



Item: AF: I-2a

AUDIT AND FINANCE COMMITTEE

Tuesday, February 19, 2013

SUBJECT: REVIEW OF AUDITS: FAU 12/13-1, AUDIT OF STUDENT UNION FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The Student Union (SU), located on the Boca Raton Campus, is an auxiliary unit within the Division of Student Affairs and serves as a student-centered organization and facility for cultural, social, business, and educational activities. The SU earns revenues from multiple sources such as facility and equipment rentals to FAU-affiliated and external entities within its main building complex, as well as certain exhibits and events on the Boca Raton Campus Breezeway.

Primary objectives of the audit were to determine whether: 1) vendors/contractors occupying the SU as tenants were currently operating in compliance with properly executed written agreements; 2) sponsors of events held at SU facilities complied with the requirements of appropriate facility usage agreements or terms of use conditions; 3) management had adequate monetary controls in place to ensure rental/fee revenue collected from its SU tenants and short-term event sponsors were properly safeguarded, recorded, deposited, and reconciled; and 4) the SU was in compliance with university policies and procedures pertaining to timekeeping/payroll administration.

Six recommendations were made to enhance the operational and internal control environment pertaining to the SU.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the recommendations on or before August 1, 2013.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 12/13-1

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 12/13-1
Report Issue Date: January 25, 2013

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Office of Inspector General

Audit Report: Student Union
For the Six-Month Period Ended June 30, 2012

Use of Report

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**REPORT ON THE AUDIT OF
STUDENT UNION**

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FAU
FLORIDA ATLANTIC
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MEMORANDUM

TO: Dr. Mary Jane Saunders
President

FROM: Morley Barnett
Inspector General



DATE: January 25, 2013

SUBJ: AUDIT OF STUDENT UNION

In accordance with the University's Internal Audit Plan for fiscal year 2012-13, we have conducted an audit of select operations of the Student Union on the Boca Raton campus of Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made six recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report.

Please call me if you have any questions.

cc: University Provost
Senior Vice Presidents
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

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EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2012-13, we have conducted an audit of select operations of the Student Union on the Boca Raton campus of Florida Atlantic University for the period January 1 through June 30, 2012. The audit included, but was not limited to, the review and evaluation of long-term and short-term rental contracts for Student Union (SU) facilities. Certain SU tenants with contracts administered by the Financial Affairs Division, such as Chartwells, the food services provider, were not within the scope of the current audit. These other contracts have been or will be covered by other audits or special reviews by the FAU Office of Inspector General (OIG) and/or the Florida Auditor General's Office.

The primary objectives of this audit were to determine whether:

- Vendors/contractors occupying the Student Union as tenants were currently operating in compliance with properly executed written agreements;
- Sponsors of events held at Student Union facilities complied with the requirements of appropriate facility usage agreements or terms of use conditions;
- Management had adequate monetary controls in place to ensure rental/fee revenue collected from its SU tenants and short-term event sponsors were properly safeguarded, recorded, deposited, and reconciled; and,
- SU was in compliance with the university's policies and procedures pertaining to employee time cards, leave usage, overtime pay/compensatory leave, and payroll certifications.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing of contractual documents for specified SU tenants, and records for samples of SU event sponsors, daily money collections, and time input transactions for departmental employees, in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the audited operations of the Boca Raton Student Union were not being conducted in consistent compliance with all applicable rules, regulations, policies, procedures, and sound business practices. We identified several deficiencies in the following areas:

- Tenant and event sponsor documentation;
- Accountability for money collections; and,
- Employee timekeeping records.

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



January 25, 2013

Dr. Mary Jane Saunders
President
Florida Atlantic University
Boca Raton, Florida

Dear President Saunders:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2012-13, we have conducted an audit of select operations of the Student Union on the Boca Raton campus of Florida Atlantic University for the period January 1 through June 30, 2012. The audit included, but was not limited to, the review and evaluation of long-term and short-term rental contracts for Student Union (SU) facilities. Certain SU tenants with contracts administered by the Financial Affairs Division, such as Chartwells, the food services provider, were not within the scope of the current audit. These other contracts have been or will be covered by other audits or special reviews by the FAU Office of Inspector General (OIG) and/or the Florida Auditor General's Office.

