

FLORIDA ATLANTIC UNIVERSITY

Operational Audit



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Notes: (1) Board member served beyond
the end of term, January 6, 2011.
(2) Faculty senate president.
(3) Student body president.

The audit team leader was Diana G. Garza, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, 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.

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FLORIDA ATLANTIC UNIVERSITY

SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The University had not implemented an identity theft prevention program contrary to Section 114 of the Fair and Accurate Credit Transactions Act of 2003.

Finding No. 2: The University did not always provide the required written notification to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 3: The University needed to enhance its policies and procedures to ensure the timely posting of a complete list of required textbooks on the University's Web site in accordance with Florida Statutes.

TUITION AND FEES

Finding No. 4: The University needed to establish procedures for calculating distance learning course fees.

Finding No. 5: Contrary to Section 1009.285, Florida Statutes, some students enrolled in the same undergraduate credit class more than twice received an exception from paying full instructional costs more than once for the same class.

CASH COLLECTIONS

Finding No. 6: The University's controls over decentralized collections needed improvement.

Finding No. 7: The University's controls over the issuance of complimentary athletic event tickets needed improvement.

PROCUREMENT OF GOODS AND SERVICES

Finding No. 8: The University's procedures for documenting management's prior authorization of student government purchases needed improvement.

Finding No. 9: The University's procedures for monitoring purchasing card usage needed improvement.

TANGIBLE PERSONAL PROPERTY

Finding No. 10: The University's procedures for investigating missing tangible personal property items needed improvement.

INFORMATION TECHNOLOGY

Finding No. 11: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 12: The University's IT security controls related to user authentication needed improvement.

BACKGROUND

The 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 president 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 University President is selected by the Trustees and confirmed by the Board of Governors. 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, 2011, 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, 2011, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Identity Theft Prevention Program

In response to increasingly pervasive risks associated with the custodianship of sensitive information, Section 114 of the Fair and Accurate Credit Transactions Act of 2003 (Act) expanded on the Federal Trade Commission's (FTC) Fair Credit Reporting Act of 1970 to provide clear guidance to businesses and other organizations that process certain personal information that places them at high risk for identity theft. The Act was implemented by the Red Flags Rule (Rule), which went into effect November 1, 2008, and enforcement of the Rule began on January 1, 2011. The Rule requires financial institutions and creditors that hold consumer accounts designed to permit multiple payments or transactions or any other account for which there is a reasonable foreseeable risk of identity theft to develop and implement an identity theft prevention program (Program) for new and existing covered accounts. The Rule requires the University's Board of Trustees to approve the initial written Program. The Program should be designed to detect, prevent, and mitigate identity theft through the identification of warning signs, or "red flags," in day-to-day operations. The Program must be appropriate for the University's size and complexity and the nature and scope of its operations and must contain reasonable policies and procedures to: (1) identify relevant patterns, practices, and specific forms of activity, the red flags, that signal possible identity theft for the covered accounts; (2) detect red flags; (3) respond appropriately to any red flags detected to prevent and mitigate identity theft; and (4) ensure the Program is updated periodically to reflect changes in risks for identity theft.

As a result of its student lending activity, the University meets the definition of a creditor as defined by the FTC and, as such, must comply with the Rule. The University developed an identity theft prevention program and it was approved by the Board on July 22, 2009. However, as of June 30, 2011, training required by the Rule had not been provided to employees who have access to accounts or personally identifiable information that may constitute a risk to the University or its students. In these circumstances, the University or its students could be at increased risk of identity theft due to the sensitive nature of information that is obtained, held, and processed through the student tuition and fee payment plan process. In addition, noncompliance with the Rule could result in monetary penalties from the FTC. University personnel provided us with a draft training program and indicated that employee training required by the Rule had been scheduled to begin November 28, 2011, for upper management.

Recommendation: The University should continue its efforts to implement an identity theft prevention program as required by the Red Flags Rule.

