



Item: AF: I-4a

AUDIT AND FINANCE COMMITTEE

Tuesday, October 20, 2015

SUBJECT: REVIEW OF AUDITS: FAU 14/15-5, AUDIT OF MARKET-RATE TUITION PROGRAMS FOR THE 2014/15 ACADEMIC YEAR.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Primary objectives of this audit were to determine whether:

- Market-rate tuition programs offered by the university complied with Board of Governors Regulation 7.001, *Tuition and Associated Fees*; and,
- Adequate procedures were in place within the Office of Executive Programs to ensure proper accountability for tuition revenues, adherence to established university policies and procedures, and sound business practices.

IMPLEMENTATION PLAN/DATE

Management has agreed to implement our two recommendations by August 15, 2015.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 14/15-5

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 14/15-5
Report Issue Date: June 23, 2015

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Market-Rate Tuition Programs

For the 2014/15 Academic Year

Use of Report

We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

BOCA RATON • DANIA BEACH • DAVIE • FORT LAUDERDALE • JUPITER • PORT ST. LUCIE

REPORT ON THE AUDIT OF MARKET-RATE TUITION PROGRAMS

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| <p>PROGRAM INFORMATION</p> <ul style="list-style-type: none"> ■ Program starts every August and January ■ Classes are held every third Saturday and Sunday, 8 a.m. – 6:30 p.m. ■ 23-month EMBA Curriculum (40-46 credits): <ul style="list-style-type: none"> ● 28 Credits: Core curriculum ● 12 Credits: International Business Specialization ● 6 Credits: Foundation Courses <ul style="list-style-type: none"> – Financial Accounting and Managerial Finance – Courses may be waived with a previous grade of "B" or better, if taken within the last five years ■ Tuition: \$950/credit hour – Tuition is the same for Florida Residents, Out-of-State Residents & International Students ■ Full Service: Books, Chat ID, parking decal, graduation cap & gown, graduation banquet, recorded classes, breakfast & lunch included in tuition. ■ Financial Aid and Tuition Reimbursement accepted ■ Self-Pay? We offer a convenient payment plan | <p>ADMISSION REQUIREMENTS</p> <ul style="list-style-type: none"> ■ Regionally accredited Bachelor's degree in any discipline ■ No business prerequisite courses required ■ Approximately 3.0 GPA over last 60 undergraduate credits ■ Approximately 5 years managerial/professional experience ■ Resume including three references ■ Two letters of recommendation ■ GMAT may be waived based on credentials evaluation <p>PROGRAM FEATURES</p> <ul style="list-style-type: none"> ■ Complete the EMBA in 23 months without work interruption ■ Dedicated work class faculty ■ Full-time support staff – open door policy ■ Average class size: 20 ■ Networking opportunities with over 200 EMBA students ■ State-of-the-art facilities ■ Optional international business trip ■ Individual leadership profile and assessment ■ Private coaching sessions to enhance leadership skills ■ 24-hour access to dedicated study rooms |
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MEMORANDUM

TO: Dr. John Kelly
President

FROM: Morley Barnett 
Inspector General

DATE: June 23, 2015

SUBJ: AUDIT OF MARKET-RATE TUITION PROGRAMS

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of market-rate tuition programs offered by Florida Atlantic University. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made two recommendations to address our findings. We concur with the responses of the auditee which has been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of the recommendations by management.

Please call me if you have any questions.

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

Executive Summary

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of market-rate tuition programs offered by Florida Atlantic University during the 2014/15 academic year. The audit included only those programs started as a result of approval by the Board of Governors under its Regulation 7.001 - *Tuition and Associated Fees*.

The primary objectives of this audit were to determine whether:

- Market-rate tuition programs offered by the university complied with provisions of the Board of Governors Regulation 7.001 - *Tuition and Associated Fees*; and,
- Adequate procedures were in place within the Office of Executive Programs, College of Business, to ensure proper accountability for tuition revenues, adherence to established university policies and procedures, and sound business practices.

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 performing compliance testing on applicable records for samples of students enrolled in market-rate tuition programs during the 2014/15 academic year.

Based on our observations and tests performed, we believe the Office of Executive Programs (OEP) has adequate controls in place to ensure that the university's market-rate tuition programs comply with BOG Regulation 7.001(15). OEP policies, procedures and practices were found to generally be consistent with those established by the university and effective for proper administrative oversight of the programs we reviewed. However, we did identify opportunities to improve accountability over revenue collections which we believe can be cost-effectively addressed.

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



June 23, 2015

Dr. John Kelly
President
Florida Atlantic University
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2014/15, we have conducted an audit of market-rate tuition programs offered by Florida Atlantic University during the 2014/15 academic year. The audit included only those programs started as a result of approval by the Board of Governors under its Regulation 7.001 - *Tuition and Associated Fees*.