The primary objectives of this audit were to determine whether:

- Vendors/contractors occupying the Student Union as tenants were currently operating in compliance with properly executed written agreements;
- Sponsors of events held at Student Union facilities complied with the requirements of appropriate facility usage agreements or terms of use conditions;
- Management had adequate monetary controls in place to ensure rental/fee revenue collected from its SU tenants and short-term event sponsors were properly safeguarded, recorded, deposited, and reconciled; and,
- SU was in compliance with the university's policies and procedures pertaining to employee time cards, leave usage, overtime pay/compensatory leave, and payroll certifications.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing of contractual documents for specified SU tenants, and records for samples of SU event sponsors, daily money collections, and time input transactions

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for departmental employees, in order to determine whether control procedures were operating effectively.

We obtained an understanding of the operations of the Student Union by reviewing written policies and procedures, interviewing key departmental personnel, performing analytical reviews of selected financial information, observing actual practices, and evaluating key internal controls. Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgmentally selected sponsored events held at facilities owned or managed by the SU, and other departmental transactions and activities. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent university records, and other factors including auditor judgment.

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

BACKGROUND

The Student Union - an auxiliary unit of the Division of Student Affairs - is the center for community and leadership on the Boca Raton campus, facilitating student learning and involvement through a variety of programs, facilities, and services. As a student-centered organization and building, the Student Union provides a home for students, faculty, staff, and guests, who seek cultural, social, business, educational, and recreational experiences in an environment committed to excellent service.

Since its opening in 1972 - as the University Center - the Student Union has undergone multiple expansions and renovations. A major addition and renovation to the SU was completed in 2002 at a cost of approximately \$8 million, and increased the size of the facility by 40% to 55,000 square feet. This addition included a 380-seat resident dining hall and full-service kitchen, conference and meeting rooms, and a new main retail corridor. The renovated areas included space for the current bar and eatery as well as improvements to the facility's loading dock. Future plans call for a major expansion and renovation of the SU starting in fiscal year 2013-14 at an estimated cost of \$14.8 million.

The SU earns revenue from multiple sources, including the following:

- Rental and/or non-rental payments from multiple FAU-affiliated and external tenants;
- Facility use and equipment rental fees - as applicable - from internal and external entities that sponsor events held at Student Union facilities such as the Kaye Auditorium, Live Oak Pavilion, Outdoor Stage, and specified meeting/conference rooms within the SU building complex; and,
- Fees charged to external entities to rent tables for event usage on the Breezeway of the Boca Raton campus.

Our review of the pertinent financial records for the SU's primary Banner organization code – S07000 (UC General Admin) - indicated that for fiscal years 2010/11 and 2011/12, the SU generated gross revenues from its operations (excluding monetary transfers-in from other sources) of approximately \$976K and \$970K respectively. Additional operating resources for the SU are provided by the Student Government and other sources, and totaled approximately \$1.7 million and \$2 million for fiscal years 2010/11 and 2011/12 respectively. Overall, the SU had net income of approximately \$492K and \$258K respectively for fiscal years 2010/11 and 2011/12.

During the audit period, the SU was manned by a staff of approximately fourteen full-time employees supplemented by multiple student/non-student temporary employees working as office assistants, set crew, stage technicians, and other support positions.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Tenant Non-Compliance with Existing Agreements

The Student Union has multiple FAU-affiliated and external tenants from which it receives periodic rental and/or non-rental payments. In the case of the SU Box Office contractor - the Broward Center for the Performing Arts - the SU makes monthly payments to the Box Office each year for certain contractually-specified reimbursable expenses based on invoices submitted by the contractor. The Box Office - at the conclusion of each sponsored event for which it provided ticketing services - will remit certain specified charges it withheld from the gross sales proceeds for the event to the SU as revenue. Sound business practice dictates that written agreements be established and executed with all tenants - FAU internal departments and external entities - in order to properly define the lease term, periodic payment amount(s) and due date(s), and other terms and conditions of the relationship.