Finding No. 2: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the University may not collect an individual's SSN unless the University has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the University's duties and responsibilities as prescribed by law. Additionally, this Section requires that if the University collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This Section also provides that SSNs collected by the University may not be used for any purpose other than the purpose provided in the written statement. This Section further requires that the University review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

Although the University has assigned unique student and employee identification numbers to replace using SSNs for record keeping purposes, it continued to obtain SSNs from students, employees, vendors, and volunteers. We noted that five online supplemental applications from the Graduate School Web site, one Affiliated Appointment Form from the Provost, and one Volunteer Application from the Harbor Branch Oceanographic Institute's Web site required the collection of SSNs from the applicants; however, the required written notification regarding the collection and use of the SSNs was not provided to these applicants. Although the University posted general information on its Web site for students to read about the collection and usage of SSNs, applicants could complete the online applications requiring the SSN, without being directed to, or provided with, the written notification. Subsequent to our inquiry, University management initiated actions to ensure that individuals were directed to the written notification when SSNs were collected and eliminated the collection of SSNs from three of the Graduate School supplemental applications, the Affiliated Appointment Form, and the Volunteer Application. However, two of the Graduate School supplemental applications still required the collection of SSNs without providing the required written notification regarding the collection and use of the SSN.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The University should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 3: Textbook Affordability

Section 1004.085(3), Florida Statutes, requires that State universities post on their websites, 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.

As similarly noted in our report No. 2010-131, the University did not have monitoring procedures in place to ensure the posting of textbook lists 30 days before the first day of class. Although the University had established deadlines for the textbook adoption process, the Fall 2010 and Spring 2011 textbook lists included 264 and 320 textbooks, respectively, that were posted on the Web site after the first day of classes, contrary to the above-cited law. In addition, University personnel informed us that posted textbook lists may not include information for textbooks ordered by faculty from off campus bookstore vendors because the vendors are not required to comply with Section 1004.085(3), Florida Statutes, and, as such, are not obligated to provide the University the required textbook information. However, while the off campus bookstore vendors are not subject to the above-cited law, the University is subject to this law and is responsible for taking necessary actions to ensure compliance with the law.

Recommendation: The University should enhance its policies and procedures to ensure that a complete list of required textbooks is timely posted on the University’s website in accordance with Florida Statutes. The University should also require faculty to provide the University with the required textbook information for textbooks ordered from off campus bookstore vendors.

Tuition and Fees

Finding No. 4: Distance Learning Fee

Section 1009.24(17)(a), Florida Statutes, states in part that a university may assess a student who enrolls in a course listed in the Florida Higher Education Distance Learning Catalog a per-credit-hour distance learning course fee. Section 1009.24(17)(b), Florida Statutes, provides that the distance learning course fee may not exceed the additional costs of the services provided that are attributable to the development and delivery of the distance learning course, and the university may not assess duplicate fees to cover additional costs.

During the 2010-11 fiscal year, the University collected distance learning course fees totaling \$937,082 from its e-College program and its online Bachelors of Business Administration program. The distance learning course per-credit-hour fee for the two programs totaled \$100 and \$180, respectively; however, the University had not established procedures for calculating the amount of distance learning course fees. According to University personnel, the University used distance learning fees that were developed by another Florida university; however, the University had not calculated these fees based on their additional costs to provide these services. As a result, the University was unable to support that the distance learning fees assessed did not exceed the additional costs of the services provided that were attributable to the development and delivery of the distance learning courses.

Recommendation: The University should establish procedures for determining the amount of the distance learning course fees to ensure the fees do not exceed the additional costs of the services that are attributable to the development and delivery of the distance learning courses.

Finding No. 5: 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 (FTE) 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 463 students enrolled in the same undergraduate credit class more than twice during the 2010-11 fiscal year. Of those students, 402 received an exception from paying the full instructional costs due to a financial hardship or other extenuating circumstances. We determined that 10 of the 402 students were granted exceptions more than once for the same class, and included in FTE enrollment data reported to the Board of Governors (BOG), contrary to the above-noted law. A similar finding was noted in previous audit reports, most recently in our report No. 2010-131.

