



Item: AF: I-3c

AUDIT AND FINANCE COMMITTEE
Tuesday, October 15, 2013

SUBJECT: REVIEW OF AUDITS: FAU 12/13-4, AUDIT OF HOUSING & RESIDENTIAL LIFE FOR THE FALL 2012 SEMESTER

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Audit objectives were focused on determining whether revenues were properly supported and recorded, and any critical security issues affecting housing residents or facilities were documented and adequately addressed by responsible employees.

We identified opportunities for improvements related to transaction documentation, safety & security, and asset accountability. Five recommendations were made to address our findings.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement the recommendations by October 31, 2013.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 12/13-4

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 12/13-4
Report Issue Date: June 28, 2013

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: *Housing and Residential Life*
For the Fall 2012 Semester

Use of Report

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**REPORT ON THE AUDIT OF
HOUSING AND RESIDENTIAL LIFE**

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FAU
FLORIDA ATLANTIC
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MEMORANDUM

TO: Dennis Crudele
Acting President

FROM: Morley Barnett 
Inspector General

DATE: June 28, 2013

SUBJ: AUDIT OF HOUSING AND RESIDENTIAL LIFE

In accordance with the University's Internal Audit Plan for fiscal year 2012-13, we have conducted an audit of Housing and Residential Life at Florida Atlantic University for the Fall 2012 semester. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made five 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's Office, 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 Housing and Residential Life at Florida Atlantic University for the Fall 2012 semester.

Our audit objectives were to ensure that revenue collected was properly supported and authorized, and accurately recorded in the university's accounting records; and, physical security measures for the safeguarding of student residents and housing facilities were adequate.

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 student housing contracts and rental revenue, and documentation relevant to the safety and security of student residents and housing facilities, in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the examined operations of the Housing and Residential Life Department were being conducted in general compliance with all applicable laws, rules, regulations, policies, procedures, and sound business practices. However, we did identify opportunities for improvement pertaining to transaction documentation, and safety & security compliance.

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



June 28, 2013

Dennis Crudele
Acting President
Florida Atlantic University
Boca Raton, Florida

Dear Acting President Crudele:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2012-13, we have conducted an audit of Housing and Residential Life at Florida Atlantic University for the Fall 2012 semester.

Our audit objectives were to ensure that revenue collected was properly supported and authorized, and accurately recorded in the university's accounting records; and, physical security measures for the safeguarding of student residents and housing facilities were adequate. 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 student housing contracts and rental revenue, and documentation relevant to safety and security of student residents and housing facilities, in order to determine whether control procedures were operating effectively.

We obtained an understanding of the operations of the Housing and Residential Life Department 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 student residents, physical observation of facilities, and evaluation of documentation relevant to safety and security of student residents and housing facilities. 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.

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BACKGROUND

Housing and Residential Life is an auxiliary unit of the Student Affairs Division which offers housing to students and select housing employees on the Boca Raton and Jupiter campuses. The department creates a seamless environment of living and learning in a safe and welcoming community. Through opportunities for leadership development, civic responsibility, self-exploration, and student involvement, the department assists in building a life-long connection between the student and the university.

For the 2012/13 academic year, the Housing and Residential Life department managed a total of eight student housing facilities on the Boca Raton campus – Algonquin Hall (ALG), Heritage Park Towers (HPT), Glades Park Towers (GPT), Indian River Towers (IRT), Innovation Village Apartments North & South (IVA-N & IVA-S), University Village Apartments (UVA), and the Business and Professional Women’s Scholarship House (BPWSH) – with a combined capacity of approximately 3,662 students. For the same period, the department operated two student housing facilities on the Jupiter campus – McArthur Residence Hall I (MC06) and McArthur Residence Hall II (MC09) – with a total capacity of approximately 288 students. A new student residence - Parliament Hall - with a capacity of 614 students is expected to open on the Boca Raton campus at the start of the fall 2013 semester. Management has reported that the average occupancy rate for the 2012/13 academic year for all student housing on the Boca Raton and Jupiter campuses was 93%.

The housing rates established by the university are subject to the approval of the FAU Board of Trustees (BOT), and vary depending on the facility and type of accommodation. During the fall 2012 semester, the housing rates ranged from \$2,825 for a single bedroom in a four-bedroom suite in Algonquin Hall to \$5,056.75 for a single bedroom in a two-bedroom suite in Innovation Village Apartments-North. For the same period, the housing rate was \$4,169.70 for a single bedroom in the four-bedroom suites of the Jupiter campus residence halls.

Under the terms of a ground sublease agreement executed in 2010 (and amended in 2012), student housing facilities and specified university-owned land on the Boca Raton campus have been leased to the FAU Finance Corporation (FAUFC). Housing revenues generated from existing and planned facilities have been pledged to repay bonds issued by FAUFC in 2010 to finance the construction of the Innovation Village Apartments and pre-pay the ground rent due to the university, and 2012 to finance the construction of Parliament Hall. Under the terms of an amended and restated management agreement (dated as of 7/1/12) between FAUFC, FAU Board of Trustees, and C-BB Management, LLC (Capstone On-Campus Management, LLC), FAU has responsibility for the leasing of all student housing facilities on the Boca Raton campus, as well as the assessment, recording, and collection of all housing rents, while Capstone On-Campus Management is primarily responsible for the maintenance management of the Boca Raton campus housing properties.

