



Item: AF: I-1d

AUDIT AND FINANCE COMMITTEE

Wednesday, April 21, 2010

SUBJECT: REVIEW OF FLORIDA ATLANTIC UNIVERSITY 'S OPERATIONAL AUDIT REPORT NO. 2010-131 FOR THE FISCAL YEAR ENDED JUNE 30, 2009, INCLUDING AUDIT FINDINGS AND RECOMMENDATIONS AND MANAGEMENT RESPONSES.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

An Operational Audit of Florida Atlantic University is completed by the State of Florida Auditor General bi-annually. On March 25, 2010, the Operational Audit for the fiscal year ending June 30, 2009 was provided to the University by the Auditor General. The Operational Audit includes audit findings, recommendations and management's responses to the recommendations.

IMPLEMENTATION PLAN/DATE

Implementation dates are provided with each audit response.

FISCAL IMPLICATIONS

We anticipate the fiscal implications associated with implementing FAU's responses to be nominal.

Supporting Documentation: FAU Operational Audit Report No. 2010-131.

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

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FLORIDA ATLANTIC UNIVERSITY

Operational Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

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Tiffany Weimar from 5-04-09 (2)
Thomas Workman, Jr.

Mr. Frank T. Brogan, President

Notes: (1) Faculty senate chair.
(2) Student body president.

The audit team leader was Ilene R. Gayle, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was Bill Allbritton, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to James R Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other 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.

FLORIDA ATLANTIC UNIVERSITY

SUMMARY

Our operational audit for the fiscal year ended June 30, 2009, disclosed the following:

REVENUES AND CASH COLLECTIONS

Finding No. 1: The Board had not adopted a formal policy for granting exceptions to the requirement in Section 1009.285, Florida Statutes, that students pay the full cost of instruction when enrolled in the same undergraduate credit course more than twice.

Finding No. 2: Controls over collections received outside of the Central Cashier's Office needed improvement.

Finding No. 3: The OWL CARD program controls needed further enhancement.

Finding No. 4: Controls over issuance and accountability for complimentary tickets for athletic events needed improvement.

PROCUREMENT OF GOODS AND SERVICES

Finding No. 5: Contrary to University policies, Student Government expenses were not always approved timely.

Finding No. 6: Purchasing card system controls did not always provide for timely approval of charges, adequate monitoring of credit limits, and timely cancellation of cards for former employees.

Finding No. 7: The University needed to enhance its controls over cellular telephone usage.

RISK MANAGEMENT

Finding No. 8: Procedures for determining insurable values for buildings needed improvement.

PERSONNEL AND PAYROLL ADMINISTRATION

Finding No. 9: Contrary to University Policy, annual employee performance appraisals were not always timely prepared.

RECORD SYSTEMS AND REPORTS

Finding No. 10: Contrary to law, a University Board member did not timely file the final statement of financial interests with the Florida Commission on Ethics.

Finding No. 11: The University needed to enhance policies and procedures to ensure the timely posting of a complete textbook listing on the University's Web site in accordance with Florida Statutes.

PHARMACEUTICAL OPERATIONS

Finding No. 12: Records and control procedures relating to pharmaceutical inventory needed improvement.

TANGIBLE PERSONAL PROPERTY

Finding No. 13: The University's procedures for investigating missing tangible personal property items needed improvement.

Finding No. 14: Procedures needed improvement to ensure the prompt reporting of property dispositions.

INFORMATION TECHNOLOGY

Finding No. 15: The University environmental and security controls within the financial application and supporting information technology environment needed improvement.

BACKGROUND

Florida Atlantic University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The results of our financial audit of the University for the fiscal year ended June 30, 2009, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2009, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Revenues and Cash Collections

Finding No. 1: Student Fees – Repeated Enrollment

Section 1009.285, Florida Statutes, provides that a student enrolled in the same undergraduate credit class more than twice must pay 100 percent of the full cost of instruction and not be included in calculations of full-time equivalent enrollments for State funding purposes. This Section also provides that students who withdraw from or fail a class due to extenuating circumstances may be granted an exception only once for each class, provided that approval is granted according to policy established by the University Board of Trustees. Universities may also reduce fees paid by students due to continued enrollment in an undergraduate credit class on an individual basis contingent upon the student's financial hardship.

University records indicated 1,265 students enrolled in the same undergraduate credit class more than twice during the 2008-09 fiscal year. Of those students, 143 received an exception from paying full instructional costs due to a financial hardship or other extenuating circumstances. We determined that 4 of the 143 students were granted an exception more than once for the same class. Granting more than one exception for each class is contrary to Florida Statutes.

In response to our inquiry, University personnel indicated they are following Board of Governors Regulation 7.0012(11) and have included guidance in the University catalog regarding procedures for obtaining an exception. However, as noted above, Florida law provides that only one exception may be granted for each class. Further, as also noted in our report No. 2008-048, the Board of Trustees had not adopted a formal written policy for determining whether students were entitled to such exceptions. Without a Board approved written policy, the University cannot ensure that such exceptions are properly authorized, consistently applied, and approved in accordance with law.

Recommendation: The Board should adopt a policy establishing documentation requirements and approval procedures for determining whether a student is entitled to an exception from paying the full cost of tuition for repeated course enrollments in accordance with law.

Finding No. 2: Decentralized Collections

University personnel collect moneys at various locations throughout campus, and then remit these moneys to the Central Cashier's Office for deposit in the bank. Effective controls over collections require documentation from receipt through deposit by the Central Cashier's office, and timely deposit of collections in the bank. For the 2008-09 fiscal year, collections at the Athletics Department, Pharmacy, OWL CARD Center, and Campus Recreation Department totaled \$2,752,408, \$448,197, \$421,610, and \$39,171, respectively (totaling approximately \$3 million). As similarly noted in several of our previous reports, most recently our report No. 2008-048, our review of collections at these locations disclosed that the University needed to improve controls over collections received outside of the Central Cashier's Office. Specifically, we noted the following:

- Our test of a total of 27 daily receipts, 15 at the Athletics Department and 12 at the Campus Recreation Department, disclosed that 15 receipts (totaling \$19,840) were not remitted to the Central Cashier's Office until 4 to 22 days after the date of collection. Untimely remittance of collections to the Central Cashier's Office increases the risk of loss or theft of collections.
- Our test of 15 daily receipts at the Athletics Department disclosed that, for 4 ticket sales receipts (totaling \$2,881), the transfer documents were not signed by the central cashier personnel upon receipt and for 5 rental receipts (totaling \$430,445) transfer documents were not used. Without adequate use of transfer documents, responsibility for collections cannot be fixed to one individual should a loss or theft occur.
- Our test of 12 daily receipts at the Campus Recreation Department disclosed that the daily collections were commingled with the following days collections (ranging from 2 to 17 days) until remitted to the Central Cashier's Office. The commingling of daily collections resulted in discrepancies between the receipt documents, collection summary report, daily deposit summary report, and the central cashier's receipt. In addition, the cashing system assigned consecutive receipt numbers to cash and noncash transactions; however, the daily cash journal report excluded the noncash transactions leaving gaps in the numbering. There were no procedures in place to reconcile these receipt numbers. During testing, we noted one receipt number was included on more than one cash journal report. The use of a receipt numbering system and controls to account for all numbered receipts provides assurances that all collections are properly accounted for and that a loss or theft, should it occur, would be timely detected.
- The Athletics Department did not have procedures requiring the use of mail receipt logs for collections received through the mail. Mail receipt logs establish accountability of the receipt at the initial point of collection and provide a record from which University personnel could verify the timely deposit of collections. Without using and reconciling the log, there is an increased risk that a loss or theft of collections could occur without timely detection.
- The Pharmacy, Owl Card Center, and Campus Recreation Department each have several employees with access to the cash register drawers during operating hours. Also, more than one person worked out of the same cash register drawer during the day at the Pharmacy. Access to collections should be limited and fixed to one person at any point in time from the time of receipt to deposit to provide accountability should a loss occur.
- For the Athletics Department ticket office and Campus Recreation Department, voided sales transactions were not reviewed by a supervisor who was independent of the collection process. Without proper approval of voids at the time of the transaction, there is an increased risk of collections not being properly recorded and deposited without timely detection.

- Duties related to collections in the Athletics and Campus Recreation Departments were not adequately separated. One employee in each of these areas was responsible for receiving or processing collections, voiding transactions, and preparing daily reconciliation reports. Without an adequate separation of incompatible duties, there is an increased risk that collections will be misappropriated without timely detection.

Recommendation: The University should ensure that each day's collections are timely remitted to the Central Cashier's Office, that mail receipt logs are used for all collections received in the mail, and transfer documents are used to evidence the transfer of collections between employees. The University should also provide for independent supervisory review of voided transactions, and ensure that access to collections is limited, responsibility for collections is fixed to one employee throughout the collection process, and a reconciliation of receipt numbers is performed to ensure all collections are recorded and deposited. Further, the University should enhance controls to provide for the separation of incompatible duties.

Finding No. 3: Multi-purpose Card Program

The University issues multi-purpose cards (OWL CARDS) that are primarily issued to students for use as identification; as a debit, library, or meal plan card; and to gain access to some buildings on campus. OWL CARDS are also issued to University personnel and some campus vendors.

As similarly noted in several of our previous reports, most recently in our report No. 2008-048, we noted internal controls related to the OWL CARD program could be enhanced, as follows:

- OWL CARD Center employees had access to blank cards and encoding machines, performed the cashiering function, and reconciled the encoding reports to the collection reports. Inadequate separation of duties increases the risk that unauthorized OWL CARDS will be issued and that collections will not be properly recorded and deposited without timely detection.
- OWL CARDS were encoded with a random number when the cards were activated. The number was used to grant access to the various OWL CARD services. There were no procedures in place to account for the number of OWL CARDS issued, voided, and unused (on-hand).

Recommendation: The University should continue its efforts to enhance controls over OWL CARDS by ensuring that duties are adequately separated and procedures are established to provide for an accounting for OWL CARDS issued, voided, and unused (on-hand).

Finding No. 4: Complimentary Tickets

In response to our report No. 2008-048, the University updated the Athletic Department's Ticket Office Policies and Procedures Manual to include procedures for issuance of complimentary tickets for athletic events. During the 2008-09 fiscal year, the Athletics Department issued 6,431 complimentary football tickets and 2,433 complimentary men's and women's basketball tickets. Our review of the University's controls over complimentary tickets again disclosed that some individuals responsible for issuing complimentary tickets were also responsible for ticket sale collections. Absent adequate separation of the duties relating to issuance of complimentary tickets and ticket sale collections, in addition to the control deficiencies noted in finding No. 2 of this report, there is an increased risk that unauthorized complimentary tickets may be issued and collections may be misappropriated without timely detection.

Recommendation: The University should enhance procedures to adequately separate incompatible duties to ensure that complimentary tickets are distributed as authorized and that ticket collections are properly recorded and timely deposited into University accounts.

Procurement of Goods and Services

Finding No. 5: Student Government Expenses

Section 6.0 of the University's Purchasing Manual requires a purchase requisition from a department documenting approval for the purchase, issuance of a purchase order to a vendor, and receipt and acceptance of the goods or services prior to making a payment to a vendor. In some instances involving contractual services, an executed written agreement with the contractor may take the place of the purchase order. Also, University Regulation 4.006(4) requires that all Student Government purchases, contracts, expenses, and disbursements be made in accordance with University procedures.

Expenses for Student Government activities totaled \$2,173,250 for the 2008-09 fiscal year. Our test of 20 Student Government expense payments disclosed two payments, totaling \$6,442, for which the purchase order was dated between 6 and 20 days after the services were rendered and between 3 and 35 days after the invoice date, contrary to Section 6.0 of the University's Purchasing Manual and University Regulation 4.006(4). A similar finding was noted in report No. 2008-048. Without adequate controls in place to ensure expenses are approved, and goods and services are received prior to payment, there is an increased risk of the University paying for unsubstantiated or improper expenses.

Recommendation: The University should ensure the proper use of purchase orders or contracts to document the approval of purchases of goods and services prior to incurring an obligation for payment.

Finding No. 6: Purchasing Cards

The University established a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. Purchasing cards were designed to handle and expedite small orders in an efficient manner with a significant reduction in overhead cost. The University issued purchasing cards to approximately 570 employees as of February 28, 2009. During the 2008-09 fiscal year, purchasing card charges totaled approximately \$7 million.