On June 15, 2011, the Board approved a policy to include requirements for repeat enrollments and limiting students to one exception for each class repeated.

Recommendation: The University should continue its efforts to ensure that exceptions from paying full instructional costs are granted in accordance with Section 1009.285, Florida Statutes.

Cash Collections

Finding No. 6: Decentralized Collections

Effective controls over collections require documentation from receipt through deposit by the Central Cashier’s office, and the timely deposit of collections in the bank. 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. For the 2010-11 fiscal year, collections at the Athletics Department and OWL CARD Center totaled \$1,951,725 and \$233,422, respectively. As similarly noted in previous audit reports, most recently in our report No. 2010-131, 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:

- 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 use of a log, there is an increased risk that loss or theft of collections could occur without timely detection.
- Our test of 15 daily receipts at the Athletics Department disclosed that, for 8 ticket sales receipts (totaling \$22,119), transfer documents were not consistently used during all points of transfer and for 5 rental receipts (totaling \$82,681) transfer documents were not used, contrary to University procedures. Without adequate use of transfer documents, responsibility for collections cannot be fixed to one individual should a loss or theft occur.
- For the Athletics Department ticket office, 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 Department were not adequately separated in that one employee was responsible for receiving and processing collections, and preparing daily reconciliation reports. Without an adequate separation of incompatible duties, there is an increased risk that errors, theft, or loss could occur without timely detection.

- The OWL CARD Center had several employees with access to the cash register drawers during operating hours, and more than one person had access to the safe. 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.

Recommendation: The University should ensure that mail receipt logs are used for all collections received in the mail and that transfer documents are used to evidence the transfer of collections between employees. The University should also provide for independent supervisory review of voided transactions, provide for a separation of incompatible duties, ensure that access to collections is limited, and ensure responsibility for collections is fixed to one employee throughout the collection process.

Finding No. 7: Complimentary Athletic Event Tickets

During the 2010-11 fiscal year, the Athletics Department issued 2,997 complimentary football tickets and 1,214 complimentary men’s and women’s basketball tickets. The University’s *Ticket Office Manual* provides that individuals who issue complimentary tickets should not be involved with cash handling duties. As similarly noted in previous audit reports, most recently in our report No. 2010-131, our review of the University’s controls over complimentary athletic tickets again disclosed that one individual responsible for issuing complimentary athletic tickets was also responsible for ticket sale collections. Absent adequate separation of these duties, in addition to the control deficiencies noted in finding No. 6, there is an increased risk that complimentary athletic tickets may be used for unauthorized purposes and may result in the misappropriation of ticket sales collections.

Recommendation: The University should enhance its procedures to provide for the separation of incompatible duties so that individuals responsible for issuing complimentary athletic tickets are not responsible for ticket sale collections.

Procurement of Goods and Services
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Finding No. 8: Student Government Expenses

Section 6.0 of the University’s Purchasing Manual requires a purchase requisition from a department documenting approval for a purchase, issuance of a purchase order to a vendor, and receipt and acceptance of 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(5) requires that all Student Government purchases, contracts, expenses, and disbursements be made in accordance with University procedures.

The University reported Student Government expenses totaling \$583,153 for the 2010-11 fiscal year. As similarly noted in previous audit reports, most recently in our report No. 2010-131, our test of 20 Student Government expense payments disclosed 3 payments, totaling \$24,790, for which written agreements were dated between 17 and 142 days after the invoice date, contrary to University policy. Without adequate controls in place to ensure that purchase orders are issued, or written agreements entered into, prior to payment, there is an increased risk of the University paying for unauthorized goods and services, or that such purchases may cause vendor billing disputes or exceed established budget limits.