As a result of testwork performed for ten current tenants of the Student Union who made rental and/or non-rental payments to the SU (or had payments made on their behalf), we noted the following exceptions pertaining to the tenants' records on file:

- For three external tenants, the current requisite liability insurance policies could not be initially located by management. Subsequent to the completion of our fieldwork, SU management provided us with proof of current appropriate liability insurance for one of the three aforementioned external tenants;
- There was no formal written agreement or memorandum of understanding between the Student Union (SU) and Business Services, or SU and New Student and Owl Family Programs, pertaining to rental payments and other terms and conditions for SU space occupied by these departments as well as two external tenants, FAU Owl Wear Logo Shoppe and the New Era Barbershop, whose contracts were managed by Business Services which made rental payments to SU on their behalf;

- Three Journal Entry ETFs (Expenditure Transfer Forms) prepared by SU for Business Services to pre-pay the 2011/12 fiscal year annual rent (to SU) for two of its units and one of its contractors located at the SU, were signed in the “Authorized Signature” field by an employee who was not an authorized signer for the Banner organization codes S06002 and S06001 (incurring the expenditures) according to the *FAU Automated Signature Retrieval System*. Despite the unauthorized sign-offs, the EFTs were processed to Banner Finance for the benefit of the SU by the university’s Controller’s Office;
- For one external tenant – the New Era Barbershop – the Student Union had not received the \$9,000 rent payment payable by Business Services for January – June 2012, as of 12/13/12. The Journal Entry ETF used by Business Services to pay SU for the cited period listed the incorrect Banner Finance index code for the SU. Subsequent to the completion of our fieldwork, we reviewed evidence that the rental payment had been received by the SU; and,
- Two of six monthly (cost-reimbursement) invoices received from the SU Box Office contractor – the Broward Center for the Performing Arts – for the audit period, were not timely approved for payment by the SU. The invoices for 2/12 (\$9,221.88) and 4/12 (\$9,563.63), which were estimated to have been received by the SU during the months of 3/12 and 6/12 respectively, were not approved for payment until 10/23/12.

Recommendation No. 1

We recommend the following to management:

- Obtain proof of current requisite liability insurance coverage for the remaining two external tenants cited;
- Execute formal written agreements between SU and Business Services, as well as SU and New Student and Owl Family Programs, pertaining to rental payments and other terms and conditions for the indicated SU space which are approved and signed-off by all parties;
- To the extent practicable, ensure the ETFs used to pay rents are signed by authorized signers for the Banner organization codes incurring the expenditure and receiving the benefit; and,
- Ensure that proper cost-reimbursement invoices received from the SU Box Office contractor are approved for payment in a timely manner.

In addition, we recommend the SU develops and implements a tickler system to track and follow-up with its external tenants to help ensure timely receipt of contractually-required documents such as liability insurance certificates. Further, procedures should be implemented to ensure timely and accurate preparation and delivery of rental invoices and ETFs to the applicable internal departments to facilitate their prompt payment of agreed-upon rents. Finally, a designated SU employee should be assigned the responsibility of reconciling the processed ETFs to the appropriate Banner Finance organization/account codes to verify receipt of the correct payments.

Management's Response

Action Plan:

Proof of requisite liability insurance has been requested from the outstanding tenants. It is believed that this should be collected no later than March 1, 2013. Memoranda of Understanding (MOUs) will be drafted for review by the Sr. Vice-President for Student Affairs or designee and tenants. Formal agreements will be in place no later than July 1, 2013. Query access to the FAU Automated Signature Retrieval System will be requested from the Controller's Office. A database of "tickler" items is being created to track and follow-up with external tenants to help ensure timely receipt of contractually required documents such as liability insurance certificates. The invoicing and follow-up will be included for both invoices and payments that are collected per terms of both internal and external written agreements. In addition, a checklist has been created to include in each of the tenant files to track monthly/annual payments, as applicable. The Fiscal Assistant (to be hired) will be tracking and reconciling these expense transactions to Banner on at least a biweekly basis.