The primary objectives of this audit were to determine whether:

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- Adequate procedures were in place within the Office of Executive Programs, College of Business, to ensure proper accountability for tuition revenues, adherence to established university policies and procedures, and sound business practice.

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 on applicable records for samples of students enrolled in market-rate tuition programs, and review of select financial transactions in order to evaluate administration of OEP operations.

We obtained an understanding of FAU's market-rate tuition programs by reviewing written policies and procedures, interviewing key personnel, observing actual practices, and analyzing key internal controls. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls and 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

Effective with the 2014 fall semester, the university began offering market-rate tuition programs which had been approved by the Florida Board of Governors (BOG) in November 2013. BOG Regulation 7.001(15) states that “a university board of trustees may submit a proposal for market tuition rates for graduate-level courses offered online or through the university’s continuing education unit when such courses constitute an approved degree program or college credit certificate program.”

The market-rate programs offered by FAU are administered by the Office of Executive Programs, an auxiliary unit of the College of Business which is also responsible for managing executive education degree programs as a continuing education activity. Graduate-level courses offered during the 2014/15 academic year were part of the following five approved market-rate tuition programs:

- ◇ Executive MBA ◇ Professional MBA ◇ Online MBA ◇ Executive Master of Health Administration
 ◇ Master of Science - Finance.

Preliminary evaluation of qualifications for students seeking entry to the executive programs is made by the Graduate College based on an online application process. Supplemental information, such as resumes and letters of recommendation, are required by the College of Business before students are notified of acceptance into an established program. To ensure satisfactory academic progress, close contact is maintained with students during the course of their respective programs. The Office of Executive Programs also works closely with the Career Development Center and has developed internal job distribution and networking channels to promote professional employment opportunities.

Accountability for compliance with BOG Regulation 7.001(15) is the joint responsibility of the Provost’s Office and the Office of Executive Programs. The university is required to file periodic reports with the BOG on a variety of accountability issues pertaining to the propriety and continuing viability for each program administered under a market-rate cohort structure.

Subsequent to approval of the programs included in our audit, the BOG has approved additional business-oriented market-rate tuition programs and the FAU Board of Trustees has recently approved other market-rate tuition programs in addition to those offered by the College of Business. Current plans are to continue to use the Office of Executive Programs as the primary administrative unit to support all of FAU’s market-rate tuition programs.

The following chart provides relevant OEP data as of 6/1/15 for each market-rate tuition program included in our audit:

EXECUTIVE PROGRAMS HIGHLIGHTS

| | Executive MBA | Professional MBA | Online MBA | Executive Master - Health Admin | Master of Science - Finance |
|---|--|--------------------------|--------------------------|---------------------------------|-----------------------------|
| Program Duration | 23-months | 23-months | 23-months | 15-months | 16-months |
| Cost per credit hour | \$965 | \$900 | \$800 | \$1,000 | \$1,000 |
| Total program tuition | \$44,390 | \$41,400 | \$36,800 | \$30,000 | \$30,000 |
| Student Enrollment (Fall 2014; Spring 2015) | 55 - Fall 29 - Spring | 52 - Fall 31 - Spring | 30 - Fall 28 - Spring | 21 - Fall 34 - Spring | N/A - Fall 10 - Spring |
| Breakeven # of students | 9 | 10 | 9 | 9 | 9 |
| Year-to-Date revenues | \$351,260 | \$250,200 | \$172,000 | \$230,000 | \$20,000 |
| % of students w/Fin'l Aid | Approximately 80% of all enrolled students utilize Financial Aid | | | | |

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

MONEY CONTROL DEFICIENCIES

The Office of Executive Programs receives payments for tuition, fees and program enrollment deposits through various sources - financial aid, check/money order, and online payments. Payments made by check or money order are received by mail or delivered in-person and are forwarded to the central cashier's office for deposit to FAU's main checking account. Online payments can be made by credit card or Web-check using the Touchnet system (Marketplace and Bill+Payment modules). Students paying online using the *MyFAU* portal will have their accounts automatically updated via Touchnet Bill+Payment, while other online payments - made through Touchnet Marketplace - are reflected on their records based on written (emailed) instructions from OEP to the cashier's office.

Our detailed compliance testing covered various administrative and fiscal processes affecting 45 students enrolled in the five market-rate tuition programs offered during the 2014/15 academic year. As a result of our tests, observations, and inquiries, we noted the following two basic accountability deficiencies related to revenue receipts:

(a) *Need to maintain money collection log for payments made by checks and money orders*

Based on discussions with OEP personnel, the office does not maintain a log of checks and money orders received for payment of tuition, fees, and enrollment deposits. Such a log is typically maintained by departments collecting revenues to indicate the customer/student, date received, amount, intradepartmental transfers between the staff, and timely delivery to the central cashier's office. Management acknowledged the prior use of a money collection log when OEP only administered executive programs under the BOG-approved continuing education format. OEP personnel further explained that use of the log was subsequently discontinued when the cashier's office changed its practices to require money collection areas to use a central drop box, without signed acknowledgement for delivery of deposits.