Recommendation: The University should ensure that purchase orders or written agreements are used to document the approval of purchases of goods or services prior to incurring an obligation for payment.

Finding No. 9: Purchasing Cards

The University established a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. P-cards were designed to handle and expedite small orders in an efficient manner with a significant reduction in overhead costs. The University issued P-cards to approximately 570 employees as of June 30, 2011. Purchasing card charges totaled approximately \$6.8 million for the 2010-11 fiscal year.

The University appointed a P-card administrator and developed a comprehensive P-card manual that addressed management controls over the issuance and use of P-cards. As similarly noted in previous audit reports, most recently in our report No. 2010-131, our current testing of documents and transactions for P-card usage disclosed that improvements in controls were needed, as follows:

- For 6 of 20 transactions tested, totaling \$534, charges were not in accordance with the P-card manual. One purchase of fuel for \$47 was prohibited by the P-card manual; three purchases included sales tax of \$30, which the University is exempt from paying; and two purchases totaling \$457 were not, of record, reviewed and approved by supervisory personnel.
- Our comparison of usage to monthly credit limits for ten employees from July 2010 through June 2011 disclosed nine employees with monthly P-card limits that appeared excessive based on the employee’s actual monthly P-card use, as shown in the table below:

Employee Title	Monthly Limit	Highest Monthly Usage	Notes
President	\$ 25,000.00	\$ 311.19	(1)
Instructor, Communication and Multimedia Studies	20,000.00	255.00	
Coordinator, Academic Programs	12,000.00	196.14	
Associate Director, Academic Programs	10,000.00	1,101.87	
Associate Dean, Student Affairs	10,000.00	757.92	(1)
Assistant Scientist, Physics	8,000.00	51.28	
Associate Director, University Administrative Planning	5,000.00	355.23	(1)
Professor, Mathematics	5,000.00	454.60	
Director, Student Retention	5,000.00	44.00	
Note: (1) Cards less than one-year old.			

We also identified 27 P-cards, with credit limits ranging from \$999 to \$10,000 that were not used during the 2010-11 fiscal year. University personnel noted that comparison of actual usage to credit limits was not routinely monitored on P-cards as the actual spending for some cardholders is project dependent and may fluctuate widely and other card limits may include a contingency component for emergencies. Effective monitoring of the reasonableness of P-card monthly credit limits reduces the risk of unauthorized use or purchases in excess of budget constraints.

Recommendation: The University should enhance its procedures for monitoring P-card usage to ensure compliance with University policies and the appropriateness of credit limits.

Tangible Personal Property

Finding No. 10: 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 \$58.6 million (net of depreciation) at June 30, 2011.

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 April 2011, we reviewed the University’s controls over tangible personal property for the most recently completed physical inventory (2009-10 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 (2,747 items with a total recorded value of \$15 million). As similarly noted in our report No. 2010-131, according to University records, after the completion of phases (1) and (2), 316 items with a total recorded value of \$2,114,598, were not located. For phase (3), University personnel provided listings of the unlocated items to the responsible employee for each of the 15 applicable departments on April 17, 2010; however, 2 departments, for which 65 items with a total recorded value of \$166,236 were not located, had not returned the listings to allow for phase (4) to be performed as of September 26, 2011. 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 tangible personal property items, including investigation of items not initially located.

Information Technology

Finding No. 11: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility.

Our audit tests of selected access privileges to the finance and human resources applications, and the supporting operating system and database, disclosed various employees with inappropriate or unnecessary access privileges, as follows:

- One employee from the Controller’s Office had the ability to add a vendor, input an invoice, and print a direct deposit transmission register, contrary to an appropriate separation of duties. In response to our inquiry, University management removed these access privileges.