Implementation Date:

July 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Incomplete Documentation for Sponsored Events held at Student Union Facilities

Internal and external users who sponsor events at Student Union facilities are required to comply with established policies and procedures including, but not limited to, the timely submission of a written event request form (or email); provision of proof of specified liability insurance coverage prior to the event (external users only); and, execution of an appropriate facilities use agreement.

As a result of testwork performed for a judgmentally selected sample of 45 internal/external organization events (for 32 event sponsors) held at Student Union (SU) facilities during the audit period, we noted the following exceptions pertaining to the event records on file:

- Two *FAU Student Union Event Request* forms on file were not signed-off by the users;
- For two of 15 external users, the Facilities Use Agreement for their (two) events could not be located by management;
- For five of eight external users assessed the tax-exempt or non-profit room/auditorium rental rates, the documentation verifying the user's non-profit/tax-exempt status could not be located by management. A combined total of 16 events were reviewed for the aforementioned five users;

- For seven of 15 external users, the requisite liability insurance policy for their (seven) events could not be located by management;
- Four of 15 external event sponsors did not pre-pay for all estimated facility rental & related charges for their (15) events as required by the Facilities Use Agreement. For two of the event sponsors – the Palm Beach Pops and Sunset Entertainment Group – management verbally indicated that the event pre-payment requirement had been waived based on their long-standing relationship with the SU. However, there was no signed-off written documentation between FAU and the aforementioned entities authorizing this deviation from policy;
- For two of seven (non-tax-exempt) external users assessed the state sales tax for their (two) events, the sales tax totaling \$159.96 (\$10.80 and \$149.16 respectively) was recognized as SU income, and not deposited to the Banner Finance Suspense – Sales Tax Collections (SUSP04) fund; and,
- For one external user - Foundation Fighting Blindness - the Student Union had not received the \$745.00 outstanding balance indicated on the final invoice for the event held on 2/4/12, as of 12/13/12. Subsequent to the completion of our fieldwork, we reviewed evidence that the SU had received the amount owed by the aforementioned user.

Recommendation No. 2

For all sponsored events held at Student Union facilities, we recommend the following to management:

- Ensure an event request form properly completed and signed-off by the user, or an email request from the user, is obtained prior to the event;
- Ensure documentation verifying the user's non-profit/tax-exempt status is obtained prior to external users being assessed the (discounted) tax-exempt or non-profit room/auditorium rental rates;
- Ensure the requisite liability insurance coverage is obtained by external users prior to their events;
- Ensure all event sponsors pay the correct rental fees and other charges in accordance with the contractual documents or, where appropriate and justifiable, execute formal written agreements with the sponsors that deviate from established policy which are approved and signed-off by all parties; and,
- Ensure the state sales tax totaling \$159.96 for the two external users cited - as well as all applicable future sales tax collections - are deposited to the Banner Finance Suspense – Sales Tax Collections (SUSP04) fund as required by university policy.

Management's Response

Action Plan:

A checklist has been designed to be attached to all event files to track the accurate completion of all aforementioned requirements. All contracts/agreements entered into after February 1, 2013 will utilize this checklist. Outstanding taxes for FY 2011/12 noted have been transferred into the SUSP04 fund. Outstanding taxes collected to date in FY2012/13 will be transferred to the SUSP04 fund no later than March 1, 2013. Taxes collected currently and in the future will be deposited immediately into the SUSP04 fund if received by cash, check, or money order, and within 30 days of receipt if paid by credit card.

Implementation Date:

March 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Incomplete Documentation for Breezeway Rentals

The Student Union is responsible for managing the rental of pre-assigned spaces on the Breezeway of the Boca Raton campus. Internal and external users of the Breezeway are required to submit an appropriate online use application to the SU indicating, among other things, the date and nature of the planned event, and the number of tables to be rented. FAU-affiliated entities (student organizations and internal departments) are allowed to rent tables free of charge while external entities are assessed a nominal charge of \$50 per table (per 4-hour day). Prior to their Breezeway events, users must obtain a reservation confirmation letter issued by the SU via email, and in the case of external entities, must pre-pay for the table rentals and present a copy of their business license and proof of specified liability insurance coverage.