The University appointed a card administrator and developed a comprehensive purchasing card manual that addressed management controls over purchasing cards. As similarly noted in our report Nos. 2008-048 and 2006-044, our current testing of documents and transactions for purchasing card usage disclosed that improvements in controls over the purchasing card system were needed, as follows:

- For 6 of 20 transactions tested, charges were approved between 15 and 24 business days after appearing on the P-card system contrary to the purchasing card manual, which required authorization within 10 business days of the charge appearing in the system. For 2 of these charges, the University paid the purchasing card provider (bank) 6 and 9 business days prior to the charges being approved. Without timely approval, there is an increased risk that unauthorized charges will be paid and not timely detected.
- For 3 of 20 transactions tested, charges were not in accordance with the purchasing card manual. One purchase of furniture for \$1,654 was split between two purchasing cards to avoid the single transaction limit of \$999. A second purchase of food for \$680 was prohibited by the purchasing card manual. A third purchase included sales tax of \$58 although the purchase was exempt from sales tax.
- Our comparison of usage to credit limits from July 2008, through January 2009, for 10 cardholders disclosed that although the credit limits ranged from \$20,000 to \$40,000, the monthly usage for those cards only ranged from \$35 to \$6,500. Excessive limits increase the risk of misuse, and the risk that purchases may exceed budget constraints. University personnel noted that actual usage to credit limits was not routinely monitored

on traditional purchasing cards as the actual spending for some cardholders is project dependent and may fluctuate widely and other cards limits may include a contingency component for emergencies.

- Our review of 23 purchasing card cancellations disclosed 3 purchasing cards cancelled by the bank between 19 and 29 months after the employee terminated employment. According to the University, this was due to untimely notification of employees' termination date to the Purchasing Department. Without controls in place to ensure the timely cancellation of purchasing cards, there is an increased risk of misuse, or unauthorized charges occurring without timely detection.

Recommendation: The University should enhance controls over monitoring its purchasing card program to ensure compliance with the University purchasing card manual, including timely approval of charges and monitoring of credit limits. The University should also improve procedures to ensure the timely cancellation of purchasing cards upon employees' termination of employment.

Finding No. 7: Cellular Telephones

During the 2008-09 fiscal year, the University provided certain employees a total of 476 cellular telephones (cell phones) to assist them in carrying out their official duties. Expenses for cell phone usage totaled approximately \$481,000. In March 2008, the University revised its Cell Phone and Blackberry policy and procedures to reduce inefficiencies and provide guidelines regarding billing documentation.

Documentation requirements of the policy and procedures state that it will no longer be necessary for the employee to maintain detailed logs of all calls, but recommends that a copy of the signed Cellular Usage Verification Form be kept in the employee's departmental file. It further states that each employee is required to reimburse the University for any and all overages. As similarly noted in our report No. 2008-048, our review of billing documentation (three monthly bills each for ten cell phones) disclosed that the University needed to enhance its controls over cell phone usage, as follows:

- Departments did not maintain the recommended Cellular Usage Verification Forms for 18 of the 30 cell phone bills tested. Absent this form, the University cannot document bills were reviewed to ensure that the University received reimbursement for any overages.
- The plan minutes associated with 6 of the 10 cell phones reviewed were close to or slightly more than double the average actual minutes used during the three months selected for testing. The University should review the plans periodically to ensure that they are receiving the most economical rate based on the actual usage incurred.

Recommendation: The University should ensure that employees who are assigned cell phones maintain documentation necessary to determine whether the University is entitled to reimbursement for overages. The University should also periodically compare plan minutes to actual business usage for each cell phone to evaluate the need for the cell phone and to ensure that the University is obtaining the most economical plan available.

Risk Management

Finding No. 8: Insurance Coverage

The University obtains insurance coverage for buildings and other property through the Florida Department of Financial Services, Division of Risk Management (Division). The Division annually provides universities with certifications of coverage, and the universities are responsible for notifying the Division of needed changes to insurable values shown on certificates of coverage. Premiums are primarily based on the total insurable value of all university buildings and other property shown on the insurance certificates.

The Division has developed a valuation method that includes a matrix of cost factors used to arrive at the actual cash value (ACV) of the building. A university may use the Division's valuation method, or an alternative method, to determine the insurable value. If a university elects to show on the insurance certificate an insurable value that is lower than the ACV, in the event of a loss, the university would be covered up to that amount, rather than the ACV. However, according to Division personnel, the ACV is the maximum coverage provided by the Division. Therefore, a university's insurable value, as shown on the insurance certificate, should not exceed the ACV because to do so would result in the university paying additional premiums without receiving coverage beyond the ACV. A university may opt to purchase additional commercial insurance coverage in excess of the ACV.

As similarly noted in our report No. 2008-048, our current review of the University's procedures for insuring buildings and other property disclosed the following:

- The University did not have written policies and procedures addressing the level of insurance coverage to be maintained or the method to be used to determine insurable values for the 2008-09 fiscal year. Upon audit inquiry, the University Board of Trustees approved a policy in March 2009 for implementation beginning with the insurance policy dated July 1, 2009.
- The University submitted an updated insurance certificate to the Division in July 2008. The University did not use the Division's valuation method to calculate insurable values shown on the insurance certificate, opting instead to use the Markel method. University personnel did not, at that time, calculate the ACV to determine whether the insurable values on the insurance certificate were higher or lower than the ACV. As such, there is an increased risk that the University may have, for some buildings, included insurable values on the insurance certificate that exceeded the ACV, resulting in the payment of excess premiums.
- Insurable values shown on the July 2008 insurance certificate disclosed that the base cost values used to calculate the insurable values were not always supported or based on current cost information. In our report No. 2008-048, we noted that the cost values for ten buildings tested were either unsupported or included outdated cost information. The base cost values for four of these buildings were unsupported and for six buildings the University used outdated cost information. Our test of insurance certificates for these same ten buildings during the 2008-09 fiscal year disclosed that the insurance certificates for these ten buildings had not been updated since our last audit. The use of outdated or unsupported cost information to calculate insurable values increases the risk that the University may be left with a substantial uninsured loss should significant damage occur to a building.

Recommendation: The University should implement procedures to ensure that insurable values included on the certificate of coverage do not exceed the ACV, that current cost data is used to calculate insurance values, and that adequate documentation is retained to support such cost data.

Personnel and Payroll Administration

Finding No. 9: Performance Appraisals

University Personnel Policy 050.0 requires annual performance appraisals based on the date that the employee started in the current classification. The Employee Handbook states that performance appraisals are a formal, written means of evaluating employees and are the final step in the Performance Management process. Each employee's official personnel file, in the Department of Human Resources, is to include the annual performance appraisals.