- Two employees from the Controller’s Office had the ability to select invoices for payment, print checks, and print the check register, contrary to an appropriate separation of duties. One of these two employees had the additional ability to enter and post journal entries and input employee pay adjustments. In response to our inquiry, University management removed these access privileges.
- Three application-delivered accounts included the database administrator (DBA) role that was unnecessary for their functions within the application environment. In response to our inquiry, University management removed the DBA role from these accounts.
- Four operating system accounts and one application-delivered account that were no longer necessary for operations remained active. In response to our inquiry, University management disabled the accounts.
- A University application developer had the system privilege to create a user within the database, contrary to an appropriate separation of duties between application development and security administration.

Although the University performed an annual review of employee access privileges, these inappropriate or unnecessary access privileges indicated a need for improved University review of access privileges. Without a comprehensive review, inappropriate or unnecessary access privileges may not be timely detected and addressed by the University, increasing the risk of unauthorized disclosure, modification, or destruction of University data and IT resources.

Recommendation: The University should enhance its process for periodically reviewing the appropriateness of access privileges, including the evaluation of privileges allowed within the applications, operating system, and database, and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job duties.

Finding No. 12: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain University security controls related to user authentication needed improvement. 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 related to user authentication, 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 security controls related to user authentication 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. 2010-131.

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 from February 2011 to October 2011 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. 2010-131. 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 2010-11 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

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) policies and procedures.	Reviewed the University’s written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed application access privileges to determine whether access granted to sensitive finance, human resource, and payroll privileges promoted an appropriate separation of duties. Reviewed administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
IT data loss prevention.	Reviewed the University’s written policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to the response to and reporting of security incidents.
IT risk management and assessment.	Reviewed the University’s risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT environmental and security controls.	Examined environmental and security controls associated with the University IT resources to determine whether vulnerabilities existed.
IT authentication controls.	Reviewed selected operating system, database, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Statement of financial interests requirements of Section 112.3145(2), Florida Statutes.	Determined whether the University President, Board members, and certain other University employees filed statements of financial interests in accordance with law.
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 of the purpose of collecting their social security numbers.
Textbook affordability.	Examined supporting documentation to determine whether the University’s procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Identity theft prevention program (Red Flags Rule).	Reviewed University policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission’s Red Flags Rule.
Pharmaceutical inventories.	Reviewed pharmacy inventory items to determine whether the pharmacy’s inventory records were accurate.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Works of art and historical treasures.	Reviewed controls over works of art and historical treasures to determine whether the University had established adequate safeguards to protect such assets from theft or loss.
Tangible personal property.	Reviewed rules and procedures related to performing annual inventory counts of property. Examined supporting documentation of the University's annual physical inventory property. Tested deleted property items to determine the authority and timeliness of the deletions, including the proper recording of trade-ins.
Cash collection 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.
Multi-purpose student card procedures.	Examined procedures and supporting documentation to determine whether the University had adequate controls in place over its multi-purpose student card.
Complimentary tickets to athletic events.	Reviewed control procedures in place to determine whether the controls over issuance of complimentary tickets to athletic events were adequate and provided for accountability.
Distance learning fees and excess hour surcharges.	Determined whether distance learning fees and excess hour surcharges were assessed and collected as provided by Sections 1009.24(17) and 1009.286(2), Florida Statutes.
Florida residency determination and tuition.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and Board of Governors Regulation 7.005.
Tuition differential fees.	Tested payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Student fees associated with repeated classes.	Tested students that repeated classes for compliance with Section 1009.285, Florida Statutes.
Continuing education programs.	Reviewed University policies and procedures to ensure that credit continuing education courses did not compete with, or replace, the regular on campus courses taken by degree seeking or special students.
Salary adjustments and performance evaluations.	Examined supporting documentation for a sample of employee salary adjustments and related annual performance evaluations.
Overtime payments.	Reviewed University policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Student government expenses.	Tested student government expense transactions to determine whether the expenses were adequately supported and complied with all rules and regulations.
Electronic payments.	Reviewed University policies and procedures related to electronic payments and tested supporting documentation to determine if selected electronic payments were properly authorized and supported.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with University policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the University monitored the selection process of subcontractors by the construction manager.
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.
Direct material purchases.	Tested construction projects in progress and reviewed supporting documentation evidencing procedures used by the University when considering direct material purchases.
Energy performance agreement.	Determined whether the University provided for the monitoring of any energy performance based-agreement.
Wireless communication devices.	Reviewed policies and procedures to determine whether the University limited the use of, and documented the level of service for, wireless communication devices.
Valuation 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
777 Glades Road, AD-383
Boca Raton, FL 33431
tel: 561.297.3266
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February 24, 2012

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, 2011.