As a result of testwork performed for a judgmentally selected sample of 25 Breezeway rental events - sponsored by 13 internal users and 12 external users - during the audit period, we noted the following exceptions pertaining to the event records on file:

- For three external rentals to Northwest Mutual Financial Network, CBS Radio, and Leo Marketing, the Student Union had not received the rental fees – a combined total of \$300 – indicated on the reservation confirmation letters, as of 12/14/12;
- For five of 12 external users, a copy of the vendor's registered license, and the requisite liability insurance policy for the rental events could not be located by management;
- For eight of 12 (non-tax-exempt) external users assessed the state sales tax, the taxes totaling \$35.09 (\$5.66, \$3.96, \$2.83, \$2.83, \$2.83, \$5.66, \$2.83, and \$8.49 respectively)

were not deposited to the Banner Finance Suspense – Sales Tax Collections (SUSP04) fund as required by university policy; and,

- Two external renters – Hair Feather, Inc. and Spent Paintball, Inc. – did not pre-pay a combined total of \$100 for their rental events as required by SU policy.

Recommendation No. 3

We recommend the following to management for Breezeway rentals:

- Follow-up to ensure the SU receives the rental fees from Northwest Mutual Financial Network, CBS Radio, and Leo Marketing;
- Prior to their events, ensure the requisite liability insurance coverage, a copy of the vendor's registered license, and rental pre-payments are obtained from external renters in the future; and,
- Ensure the state sales tax totaling \$35.09 for the eight external users cited - as well as all applicable future sales tax collections - are deposited to the Banner Finance Suspense – Sales Tax Collections (SUSP04) fund as required by university policy.

Management's Response

Action Plan:

By February 1, 2013, letters will be drafted to the aforementioned clients requesting payment, and if payment is not received, a hold placed on their account with the Student Union. A checklist has been designed to be attached to all event files to track the accurate completion of all aforementioned requirements. All rentals entered into after February 1, 2013 will utilize this checklist. Furthermore, no vendor will be permitted to claim their table until payment has been made. Outstanding taxes for FY 2011/12 noted have been transferred into the SUSP04 fund. Outstanding taxes collected to date in FY 2012/13 will be transferred to the SUSP04 fund no later than March 1, 2013. Taxes collected currently and in the future will be deposited immediately into the SUSP04 fund if received by cash, check, or money order, and within 30 days of receipt if paid by credit card.

Implementation Date:

March 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Inadequate Monitoring of Events with Planned Food Service Waivers

In accordance with established university policies and procedures, internal/external entities holding events on FAU campuses with the intent to serve food provided by other than Chartwells – the university’s food service contractor – are required to request a food service waiver and obtain a temporary food service permit for the event. The food service waiver request is required to be submitted to Business Services for review, and if approved, the event sponsor must submit a temporary food service event application to Environmental Health & Safety (EH&S) for review. EH&S will either disapprove the application, or approve it, in which case a temporary food service event permit will be issued to the event sponsor.

Based on discussions with SU management, we determined that the SU did not have a formalized system in place to consistently identify and monitor all events to be held at SU facilities and on the Breezeway (Boca Raton campus) where the renters intended to request a food service waiver. Currently, the only facility use request document that solicited information regarding the user’s intent to apply for a food service waiver was the *FAU Student Organization Event Registration and Space Use Request Form* which is required to be completed only by registered FAU student organizations applying to use a SU facility. The versions of this form used during the audit period requested information regarding the user’s intent to have food/beverage at the event but did not solicit information pertaining to planned requests for food service waivers.

Although management has indicated that EH&S would generally provide SU with copies of all temporary food service event permits issued to internal/external sponsors of SU and Breezeway events, the SU did not have procedures to initially identify all users who intended to apply for food service waivers. As such, the SU was unable to effectively follow-up to ensure proper disposition – issuance of the temporary food service event permit, disapproval of the food service waiver request, or disapproval of the temporary food service event application – for these users. In cases of denial of the food service waiver request or the temporary food service event permit application, the SU should be monitoring the event to ensure utilization of Chartwells as the food service provider, or cancellation of food services for the event, as appropriate.