The appraisal's purpose is to assess employee's performance in carrying out their assigned duties, communicate to the employee the results of the evaluation, and improve the employee's performance. Our review of performance appraisals due during the 2008-09 fiscal year for 11 employees disclosed that only 2 employees had an appraisal on file for the 2008 calendar year, as of the time of our review in March 2009. Of the 9 remaining employees, the most recent appraisals for 7 employees were dated between September 2005 and August 2007, while 2 employees had no appraisals on file although both were due in 2008. Although University procedures required that the Human Resources Office provide supervisory personnel with reminders of performance evaluations that were due, and there is a system in place to track the due dates and completion of performance appraisals, such procedures were not always effective to ensure that required annual performance evaluations were performed.

Recommendation: The University should enhance its procedures to ensure the timely completion of required annual performance appraisals in accordance with University Personnel Policy 050.0.

Record Systems and Reports

Finding No. 10: Statement of Financial Interests

Pursuant to Section 112.3145(2)(b), Florida Statutes, each state officer must file a final statement of financial interests with the Florida Commission on Ethics within 60 days after leaving his or her public position. Section 112.3145(1)(c), Florida Statutes, specifies that state officers include members of a state university board of trustees.

Our audit disclosed that a board member whose term expired on January 6, 2008, did not file the final disclosure form within the required 60 days (a similar finding was noted in our report No. 2008-048). University personnel indicated they had removed the board member's name from the mailing list provided to the Florida Commission on Ethics in February 2008, prior to the mailing of the financial disclosure forms, but the Board secretary sent a final disclosure form to the board member at the end of January 2008. After audit inquiry, the Florida Commission on Ethics received the board member's final disclosure form on May 4, 2009, 14 months late.

Recommendation: The University should ensure that Board of Trustee members are advised of the statement of financial interests filing requirements, and ensure that they timely file the statements with the Florida Commission on Ethics.

Finding No. 11: Textbook Affordability

Section 1004.085(3), Florida Statutes, requires that State universities post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of class for each term, a list of each textbook required for each course offered at the institution during the upcoming term. The posted list must include the International Standard Book

Number (ISBN) for each required textbook or other identifying information, which must include, at a minimum, all of the following: the title, all authors listed, publishers, edition number, copyright date, published date, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

The University notified faculty of the requirements in July 2008 and implemented procedures to allow faculty to place textbook adoptions on-line through the University contracted campus bookstore's Web site. The University also integrated the textbook information with the registration process, whereby textbooks available for classes registered by the student are available for immediate purchase. In addition, the Audit and Finance Committee approved a formal textbook adoption policy on June 17, 2009, which was subsequently presented to, and approved by, the University Board of Trustees on July 22, 2009.

Our review of the University's records related to textbook adoptions disclosed that although the University had established deadlines for the textbook adoption process, the Fall 2008 and Spring 2009 textbook listings included 111 and 174 books, respectively, that were posted on the Web site after the first day of classes, contrary to the above-cited law. The University did not have monitoring procedures in place to ensure the posting of textbooks 30 days before the first day of class. In addition, faculty were not required to place their textbook adoptions with the campus bookstore; therefore, the listing of required textbooks from the campus bookstore may not be complete as the University does not maintain information on textbooks to be ordered through other vendors.

Recommendation: The University should enhance its policies and procedures to ensure that a complete textbook listing is timely posted on the University's Web site in accordance with Florida Statutes.

Pharmaceutical Operations

Finding No. 12: Pharmaceutical Inventory

The University operates a Pharmacy on campus as part of the Student Health Services Department. The Pharmacy carries prescription and over-the-counter medications, health and beauty products, and other sundries. The Pharmacy is open Monday through Friday and provides services to students and employees. Pharmaceutical inventory as of June 30, 2009, was valued at \$62,919.

As similarly noted in our report No. 2008-048, our review disclosed that records and control procedures relating to pharmaceutical inventory needed improvement, as follows:

- Although the pharmacy has established formal written procedures over the Pharmacy operations, there remains inadequate separation of duties. The Assistant Director and the Pharmacy Manager had access to pharmaceutical inventory, could update the inventory records, processed collections, performed the physical inventory count, and reconciled the counts to the inventory records. The Director, who was independent of the daily pharmacy operations, selected items for the quarterly "surprise" counts; however, the Assistant Director and Pharmacy Manager who performed the surprise counts by comparing the actual physical counts to the inventory records were not independent of the daily pharmacy operations. These incompatible duties could allow for errors or fraud to occur and not be detected in a timely manner, if at all.
- Our test count of 20 pharmaceutical items on hand at April 21, 2009, disclosed the following:
 - For 6 of the 20 items, the physical count of items on hand did not agree with the amount recorded on the perpetual inventory records. Differences ranged from 24 to 1,064 as shown in the Table 1 below. One of the items (No. 14) was a controlled pharmaceutical. The procedures for accounting for controlled pharmaceuticals include maintaining a manual log in addition to the automated records. The amount shown as being on hand in the manual log agreed with our physical count.

Table 1			
Item No.	Quantity per Records	Quantity per Physical Count	Overage (Shortage)
1	40	16	(24)
4	49	4	(45)
5	33	8	(25)
6	672	252	(420)
7	1,568	504	(1,064)
14	200	102	(98)
Note: Per agency staff, causes for the discrepancies were varied and included data entry errors and unrecorded returns.			

- For 5 of the 20 items, our comparison of the inventory on hand per the perpetual inventory records to the amounts that should have been on hand based on the quantity of inventory reported at June 30, 2008, plus purchases and less items sold/disposed of during the 2008-09 fiscal year through April 21, 2009, disclosed differences ranging from 34 to 1,008 units, as shown in Table 2 below:

Table 2			
Item No.	Calculated Quantity	Quantity per Records	Overage (Shortage)
4	(52)	49	101
5	67	33	(34)
6	196	672	476
7	560	1,568	1,008
14	102	200	98
Note: For these items we also noted differences between our physical count and the perpetual records as shown in Table 1. The calculated quantity for item No. 14, a controlled pharmaceutical, agreed with our physical count.			