(b) *Lack of formal reconciliations for payments of tuition, fees and program deposits*

Although discussions with management indicated that students' accounts were periodically and randomly being selected for review by the OEP associate director to ensure proper postings to their accounts, the office did not retain documentation of such reviews. In addition, we confirmed with management that formal, independent, reconciliations were not performed for payments made by check, money order, or through Touchnet Marketplace. Independent reconciliations help to provide assurance that any irregularities or unintentional errors are timely detected and students' records are properly updated. One transaction, noted during our review of students' accounts, illustrates the need for a formal reconciliation - a timely remittance of a \$300 enrollment deposit, (personal check) for a fall 2014 course had been posted to the wrong student's account by the cashier's office, but went undetected for several months. We brought this error to management's attention during the audit and it was promptly corrected.

Recommendation No. 1

To ensure that OEP business practices related to accountability for collection of revenues are consistent with sound internal controls, we recommend the use of a log for receipt of negotiable items, and preparation of a periodic and independent reconciliation of payment records to transactions posted to students' accounts. Although we recognize that monthly account statements are emailed to students, we believe that additional monitoring of student transactions by OEP will prove beneficial in maintaining accurate student accounts.

To the extent that procedures related to the above recommendations have not been formalized, the Office of Executive Programs should develop or revise its written procedures to incorporate sound business practices for current use and as a reference document for future training of employees.

Management's Response

Action Plan:

- (a) We will reinstate the use of an internal check receipt log (negotiables log). Taking into consideration the cashier's office no longer signs off on the log, a modified check log will be used. The check log (negotiables log) will contain the date the check was received (via email, in person or drop box), payer (student), source of payment, check number, check amount, date and initials of employee receiving the check, delivering the check to the cashier's office. The log will include a reconciliation section noting date and initials of the deposit preparer and independent person verifying the student account has been correctly credited. This reconciliation will be done on a weekly basis, and subject to a monthly documented supervisory review.
- (b) For student tuition payment, the check log [mentioned in (a)] will include a reconciliation section noting date and initials of the deposit preparer and independent person verifying the student account has been correctly credited. For program deposits made via TouchNet, an independent person will date and initial the TouchNet (Marketplace) report verifying the posting of the payment to Banner. This program deposit reconciliation (via TouchNet/MarketPlace) will be done on a monthly basis, including a documented supervisory review.

Implementation Date: (a) and (b) July 1, 2015

Responsible Auditee: Vegar Wiik, Executive Director - Office of Executive Programs

Need to Document Assignment of Security Code to Office Safe

The Office of Executive Programs has a security-pad accessible safe which is used to store negotiables pending delivery to the central cashier's office and to hold certain documents used by its program coordinators and administrators. Through inquiry of management, we learned that OEP had not documented the assignment of security codes to individual employees.

Recommendation No. 2

Given that assignment of the security code to the safe is an important part of authorized access to the office's assets and sensitive records, we recommend that the executive director or other responsible employee maintain a list of employees with access to the safe. The listing, which should include the date security access was granted and deactivated, if applicable, will prove critical if the duties of an employee change, or if employment with OEP is terminated.

Management's Response

Action Plan:

We are planning to install a limited access drop box safe where students are able to drop checks or money orders into the drop box 24 hours a day and 7 days a week. Access will be limited to the Executive Director, Associate Director, Assistant Director and Coordinator of Financial Services who will log the negotiable items on the negotiable log each time the drop box is checked. The drop box safe will be checked on a daily basis during normal working hours, (Monday – Friday). The drop box will utilize the negotiables log to trace the movement of the negotiable item from the drop box to the cashier's office. A document of security assignment will be created. This document will list employees, and include dates when access was granted and terminated.

Implementation Date: August 15, 2015.

Responsible Auditee: Vegar Wiik, Executive Director - Office of Executive Programs

Corrective Action Already Taken

Based on our initial inquiry of the financial services coordinator - who is familiar with OEP revenue collection practices - checks and money orders were not being immediately endorsed upon receipt. These negotiable items were received by mail or in-person from students and were being placed in the office safe for endorsement at a later date, generally the business day following receipt.

During the course of our audit we were informed that the employee responsible for receipt and processing of checks and money orders began using the university-approved Bank of America stamp for immediate endorsement prior to safekeeping. We noted that the current practice for restrictive endorsement and securing of negotiable items are included in the office's written operating procedures.

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 years, our office has not conducted any audits related to FAU's market-rate tuition programs. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the audit work performed, we are of the opinion that the administration and operations of the Office of Executive Programs pertaining to market-rate tuition programs were being conducted in general compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices. We believe our recommendations are cost-beneficial to implement and will strengthen the overall internal control environment for market-rate tuition programs offered by the university.

We wish to thank the staff of the Office of Executive Programs for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Ben Robbins, CPA