Recommendation No. 4

To assist Business Services, EH&S, event sponsors, and the university community at-large in mitigating the risk of foodborne illness at on-campus events, we recommend the SU develops and implements procedures to effectively identify and monitor all SU and Breezeway events where users intend to have food/beverage provided by other than the university’s food service contractor. The procedures should include soliciting information on the *Student Union Event Request* form and the *Breezeway Request Form* regarding the user’s intent to request a food service waiver, and appropriate flagging for events identified as such. In addition, the SU should - to the extent practicable - ensure either issuance of the temporary food service event permit, or in the event of non-issuance of the permit, utilization of Chartwells as the food service provider, or cancellation of food services, for the flagged SU and Breezeway events.

Management's Response

Action Plan:

- (1) Forms for Departmental Users, External Users, and Breezeway reservations will be updated to ask the client to identify whether or not food will be served, and if so, whether they intend to utilize FAU Dining or request a Food Waiver.
- (2) Student Union/Event Planning Staff will enter into EMS (Event Management System) the data collected from Action Plan step (1).
- (3) At the weekly/biweekly Event Planning & Campus Partner meetings, Event Planning Staff will note whether the data in EMS is accurate and contact the client, EH&S, and Business Services to ensure that events can serve food as planned.
- (4) In the event that this process is not followed, to the extent possible, food will not be permitted to be served. In the event food is still served, appropriate action will be taken as follows:
 - a. Letter of non-compliance issued to the External Client by the Student Union.
 - b. Letter of non-compliance issued to Student Organizations by the Student Union and copied to Student Involvement and Leadership. Instances of recurring non-compliance may result in suspension of utilization of Student Union space.
 - c. Departmental Clients will be referred to EH&S and Business Services for appropriate action.
- (5) Formal policies related to Action Plan step (4) will be drafted by August 1, 2013 and included as part of Student Union Policies and Procedures.

Implementation Date:

August 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Money Collection Control Weaknesses

Effective controls over money collections mandate proper documentation from receipt through deposit with the central cashier's office, and timely transfer to the bank. Essential attributes of an effective system of money controls include proper segregation of conflicting duties, supervisory review and oversight of transactions, adequate safeguarding of monetary assets, and periodic independent reconciliations of moneys collected.

Discussions with management, as well as compliance testing of applicable money collection records for ten current tenants of the Student Union who made periodic rental and/or other non-rental payments to the SU (or had such payments made on their behalf) for the audit period, and judgmentally selected samples of 45 internal/external organization events (for 32 event sponsors) at Student Union (SU) facilities and 25 rental events at the Breezeway during the audit period, indicated the following exceptions:

- The SU did not have a tickler system in place to generate rental invoices, monitor payments collected, and facilitate follow-up (in the event of delinquency) to help ensure the receipt of contractually-required periodic rental/non-rental payments from its external/internal tenants, as applicable;
- SU employees responsible for preparing and mailing rental invoices and rental past due notices, and/or updating accounts receivable subsidiary ledgers/EMS (Event Management System) with rental payments - from tenants, event sponsors, and Breezeway renters - were not independent of money handling. We identified two users of the EMS with the conflicting capabilities of monetary input (e.g., posting payments to the accounts of SU event sponsors and Breezeway renters) and money handling duties;
- Checks received as payment were not restrictively endorsed for deposit to the university immediately upon receipt. Rather, the checks were endorsed prior to delivery to the central cashier's office;
- Payment checks received were not recorded on an appropriate money collections log which indicated how the funds were received (mail/in-person), when the funds were received, and the signature/initials of the recipient/preparer and reviewing supervisor;
- The transfers of payment between departmental employees were not documented via a properly signed/initialed transfer document in order to maintain accountability;
- The deposit transmittal records submitted to the central cashier's office with the money deposit were not signed/initialed and dated by a preparer, reviewer, or the departmental employee who delivered the deposit to the central cashier's office;
- 31 of 64 check payments reviewed were not indicated on SU's check log, and *Departmental Cash Receipts* were not issued for *two* of *two* cash payments tested. As such, we were unable to determine if the cash/checks were deposited to the central cashier's office within three business days of receipt by the SU as required by university practice; and,
- The Student Union employee who performed the periodic reconciliations of the money collections recorded on the deposit transmittal records to the appropriate cashier's receipts and Banner Finance *Organization Detail Activity* report did not sign/initial and date the deposit transmittal record to document her reconciliation, and she was not independent of collections and custody of money. In addition, the lack of a comprehensive money collections log on which to record appropriate details of all payments received by the SU impaired the consistent performance of an effective reconciliation.