- The University's year-end physical count performed for the 2008-09 fiscal year disclosed 40 significant differences. According to Pharmacy personnel, a significant difference is one which involves a controlled medication or medication with abuse of use potential and a difference where the amount of unaccounted for medication has a value of more than \$30. As of August 2009, University personnel had not investigated these differences due to the time involved to investigate each item.

Recommendation: The University should enhance the policies and procedures relating to pharmacy operations to ensure that incompatible duties are properly separated, and ensure that perpetual inventory records are complete, accurate, and all differences are timely resolved.

Tangible Personal Property

Finding No. 13: Property Inventory Accountability

To ensure proper accountability and safeguarding of tangible personal property, the University should maintain an adequate record of each property item and annually make a complete physical inventory of property. The physical inventory should be compared with the University's property records, and all discrepancies verified and reconciled. The University reported tangible personal property of approximately \$51 million (net of depreciation) at June 30, 2009.

University personnel conducted a physical inventory of tangible personal property items in four phases consisting of: (1) scanning items located in buildings; (2) searching the buildings for items not scanned, but recorded as being located in the buildings; (3) sending a listing of items not located to applicable departments to document disposition; and (4) following up by verifying the disposition of the items after departments sign and return the listings.

In February 2009, we reviewed the University's controls over tangible personal property for the most recently completed physical inventory (2007-08 fiscal year). We selected three buildings for review to verify that the University had completed all four phases of the inventory process for property items listed in the property records as being located in those buildings (2,916 items with a total recorded value of approximately \$14 million). According to University records, after the completion of phases (1) and (2), 158 items with a total recorded value of \$547,199, were not located. For phase (3), University personnel provided listings to the accountable officer within each department; however, 23 departments had not returned the listings to allow for phase (4) to be performed. Without follow-up information from phases (3) and (4), University personnel cannot complete the annual physical inventory of tangible personal property or identify items that may have been disposed of, stolen, or lost.

Recommendation: **The University should enhance procedures to ensure timely completion of all phases of the inventory process for all property items, including investigation of items not initially located.**

Finding No. 14: Property Deletions

The University established a Property Survey Board (Survey Board) to ensure proper handling of tangible personal property disposals. According to University records, approximately \$11 million of property was deleted from the property records during the 2008-09 fiscal year. As similarly noted in our report Nos. 2008-048 and 2006-044, our review disclosed that the University's controls over property deletions needed improvement.

Our test of 20 deleted property items disclosed 3 items that were removed from the property records between 912 to 1,356 days after a police report was filed and the items were reported stolen. The delay was due, in part, to the applicable department's untimely submission of documentation supporting the deletion to the Property Manager. For the same 3 items, removal from the property records was between 112 to 176 days after an accountability form was received by the Property Manager. Without adequate controls over property item deletions, there is an increased risk that the property records may be overstated because the records include items that are no longer in use at the University.

Recommendation: **The University should enhance procedures to ensure that all property disposals are promptly recorded in the property records.**

Information Technology

Finding No. 15: Environmental and Security Controls

Environmental controls are used to protect against factors such as fire, power failures, and excessive heat and humidity. As similarly noted in our report No. 2008-048, the University's data center utilized a water-based fire suppression system and, in the event of a fire, the computing equipment could be damaged by water. Although a data center renovation was completed in June 2008, the data center continued to utilize a water-based fire suppression system.

Without adequate environmental controls, the risk is increased that the University may be unable to prevent or minimize the damage to automated operations that may occur from unexpected events. In response to audit inquiry, University personnel indicated that they were in the process of obtaining a gas-based system, which would eliminate the risk of water damage to the equipment.

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. We identified improvements that could be made in the University's security controls in the areas of user authentication and software patch management. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that University data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The University should improve its environmental and security controls within the financial application and supporting IT environment to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2008-048.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational 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.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the University; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine

whether the University had taken corrective actions for findings included in our report No. 2008-048. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2008-09 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing University personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the University's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each university on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) environmental and security controls.	Examined environmental and security controls associated with the University's IT resources to determine whether vulnerabilities existed.
Disaster recovery plan.	Examined supporting documentation related to the University's disaster recovery plan. Determined whether the University's plan had been recently tested.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation related to the University's IT security awareness and training program.
IT contractual services.	Examined the written agreement between the University and Northwest Regional Data Center (NWRDC). Reviewed payments to NWRDC to determine whether payments were made in accordance with the terms of the agreement.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the University's fraud policy and related procedures.
Reporting of institute and centers information as required by the Board of Governors (BOG).	Examined supporting documentation to determine whether the University had provided accurate and complete information to the BOG for selected institutes and centers.
Statement of Financial Interest requirements of Section 112.3145(2), Florida Statutes.	Contacted county Supervisor of Elections and obtained names and filing dates for University Board members and certain University employees to determine if filed timely.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the University had provided individuals with a written statement as to the purpose of collecting their social security numbers.
Pharmaceutical inventories.	Tested pharmacy inventory items to determine the accuracy of the Pharmacy's inventory records and controls over pharmaceutical inventories.
Tangible personal property records.	Examined tangible personal property records to determine whether they contained information necessary to account for and identify University-owned property. Tested property items to determine whether the University's property records accurately described the property item.
Annual physical inventory of property.	Reviewed rules and procedures related to performing annual inventory counts of property. Examined supporting documentation of the University's annual physical inventory property.
Property Deletions.	Tested deleted property items to determine the authority and timeliness of the deletions, including the proper recording of trade-ins.
Procedures for textbook affordability.	Examined supporting documentation to determine whether the University's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for issuance of diplomas.	Tested students issued a diploma and examined supporting documentation to determine whether the recipients of diplomas met the requirements for graduation, and had a transcript on file indicating the student graduated.
Student grade changes.	Tested students that had grade changes and examined supporting documentation evidencing proper authority for grade changes.
Cash collection procedures at decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the University's collection procedures.
Complimentary tickets to athletic events.	Reviewed control procedures in place to determine whether the controls over issuance of complimentary tickets were adequate and provided for accountability over complimentary tickets.
Tuition Rates.	Compared tuition fees charged to amounts approved by the Florida Board of Governors.
Procedures for student activity and service, health, and athletic fees assessed.	Reviewed University records evidencing that such fees were separately accounted for and retained by the University.
Student fees associated with repeated classes.	Tested students that repeated classes for compliance with Sections 1004.93(4)(d) and 1009.285, Florida Statutes.
Salary adjustments and performance evaluations.	Examined supporting documentation for a sample of employee salary adjustments and related annual performance evaluations
Terminal pay policies and procedures.	Reviewed the University's policies and procedures for terminal pay to ensure policies and procedures are consistent with Florida law. Tested terminal pay to former employees and determined whether the University properly calculated terminal pay in accordance with University policies and procedures.
Purchasing card procurement policies and procedures.	Tested purchasing card expense transactions to test for propriety and compliance with related laws, rules, and University policies. Tested for the timely cancellation of purchasing cards for former employees.
Multi-purpose card (OWL Card) procedures.	Examined procedures and supporting documentation to determine whether the University had adequate controls in place over its OWL Cards.
Procurement policies and procedures.	Examined University regulations related to procurement for compliance with the BOG regulations.
Student government expenses.	Tested student government expense transactions to determine whether the expenses were adequately supported and complied with all rules and regulations.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Travel expenses.	Examined travel policies and procedures. Tested travel authorization forms to verify that travel was properly authorized and travel costs reimbursed were in accordance with Florida law and University policies.
Procedures for monitoring cellular telephone usage.	Determined whether the University provided for adequate controls over the issuance and use of cellular telephones.
Contractual agreement procedures.	Examined the process and supporting documentation leading to the lease of the University's excess Education Broadband Services (EBS).
Monitoring of energy performance based-agreement.	Determined whether the University provided for the monitoring of any energy performance based-agreement.
Procedures for insuring architects and engineers.	Tested major construction projects in progress during the audit period to determine whether the University had obtained evidence of required insurance.
Procedures for direct material purchases.	Tested a construction project in process and reviewed supporting documentation evidencing procedures used by the University when considering direct material purchases.
Procedures for valuing property for insuring buildings.	Examined supporting documentation to determine whether the insured values were properly calculated and insurance was updated for major asset acquisitions or disposals occurring in the audit period.

EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the Senior Vice President for Financial Affairs

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March 8, 2010

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

As required by Section 11.45(4)(d) of Florida Statutes, I am submitting Florida Atlantic University's responses to the preliminary and tentative audit findings and recommendations in connection with the Florida Atlantic University Operational Audit for the fiscal year ended June 30, 2009.

Should you have any questions or need additional information please do not hesitate to contact me at 561-297-3266.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dennis J. Crudele".

Dennis J. Crudele
Interim Senior Vice President for Financial Affairs

DJC/lae

Attachment

cc: John Pritchett, Interim President

**Florida Atlantic University
Operational Audit
for the Fiscal Year Ended June 30, 2009**

**Preliminary and Tentative Audit Findings
Recommendations and Responses**

REVENUES AND CASH COLLECTIONS

Finding No. 1: The Board had not adopted a formal policy for granting exemptions to the requirement in Section 1009.285, Florida Statutes, that students pay the full cost of instruction when enrolled in the same undergraduate credit course more than twice.

Recommendation: The Board should adopt a policy establishing documentation requirements and approval procedures for determining whether a student is entitled to an exception from paying the full cost of tuition for repeated course enrollment in accordance with law.

Response: The Florida Atlantic University Provost Office approves exceptions to the application of the repeat course surcharge in accordance with a formal policy adopted by the former Board of Regents of the State University System of Florida and subsumed by the Board of Trustees of Florida Atlantic University upon devolution of governance authority from the Board of Regents to the Board of Trustees.

The University will request the Board of Trustees approval for a policy to establish requirements and procedures in accordance with Section 1009.285 of the Florida Statutes

Implementation Date: September 29, 2010

Finding No. 2: Controls over collections received outside of the Central Cashier's Office needed improvement.

Recommendation: The University should ensure that each day's collections are timely remitted to the Central Cashier's Office, that mail receipt logs are used for all collections received in the mail, and transfer documents are used to evidence the transfer of collections between employees. The University should also provide for independent supervisory review of voided transactions, and ensure that access to collections is limited, responsibility for collections is fixed to one employee throughout the collection process, and a reconciliation of receipt numbers is performed to ensure all collections are recorded and deposited. Further, the University should enhance controls to provide for the separation of incompatible duties.

Response: Florida Atlantic University continues to refine our policies that institute controls in identified units to ensure that collections are timely, receipt logs are used for all collections, and that transfer documents are used to evidence the transfer of collections between employees. The University will ensure that pre-numbered membership cards, tickets and receipts are used appropriately. Both the Pharmacy and the Athletics departments have improved upon previous

findings by initiating a new cash drawer procedure that involves the quick swap of the cash drawer to any new cashier to prevent the intermingling of cash receipts collected by multiple cashiers (Pharmacy) and by utilizing a new system of stamping date of receipt and who received it on each receipt (Athletics). In addition, Athletics has implemented a procedure by which every transaction is processed through the Archtics Ticket Software System and is logged immediately upon receipt in Archtics. Most recently, the Campus Recreation unit has implemented the following steps toward compliance:

- Point of sale software, Rec Trac by Vermont Systems was purchased and implemented January 2009; all transactions are given a specific receipt number for tracking purposes; there are no gaps in numbering of transactions.
- Effective January 2010, the Department of Campus Recreation no longer accepts cash as a method of payment – payroll deduction, credit cards, debit cards and checks only.
- Deposit reports are submitted to the Controller's Office daily.
- All voids and refund requests are submitted to the Director of Campus Recreation or her or his designee for review and approval.
- Separation of duties is more clearly defined with the addition of a Membership Services Coordinator staff member overseeing the collection of daily transactions. The department Office Manager is responsible for reconciliation of transaction and deposits to the Cashier's Office.
- All checks received through the mail are recorded in a department mail receipt log managed by the Office Manager.

Overall, the University agrees that supervisory review of collections is critical and will institute measures to assure compliance. However, it should be noted that separation of duties in some units is not always feasible due to single employee staffing in areas where collections are small and risk is low. In those instances, exceptional oversight and monitoring will be employed daily to ensure accurate and timely collections in order to mitigate opportunity for misuse of funds.

Implementation Date: January 29, 2010

Finding No. 3: The OWL CARD program controls needed further enhancement.

Recommendation: The University should continue to enhance controls over OWL CARDS by ensuring that duties are adequately separated and procedures are established to provide for an accounting for OWL CARDS issued, voided, and unused (on-hand).