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', is written over a light blue circular stamp.

Dennis J. Crudele
Senior Vice President
for Financial Affairs

DJC/lae

Attachment

cc: Dr. Mary Jane Saunders, University President

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Florida Atlantic University
Responses to Preliminary and Tentative Findings
For the Fiscal Year Ended June 30, 2011

Administrative Management and Board Policies

Finding No. 1: The University had not implement an identity theft prevention program contrary to Section 114 of the Fair and Accurate Credit Transactions Act of 2003.

Response: The University concurs with this finding. The Red Flags training was given to all members of the Controller's office between late November 2011 and early December 2011 consistent with the State Auditor's recommendations and the requirements of the Identity Theft Program. This training will continue on an annual basis. The training has already delivered to individuals most likely to come into contact with FAU account holders as described under the identity theft prevention program, but the training program is currently being expanded and rolled out to all other Banner users campus wide.
Implementation Date: November 2011 for University Controller's office employees; September 30th 2012 for training the additional employees

Finding No. 2: The University did not always provide the required written notification to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Response: The University has identified three graduate programs that were asking students for the SSN on supplemental applications without directing students to the approved SSN language. We have contacted these programs, and all three have removed the field. SSN's will no longer appear on any of those supplemental applications.
Implementation Date: February 10, 2012

Finding No. 3: The University needed to enhance its policies and procedures to ensure the timely posting of a complete list of required textbooks on the University's Website in accordance with Florida Statutes.

Response:

The University does have monitoring procedures in place; the University is working to improve the existing and implement new, where applicable.

The existing process of adopting textbooks is managed jointly by Business Services and the University Bookstore. This relates specifically to the process of adopting textbooks but does not speak to enforcement of the existing University regulation and the Textbook Affordability Act. The existing regulation is being reviewed and a proposed updated draft will be submitted to the Board for implementation by July 1, 2012. The revised regulation will make it mandatory for textbook orders to be submitted to the campus bookstores. The Provost's Office will take an active role in communicating the importance of meeting this posting requirement. Additionally, rather than adoption deadline communication coming from the University Bookstore, it will be disseminated in concert with the Provost's Office. Finally, the textbook manager will report to the Provost's Office all courses where an adoption was not received by the deadline. This will allow the Provost's Office to communicate directly with the faculty, chair or dean on those particular courses. Finally, the Faculty Handbook will be updated to include language related to the Textbook Affordability Regulation.

Implementation Date: July 1, 2012

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Tuition and Fees

Finding No. 4: The University needed to establish procedures for calculating distance learning course fees.

Response: For clarification, fees paid to eCollege were not arbitrarily levied as suggested by the audit report. The \$100 fee was needed to cover the cost of direct eCollege provision of the learning platform and services required to support distance learning courses in the College of Nursing. Effective with the 2011-12 academic year, the eCollege fees are no longer billed separately to students. They now fall under the FAU Distance Learning fee.

Prior to implementation of all new distance learning course fees, the Office of the Provost and the Center for eLearning will work with the Division of Financial Affairs to review proposed distance learning course fees to ensure that those fees do not exceed allowable costs. Requests for DL course fees under this procedure will first be certified by the Assistant Provost for eLearning prior to review and approval by the Provost or designee. Fees recommended by the Provost will be submitted to the Vice President for Financial Affairs or designee for final approval.