Recommendation No. 5

We recommend the following to management:

- Establish a tickler system to invoice, monitor, and follow-up (in the event of delinquency) to help ensure the receipt of contractually-required periodic rental/non-rental payments from SU's external/internal tenants, as applicable;
- Segregate the duties of invoice preparation and mailing, and update of customers' records, from the duties of money-handling and logging;
- To minimize the risk of loss, theft, or misappropriation of university funds, ensure that all checks/money orders are restrictively endorsed with the department's bank deposit stamp immediately upon receipt;
- To maintain proper accountability for monies collected, ensure that all monies (cash/checks/money orders/ETFs/TouchNet Marketplace payments) received are recorded on an appropriate money collections log which indicates - among other things - how the funds were received (mail, in-person, or online), when the funds were received, the transfer date and the initials of the employee(s) to whom the funds were transferred, and the reconciliation date and initials of the reconciler documenting his/her verification that the payments have been deposited with the central cashier's office, where applicable, and posted to the appropriate Banner Finance organization and account codes;
- To maintain proper accountability, ensure the deposit transmittal record submitted to the central cashier's office with the money deposit is signed/initialed and dated by a separate preparer and reviewer, and the departmental employee who delivered the deposit to the central cashier's office;
- To maintain proper accountability, ensure that all checks/money orders received in the mail are appropriately flagged as such on the money collections log; and,
- To facilitate timely detection of any errors or irregularities, ensure that the reconciliations of money collection records to the appropriate Banner Finance *Organization Detail Activity* reports are properly documented and performed at least monthly by either *one* SU employee independent of collections and custody of money or *two* SU employees. To facilitate compliance, the employee(s) performing the reconciliation should initial and date the money collections log.

Management's Response

Action Plan:

A database of "tickler" items is being created to track several recommendations included in this audit. The invoicing and follow-up will be included. In addition, a checklist has been created to include in each of the tenant files to track monthly/annual payments, as applicable.

Immediate Action: (1) A money collections log has been initiated to track all incoming receivables including TouchNet, ETF, Cash, Check, and Money Order. (2) Effective September 2012, an Assistant Director for Administration and Finance was hired to assist in guiding the Student Union in establishing processes with specific controls. (3) Student Union is in the process of hiring a Fiscal Assistant to take some of the responsibilities of the Office Manager (departed to the AVP/Dean of Students in September 2012). (4) Checks and Money Orders are restrictively endorsed immediately upon receipt.

On-Going Action: Processes are being established and training will take place with employees to ensure controls are met. The Student Union will develop procedures with input from the Office of the Inspector General over the course of the Spring Semester to be finalized by June 30, 2013.

Implementation Date:

July 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Student Union Employee Timekeeping Deficiencies

Non-exempt SP (support personnel) employees paid at a biweekly rate and non-exempt student/non-student temporary (OPS) employees paid at an hourly rate are required to complete biweekly time records in accordance with the federal Fair Labor Standards Act (FLSA). The employee time cards/records are required to accurately report all work time to the University and be signed-off by the employee and supervisor, and the time card/record hours should reconcile to the corresponding departmental Banner HR Report of Hours/Payroll Certification List.

SP employees whose actual hours of work in the established work week exceed 40 hours will earn either overtime pay or overtime compensatory leave. Temporary non-exempt employees will earn overtime pay when actual hours of work in the established work week exceed 40. All overtime must be authorized in advance by the supervisor and supported by a properly completed Overtime Form signed by the employee's supervisor and department manager. Overtime shall be calculated at the rate of one and one half times the total hours worked beyond 40.