Response: The University continues to review opportunities to enhance controls in the OWL Card program. Due to the nature of the OWL Card program, there is limited opportunity for complete separation of duties. The center is a one person operation and all functions cannot have complete separation of duties without a considerable increase in staffing costs. OWL Card inventory is maintained in the Business Services Administrative offices and is signed out as needed. Our procedures are consistent with all other institutions in the State University System.

Implementation Date: June 30, 2010

Finding No. 4: Controls over issuance and accountability for complimentary tickets for athletic events needed improvement.

Recommendation: The University should enhance procedures to adequately separate incompatible duties to ensure that complimentary tickets are distributed as authorized and that ticket collections are properly recorded and timely deposited into University accounts.

Response: The separation of duties regarding the issuance of comp tickets versus collection of sold tickets has been addressed. The distribution of comp tickets for football and basketball is controlled by individuals who have no responsibilities for collection of paid tickets. Monies are collected and deposited into their respective athletics accounts as soon as possible following an event. The Athletic Business Office will review all documents to assure compliance.

Implementation Date: July 1, 2009.

PROCUREMENT OF GOODS AND SERVICES

Finding No. 5: Contrary to University policies, Student Government expenses were not always approved timely.

Recommendation: The University should ensure the proper use of purchase orders or contracts to document the approval of purchases of goods and services prior to incurring an obligation for payment.

Response: The University concurs and the Purchasing Department will continue to monitor purchase orders and contracts to ensure compliance with the University's policies and procedures, including timely approvals of good and serves purchases prior to incurring and obligation for payment. The department will continue to ensure that services have been rendered prior to issuing payment.

The Office of Student Government Accounting and Budget, in collaboration with Student Government Leaders, Purchasing Department and the Controller's Office has implemented a new Certification Program through Blackboard system titled "Student Government Accounting and Budget Training (SGA Training). All Financial Officers for Student Government, a Student Government Program or a Student Club or Organization, must complete the SGAB Training with a score of 70% or better.

Implementation Date: January 1, 2010.

Finding No. 6: Purchasing card system controls did not always provide for timely approval and payment of charges, and adequate monitoring of credit limits, and timely cancellation of cards for former employees.

Recommendation: The University should enhance controls over monitoring the purchasing card program to ensure compliance with the University's purchasing card manual, including timely approval and payment of charges, and monitoring of credit limits. The University should also

improve procedures to ensure the timely cancellation of purchasing cards upon employee's termination of employment.

Response: The University currently maintains detailed records of cards issued, cards lost or stolen, and cancelled cards. All of these actions are recorded in individual cardholder profiles even though they are not kept in list format. This format provides the most meaningful feedback and control to the Program Administrator as sometimes corrective action must be taken as a result of the cardholder's overall history. A cardholder's overall transaction history often transcends specific audit periods. Additionally, subsequent to the audit finding of 2007, the University now produces "lists" of newly issued or cancelled cards through the Works software.

The University understands the desire to mitigate risk by monitoring and adjusting credit limits based on actual use, but also recognizes the value of contingency planning. We believe the existence of VISA's fair dispute resolution process for fraudulent transactions reduces the actual risk of misuse associated with typical credit limits. We do not consider them to be excessive based on the cardholders' function. Furthermore, credit limits are reviewed and approved by Deans/Directors and are commensurate with duties assigned to that position. Additionally, many of Florida Atlantic University's Principal Investigators have been issued p-Cards. They often have large budgets and often do not incur significant expenditures until the latter part of the grant's life. In these cases, there is little meaningful correlation between the average monthly spend and a cardholder's credit limit.

Purchasing and the Controller's Office will continue to educate user departments on the importance of the timely receipt approval and vendor payment.

By March 2008, the University offered several programmatic training opportunities to all new and existing staff members on cardholder roles and responsibilities. This was done as part of an overall emphasis and review on topics such as internal controls, separation of duties and general best practices for those responsible for handling fiscal matters at the University.

Implementation Date: January 29, 2010

Finding No. 7: The University needed to enhance its controls over cellular telephone usage.

Recommendation: The University should ensure that employees who are assigned cell phones maintain documentation necessary to determine whether the University is entitled to reimbursement for overages. The University should also periodically compare plan minutes to actual business usage for each cell phone to evaluate the need for the cell phone and to ensure that the University is obtaining the most economical plans available.

Response: In July 2009, a certification process has been implemented that provides a list of current cell phone holders by individual unit and seeks the approval of each Vice President and College Dean to continue the employee's service and access to a device. An annual reminder will be sent to each cell phone user that documentation for reimbursement will be maintained by the department.

Since June 2008, a determination on each employee's taxable benefit amount has been calculated

and has been included in their W-2 statements.

Implementation Date: January 29, 2010

RISK MANAGEMENT

Finding No. 8: Procedures for determining insurable values for buildings needed improvement.

Recommendation: The University should implement procedures that ensure that insurable values included on the certificate of coverage do not exceed the ACV, that current cost data is used to calculate insurance values, and that adequate documentation is retained to support such cost data.

Response: The University concurs with this recommendation. In July 2007, within the Division of Facilities, Florida Atlantic University hired a full time University Risk Manager. The main goal of this position was to develop policies and procedures for the insurance process. Since being hired the FAU Risk Manager has visited with various departments to understand the process of obtaining insurance for the variety of risks the University faces.

The FAU Risk Manager selected appropriate appraisers to provide appraisals on all buildings to determine their ACV. As of July 2009, independent commercial real estate appraisers completed appraisals of all buildings on all campuses to determine the ACV. Copies of the appraisals were made available to the auditors. In addition, updated certificates of insurance coverage have been submitted to the State's Division of Risk Management, using the ACV to determine the insurable values of the buildings reported on the insurance certificate reported to the State.

Written policies and procedures been developed to address the level of insurance coverage to be maintained for the University's buildings and other property. Those policies can be found on the University Architect website:

<http://www.fau.edu/facilities/uavp/policies-folder/UAVP3-State-PP-Insurance.pdf>

Implementation Date: September 30, 2009.

PERSONNEL AND PAYROLL ADMINISTRATION

Finding No. 9: Contrary to University Policy, annual employee performance appraisals were not always timely prepared.

Recommendation: The University should enhance its procedures to ensure the timely completion of required annual performance appraisals in accordance with University Personnel Policy 050.0.

