is certified by the employees and other staff with direct knowledge of the employee's work in accordance with OMB Circular A-21.

**Estimated Corrective
Action Date**

April 30, 2010

**FAU Contact and
Telephone Number**

Edwin Bemmell, Director of Research Accounting
(561) 297-2606

STATE OF FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**SUBMITTED IN ACCORDANCE WITH
OMB CIRCULAR A-133**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

STATE OF FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SUBMITTED IN ACCORDANCE WITH
OMB CIRCULAR A-133

FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

For additional copies, please contact:

Auditor General • G74 Claude Pepper Building • 111 West Madison Street • Tallahassee, Florida 32399-1450
850-487-9024 • Fax: 850-488-6975 • www.myflorida.com/audgen

STATE OF FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR 2008-2009

STATE AGENCIES

Florida Agency for Health Care Administration (FAHCA).....	1
Florida Agency for Workforce Innovation (FAWI).....	5
Florida Department of Agriculture and Consumer Services (FDACS)	9
Florida Department of Children and Family Services (FDCFS)	11
Florida Department of Community Affairs (FDCA)	19
Florida Division of Emergency Management (FDEM)	25
Florida Department of Education (FDOE)	31
Florida Department of Financial Services (FDFS).....	41
Florida Department of Health (FDOH).....	43
Florida Department of Law Enforcement (FDLE)	49
Florida Department of Revenue (FDOR).....	51
Florida Department of Transportation (FDOT)	55

UNIVERSITIES

Florida Agricultural and Mechanical University (FAMU)	57
Florida Atlantic University (FAU).....	59
Florida Gulf Coast University (FGCU)	61
Florida International University (FIU)	63
Florida State University (FSU).....	65
University of Central Florida (UCF)	67
University of Florida (UF)	71
University of North Florida (UNF).....	73
University of South Florida (USF)	75
University of West Florida (UWF).....	77

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FLORIDA ATLANTIC UNIVERSITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Paragraph/Finding No(s).(1)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status of Finding</u>	<u>Comments</u>
FA 08-099	Student Financial Assistance (SFA) Cluster CFDA No. 84.032	The institution did not comply with return to Title IV regulations for students that unofficially withdrew.	Fully Corrected	<p>In our response to this finding in August 2008, we communicated that we were in the process of initiating several changes to enhance our abilities to ensure accurate and timely identification, calculation and return of unearned Title IV funding. Those changes were:</p> <ol style="list-style-type: none"> 1. To ensure 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. 2. Establishment of a University task force (including faculty and administrators) to review University policies and procedures related to attendance and withdrawal issues. 3. To ensure that the committee will develop recommended actions for enhancing record keeping in relation to student attendance. <p>FAU has completed these three remedies.</p> <p>In addition, FAU will work with the new Chief Information Officer to assure continuous procedural improvements into the future.</p>
FA 08-103	SFA Cluster CFDA No. 84.032	Enrollment status changes reported to NSLDS for students who ceased at least half-time enrollment were not accurate and/or timely reported.	Fully Corrected	<p>FAU implemented a new student information system, SCT Banner, during the 2007-08 academic year.</p> <p>At the time of this audit finding in 2008, submission of the Student Status Confirmation Reports (SSCR) to the Clearinghouse was delayed due to the new student information system.</p> <p>Effective Spring 2009, the SSCR's to the Clearinghouse began bi-weekly submissions (versus the former monthly submission) in order to meet Federal reporting requirements.</p>

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FLORIDA ATLANTIC UNIVERSITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<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	Research & Development (R&D) Cluster Various	The frequency of grants claiming CAS exemptions (approximately 60 percent) does not appear to qualify as unlike circumstances.	Partially Corrected	FAU has recently issued several new policies, including a policy that specifically addresses the issue of direct vs. indirect cost and is conducting ongoing training seminars on this issue. This policy requires prior approval for any budget authority in CAS 502 budget pools. In addition, the Research Accounting Office has implemented a regular review process in which a report of all CAS 502 charges is created and reviewed for allowability.
FA 08-108 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	In our response to audit finding FA 07-099, we indicated that Florida Atlantic University issued an Invitation to Negotiate to select a vendor to acquire a time and effort system. We have completed this process and have now contracted with our current Enterprise Resource Planning (ERP) vendor to upgrade the University's system to the latest version of the ERP. This version includes an Effort Certification module, which will be implemented as well. The vendor started the training and implementation of the time and effort System in August 2009 with testing scheduled during the Fall. In addition, starting in the Fall, we will roll out workshops and training sessions to the faculty and staff who will be affected by the new time and effort requirements. The University will establish new policies and procedures to ensure that after-the-fact-activity certification in the new time-and-effort system reflects the actual effort and that this effort is certified by the employees and other staff with direct knowledge of the employee's work in accordance with OMB Circular A-21. We currently anticipate having this upgrade fully implemented by the Spring of 2010.

Note: (1) Paragraph/Finding No(s). refer to audit findings in report No. 2005-158 (FA 04-), report No. 2007-146 (FA 06-), report No. 2008-141 (FA 07-), or report No. 2009-144 (FA 08-).

Name and Title of Responsible Official: Dennis Crudele, Interim Sr. VP of Financial Affairs