Compliance testing of the pertinent timekeeping records for all employees listed on three

judgmentally selected biweekly pay periods of the 2012 calendar year (#s 3, 7, and 12) for the Student Union timekeeping organization codes S00305, S00311, S00520, and S07000 indicated the following exceptions:

- The hours were not properly computed on 13 time records pertaining to 12 non-exempt hourly-paid temporary (OPS) employees. In addition, one employee's time record hours (85.75) did not reconcile to her hours on the corresponding Banner HR Report of Hours & Payroll Certification List (80 hours). There was no documentation evidencing that the employee was paid 5.75 hours of overtime;
- 11 non-exempt student temporary (OPS) employees worked more than 20 hours per week on one or more occasions during the spring semester without having an authorization to exceed the 20-hour per week student employment limit on file;
- Seven time records for three non-exempt employees were not signed-off by their supervisor;
- For payroll # 3, we determined per inquiry of management that one AMP (administrative, management, and professional) employee did not take the 16 hours of annual leave indicated on the Banner HR Report of Hours;
- For payroll #s 7 and 12, the Banner HR *Payroll Certification Lists* for Banner organization/fund codes S00311/LOCSTG, S00520/LOCSTG, and S21004/GTAIDS, and for payroll # 12, the Banner HR *Payroll Certification List* for Banner organization/fund code S00758/LOCSTG were signed in the "Authorized Signature" field by an employee who was not an authorized signer for the Banner organization codes according to the *FAU Automated Signature Retrieval System*; and,
- Three time records pertaining to three non-exempt student temporary (OPS) employees were not signed-off by the employees.

Recommendation No. 6

We recommend management ensure that all employee time cards/records are properly completed and signed-off by the employee and his/her supervisor; time card hours reconcile to the corresponding Banner HR Report of Hours/Payroll Certification List; non-exempt student temporary (OPS) employees do not exceed a 20-hour work week during the spring and fall semesters without proper authorization; and *Payroll Certification Lists* are signed in the "Authorized Signature" field by an employee who is an authorized signer for the Banner organization codes according to the *FAU Automated Signature Retrieval System*. In addition, we recommend that management - upon consultation with the Payroll/Human Resources departments - take the appropriate actions to correct the salary underpayments/overpayments cited.

Management's Response

Action Plan:

- (1) Human Resources will be contacted to determine the feasibility and process by which underpayment and overpayment corrections can take place. This will be completed no later than May 1, 2013.
- (2) Time cards are being checked for appropriate signature effective immediately by the timekeeper Danell McKeel under advisement of L. Faerman.
- (3) Letters will be requested from student employees no later than the end of the second week of classes to permit student employees to work in excess of 20 hours. A list of those approved employees will be provided to the timekeeper and Director or authorized signer (where applicable). A database of "tickler" items is being created to track several recommendations included in this audit. The prompt collection of these letters will be included.
- (4) FAU Automated Signature Retrieval System will be checked and updates requested as necessary/applicable.
- (5) Until such time as an automated time card system is purchased and implemented (currently under review), time cards will be reviewed independently by an individual other than the supervisor. In addition, an independent review (other than timekeeper) of time cards to payroll certifications lists will be conducted.

Implementation Date:

May 1, 2013

Responsible Auditee:

Larry Faerman, Ph.D. – Student Union Director

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three fiscal years, our office has not conducted any audits related to the operations of the Boca Raton Student Union. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on our observations and tests performed, we are of the opinion that the audited operations of the Student Union were not being conducted in consistent compliance with all applicable rules, regulations, policies, procedures, and sound business practices. We have identified several opportunities to improve internal controls in the critical areas of tenant and event sponsor documentation, accountability for money collections, and employee timekeeping records. It is our belief that the existing control weaknesses can be readily corrected in order to cost-effectively improve the overall internal control environment and enhance the mission of the Student Union.

We wish to thank the staff of the Boca Raton Student Union for their kind cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

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