Response: Effective with the release of the next appraisal report (a monthly on-line tool), the report will be organized by location which will make the report more accurate and easier to use. The report is currently organized in a fashion that is cumbersome for the user. In addition, Human Resources will include an announcement once a month in the HR Weekly on line newsletter to remind supervisors to check the report and to let users know of this important update. HR will also publish a "90 days past due appraisal" list on our web site so that supervisors, Deans/Directors

and VP's can all review the list to see which appraisals that were due within the last 90 days have not been submitted.

We are evaluating improved electronic tools to make the entire performance appraisal process efficient and effective, preferably through the PeopleAdmin Performance Management module. With these changes we will also recommend that all supervisors be expected to participate in performance management training to assist them in utilizing available tools and extending the feedback to employees that is well deserved.

Implementation Date: June 30, 2010

RECORD SYSTEMS AND REPORTS

Finding No. 10: Contrary to law, a University Board Member did not timely file the final statement of financial interests with the Florida Commission on Ethics.

Recommendation: The University should ensure that Board Members are advised of the statement of financial interests filing requirements, and ensure that they timely file the statements with the Florida Commission on Ethics.

Response: The University will have follow up meetings between the University's Board of Trustee's Liaison and the Chair of the Board of Trustees to ensure that board members are advised of these requirements helping to ensure complete compliance.

Implementation Date: May 15, 2010

Finding No. 11: The University needed to enhance policies and procedures to ensure the timely posting of a complete textbook listing on the University's Web site in accordance with Florida Statutes.

Recommendation: The University should enhance its policies and procedures to ensure that a complete textbook listing is timely posted on the University's Web site in accordance with Florida Statutes

Response: The University will enhance procedures to assure timely posting of textbook listings in accordance with Florida Statutes. Current monitoring procedures are in place to work with faculty and staff to meet deadlines outlined in FAU Regulation 3.004 Textbook Adoption.

Flyers and email notifications are utilized to notify faculty of three (3) due dates, Bookstore due date (12 weeks prior to the start of the semester), campus deadline/University regulation (45 days prior to the start of the semester), and legislative deadline (30 days prior to the start of the semester). The University Bookstore monitors textbook adoptions by providing bi-monthly updates of courses without book orders received report to department secretary and chair. The monitoring and notification starts immediately after the initial textbook order requests are distributed by the University Bookstore. Forty five days prior to start of the semester, the report is

provided weekly to college dean, department chair, department secretary and the Provost's Office. In turn, it is expected that college deans will assist the University Bookstore by further communicating to faculty the need to comply by submitting Textbook Adoptions timely. Additionally, the University Bookstore asks that departments return adoption forms indicating if a particular course does not require a textbook in an effort to report that information as well. Textbook information is posted on line as orders are received by the University Bookstore.

In addition, last minute course offerings that respond to student demand and allow student access as set forth in the State of Florida strategic plan will not necessarily have the requisite textbook offerings posted on line in a timely fashion due to the lateness of the course added to the schedule. These circumstances typically suggest that flexibility will be needed to accommodate students while striving to meet the expectations of the textbook deadlines for on-line postings.

Implementation Date: January 29, 2010

PHARMACEUTICAL OPERATIONS

Finding No. 12: Records and control procedures relating to pharmaceutical inventory needed improvement.

Recommendation: The University should enhance the policies and procedures relating to pharmacy operations to ensure that incompatible duties are properly separated, and ensure that perpetual inventory records are complete, accurate, and all differences are timely resolved.

Response: The University concurs with this recommendation and as of January 2010, the Medical Records Manager, who has no day-to-day involvement with the Pharmacy's operation is now designated to perform the unannounced quarterly internal audit physical counts. Additionally, the annual fiscal year-end physical count will be performed (in June each year) by internal staff having no involvement in the day-to-day pharmacy operations. The procedure for Pharmacy Inventory has been changed to reflect the Auditor's recommendation for separation of duties.

Back audits were performed after receipt of the State Auditor findings which confirmed that the QS1 computer inventory was inaccurate due to human input error. However, the back audit did show that all controlled medication was accounted for. The Pharmacy is considering the purchase of a pill counter in order to minimize the potential for inventory mistakes.

Furthermore, investigation of significant differences between the QS1 computer inventory and physical counts (i.e., performing a back-audit) is a critical process that in the future will be assigned a greater urgency.

Implementation Date: July 1, 2010

TANGIBLE PERSONAL PROPERTY

Finding No. 13: The University's procedures for investigation missing tangible personal property items needed improvement.

Recommendation: The University should enhance procedures to ensure timely completion of all phases of the inventory process for all property items, including investigation of items not initially located.

Response: The University concurs with this recommendation of maintaining documentation ensuring that all phases of the inventory process are completed in a timely manner. The Property Department continues to work toward total compliance of paper records to support disposition of all items purchased and placed into service as well as off-campus items. University management will work on developing and implementing procedures that will assure departmental compliance and timely responses by account officers.

Implementation Date: June 30, 2010

Finding No. 14: Procedures needed improvement to ensure the prompt reporting of property dispositions.

Recommendation: The University should enhance procedures to ensure that all property disposals are promptly recorded in the property records.

Response: There are approximately up to 190 days between the cutoff for preparation of a Survey Board Agenda and the time a document maybe approved for deletion by the Board; records are expeditiously deleted within a week following approval of the Survey Board. Depending upon when the documents are submitted to the agenda the item may not be approved for deletion for up to 180 days.

However, to mitigate the findings, the Police Department will work with the Property Department to begin notification processes that will provide an early alert to theft of University property that can then be recorded in a timely manner to the Property Survey Board.

Implementation Date: June 30, 2010

INFORMATION TECHNOLOGY**Finding No. 15: The University environmental and security controls within the financial applications and supporting information technology environment needed improvement.**

Recommendation: The University should improve its environmental and security controls within the financial application and supporting IT environment to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

Response: Florida Atlantic University concurs with this finding. To address this issue, FAU has just recently successfully recruited for the position of Information Security Officer. The Information Security Officer began work on January 25, 2010. The scope of responsibilities of this individual during the first year includes:

- Review existing information security and control policies;
- Modify and propose new policies to better safeguard financial and other sensitive data as needed;
- Review and develop new access controls;
- Engage in a comprehensive review of existing information security practices; and,
- Compile a risk assessment report outlining prioritized action items for discussion with the Chief Information Officer and subsequently the Provost.

Implementation Date: December 31, 2010