For the 2012/13 fiscal year, the *Housing Budget* of the FAUFC indicated that approximately \$28.5 million of housing revenues – to be generated from housing operations on the Boca Raton campus – had been pledged to repay its outstanding housing bonds. Budget expenditure allocations included approximately \$9.9 million for the operating/non-operating expenses of the FAU Housing Department (including debt service obligations for the University Village

Apartments, Indian River Towers, Glades Park Towers, and Heritage Park Towers); \$6.6 million for the operating expenses of Capstone On-Campus Management; \$990K of non-operating expenses for overhead and building repair and replacement reserves; and, \$7.6 million for debt service obligations for the Innovation Village Apartments. For the 2012/13 fiscal year, the FAU Housing Department's budget for its Jupiter campus operations - as recorded on the Banner Finance system - indicated housing revenues of \$2,181,886, and expenditures of \$2,742,832, including \$853,785 for debt service obligations, and \$920,000 for reserves, for the Jupiter campus housing facilities.

During the fall 2012 semester, Housing and Residential Life was staffed by a director, an associate director, three assistant directors, and a support staff of approximately 29 full-time employees and 93 student resident assistants.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

Housing Contract Non-Compliance Issues

The housing contract for academic year 2012/13 requires students living in Glades Park Towers (GPT) to take a college success course (SLS 1503 – *Learning Strategies and Human Development*, or equivalent) during the fall semester, if not taken previously. In addition, a \$200 security deposit is required of all students residing in the housing facilities. This deposit is only to be released to non-returning student residents upon their check-out from housing.

Compliance testing of the records for a judgmentally selected sample of 125 students (100 on the Boca Raton campus and 25 on the Jupiter campus) living in university housing during the fall 2012 semester (as of 9/5/12) indicated the following exceptions:

- Seven of 25 students living on the Jupiter campus did not have the \$200 security deposit on file for academic year 2012/13. The previously remitted housing deposits had been released to the students on 5/16/12 because the update process - on the Banner Student system - of rolling the \$200 deposit from academic year 2011/12 to 2012/13 for the returning residents had not been completed; and,
- Six of 17 students living in Glades Park Towers (GPT) had not taken a college success course (SLS 1503, or equivalent) before or during the fall semester.

Recommendation No. 1

We recommend management:

- Ensures the \$200 housing security deposit is timely rolled over for current student residents who apply for housing for the following academic year as specified in the Housing Department's Business Services Manual; and,

- Collaborates with Freshman Academic Advising Services to develop and implement appropriate monitoring and follow-up procedures designed to ensure that all students living in GPT enroll in the SLS 1503 course (or equivalent) during the fall semester, if not previously taken.

Management's Response

Action Plan:

Jupiter Housing security deposit procedures will mirror those followed on the Boca Raton campus as stated in the Business Services Manual effectively immediately. Students living in freshmen housing will be encouraged, though not required, to take SLS 1503. Language regarding this requirement for Glades Park Towers will be amended immediately. No language regarding SLS 1503 will be included in the 2014-2015 housing contract, effective October 15, 2013.

Implementation Date:

October 31, 2013

Responsible Auditee:

Dr. Charles Brown, Senior Vice President – Student Affairs

Untimely Completion of Announced Fire Drill – Boca Raton Campus

In accordance with current established policies and procedures, there is to be one posted (announced) fire drill within the first three weeks of the fall, spring, and summer semesters. Flyers notifying residents of the date and time of the fire drill are required to be posted in each community approximately forty-eight hours in advance.

Based on our review of the *Fire Alarm and Fire Drill Report Forms* (Jupiter campus) and *Drill Response Forms* (Boca Raton campus) for the two residence halls on the Jupiter campus and all eight student housing facilities on the Boca Raton campus, respectively, for the fall 2012 semester, we noted that the announced fire drill on the Boca Raton campus performed on 9/13/12 was not within the first three weeks of the fall 2012 semester which started on 8/18/12.

Recommendation No. 2

In order to comply with existing policies and procedures, we recommend management ensures that announced fire drills are conducted within the first three weeks of the start of the fall, spring, and summer semesters.

Management's Response

Action Plan:

Fire drills will be scheduled and completed within the first three weeks of each semester.

Implementation Date:

October 31, 2013

Responsible Auditee:

Dr. Charles Brown, Senior Vice President – Student Affairs

Incomplete Documentation of Health and Safety Inspections

Under current written procedures, the university reserves the right to enter any suite or apartment at reasonable times to inspect, maintain, and repair the premises and furnishings. Established guidelines also require that University Housing staff inspect units on a regular basis for necessary repairs, cleanliness, policy compliance, and safety issues. These health and safety inspections are required to be announced at least twenty-four hours in advance through public posting of information.

During an inspection, any items found which violate a housing policy or otherwise pose a safety violation or risk will be removed by University Housing personnel or other University officials. The health and safety inspections are documented on an inspection report, and a violation form – used to document any violation and its correction – is given to the resident to notify them of the infringement and inform them that a re-inspection of the room will be conducted within 48 hours.

As a result of our review of the health & safety inspection documentation for the rooms of a judgmentally selected sample of 125 students (100 on the Boca Raton campus and 25 on the Jupiter campus) living in university housing during the fall 2012 semester (as of 9/5/12), we noted the following reportable issues for the Boca Raton campus:

- The inspection reports for five rooms (one at GPT; one at IRT; and, three at IVA-S) were not properly completed. Neither a check mark nor an “X” was indicated in the report boxes to indicate that the rooms were inspected and were in compliance or non-compliance;
- Management was unable to locate the inspection reports for 14 rooms at HPT. Therefore, we were unable to determine if these rooms had been inspected; and,
- Management was unable to locate the violation forms for three rooms with violations

(two at IRT; and, one at UVA). As such, we were unable to determine if the re-inspections of the rooms had been performed within 48 hours of the notification dates.

Recommendation No. 3

We recommend management ensures the health and safety inspection documentation is timely reviewed subsequent to completion and retained in accordance with the university's records retention schedule.

Management's Response

Action Plan:

Health and safety inspection logs will be completed by resident assistant staff. Logs will be reviewed by the respective Resident Coordinators (RCs). Rooms requiring follow-up will be visited within 24-48 hours after the initial visit. Copies of violation forms will be kept with the original log. Upon completion of follow-up visits, all forms and logs will be turned-in to the area secretary and reviewed for completeness and accuracy. Forms will be scanned by the area secretaries and stored online. Hard copies of forms will be submitted to, and stored by, the Assistant Director (AD) of Residential Life for each of the areas. The scanned copies will be checked by the RC and AD to ensure accuracy. Hard copies will be retained for one calendar year from the date of the inspection. Training will be conducted during fall 2013 and procedures will be implemented by the designated time.

Implementation Date:

October 31, 2013

Responsible Auditee:

Dr. Charles Brown, Senior Vice President – Student Affairs

Lack of Training Session Logs

Under current procedures, all Resident Assistants (RAs) and Resident Coordinators (RCs) are required to attend training sessions for housing administration, which includes, among other things, safety and security issues, approximately two weeks prior to opening day for the fall semester; three to five days prior to the start of the spring semester; and, one to three days prior to the start of the summer session. Based on discussions with management, we noted that attendance sign-in sheets/rosters were not being maintained to document the employees attending the training sessions.

Recommendation No. 4

We recommend that a manual/electronic attendance sign-in record be established and maintained for all safety and security related training sessions conducted prior to the start

of each semester. The attendance sign-in record should indicate the date; title of the training session; and, names and manual/electronic signatures of the employees attending the training session.

Management's Response

Action Plan:

Staff will sign-in to each safety and security related training session electronically by swiping-in with their OWL card. Staff absent from the initial training session will participate in a follow-up (individualized) session. The date of their training will be noted on the training log.

Implementation Date:

October 31, 2013

Responsible Auditee:

Dr. Charles Brown, Senior Vice President – Student Affairs

Non-Use of Mail Receipt Logs

In accordance with the university's current student housing contract, applicants are required to submit – either online or via check/money order – a \$200 security deposit with their completed electronic or manual housing contract application.

Based on discussions with management, we determined that security deposit checks/money orders received via mail by the Boca Raton Housing Office were not being recorded on a mail receipt log. Mail receipt logs establish accountability of the receipt at the initial point of collection and provide a basis for verifying the timely deposit of the money collections. Without the use of a log, there is an increased risk that loss, theft, or misappropriation of collections could occur without timely detection.

Recommendation No. 5

To improve accountability, we recommend management ensures that all payment checks/money orders received via the mail are recorded on an appropriate mail receipt log signed/initialed and dated by the recipient and reviewing supervisor.

Management's Response

Action Plan:

We expect the majority of housing deposits to be made online. In the event the acceptance of paper checks or money orders is necessary, those items will be logged-in to the appropriate mail receipt log signed/initialed and dated by the recipient and reviewing supervisor.

Implementation Date:

October 31, 2013

Responsible Auditee:

Dr. Charles Brown, Senior Vice President – Student Affairs

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 Housing and Residential Life Department. 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 Housing and Residential Life Department were being conducted in general compliance with all applicable rules, regulations, policies, procedures, and sound business practices. We have made several recommendations to improve internal controls which we believe are cost-beneficial to implement and will serve to enhance the efficiency and effectiveness of the department's operations.

We wish to thank the staff of Housing and Residential Life for their kind cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP
Allaire Vroman