Implementation Date: Immediately.

Finding No. 5: Contrary to Section 1009.285, Florida Statutes, some students enrolled in the same undergraduate credit class more than twice received an exception from paying full instructional costs more than once for the same class.

Response: The following is the procedure in place to assure compliance with repeat surcharge policies.

Repeat Surcharge Appeal Procedures

(Students may only appeal a course once) (Financial Hardship must be documented)
5/17/11

Repeat Surcharge Appeals may come over the counter or via fax.

If an appeal is received over the counter:

- Date stamp the appeal.
- Check to be sure the email noted on the appeal is their FAU email address.
- Check to be sure the student has noted a term and a course for which they are appealing.
- Check SFAREGS to be sure the student is registered for the course in the term they are appealing. An "RT" will appear in the course status. If you do not see an "RT" in the course status, check TSICSRV.
- Check SHACRSE to see how many times the student took the course prior to this appeal. If you see that the student was fee liable for the course more than two times, you will need to go to VIP to see if they ever did an appeal for that course. If they did an appeal, and the appeal was approved for that course please note on the paperwork which term it was appealed and approved. The appeals that have been approved prior should be given directly to Ginny. She will then email the student that the appeal is denied because the course was approved for a waiver previously. She details in the email the course number and semester it was approved and copies the policy from the University catalog into the email.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

If the student contacts the office to ask for a special consideration of why they believe the surcharge should be waived once again, the waiver will forward to the Provost Office with all the information and wait for a final decision. The student will then be notified via email and the decision will be noted on the RCS spreadsheet log.

- If you observe that the student only took the course twice prior, you may continue to accept the appeals without further review.
- All surcharge appeals need to have a copy of the students' unofficial transcript. Ask the student to highlight the course they are appealing where ever it shows up on the transcript.

If an appeal is received via fax:

- Repeat the procedure above, but if the student has not included an unofficial transcript, you must print the unofficial transcript and highlight the course and attach to the appeal.

All appeals are logged in by the operator. Please give the completed paperwork to the operator to log in. After the appeal is logged in, the appeal is placed in a folder and sent to the Provost Office for review.

After the appeal is approved or denied by the Provost's office, the office will complete the process by noting the record accordingly. The completed appeals will be signed off by the Provost's office and initialed by the Registrar's employee indicating completion. The results are then given back to the operator to complete the log showing the outcome, email the student and scan into the record. The only exception to this procedure is when the course was approved previously, those appeals will be processed by the appropriate Registrar employee and then the appeal will be given to the operator to log in when she has completed review and notified the student of denial.

Effective May 2011, the administrative procedures outlined above were in place to avoid the situation from recurring. Staff in the Office of the University Registrar will fully research the appealing student's record to identify prior petitions for relief from the repeated course surcharge and will inform the student that he/she has already received any relief allowed under the guiding statute.

Implementation Date: May 17, 2011.

Cash Collections

Finding No. 6: The University's controls over decentralized collections needed improvement.

Mail Logs

Response: Upon recommendation from the FAU Inspector General's Office, the Athletics Ticket Office has been using a process thought to be in compliance – that of a mail log for all money received via the mail. With the expected hiring of an additional business office staff person, the process will now include signatures on a log of the person who opens the mail and the new staff member who will review it for completeness, which will include type of payment, date, and amount received.

Implementation Date: July 1, 2012

Transfer Documents

Response: The Athletics Ticket Office uses the Archtics and Host systems, which are part of the

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Ticketmaster system. When each batch and/or Host session is closed out, the Assistant Athletic Director for Ticket Operations as well as the Associate Athletic Director for Business Operations signs the batch and/or Host report. In addition, when a deposit is prepared, the form is signed by the preparer of the deposit, the individual that reviewed the deposit, who made the deposit and the date of the deposit. The Business Office also uses the same procedures when depositing non ticket revenue, such as rental revenue, etc.

Implementation Date: June 30, 2012

Voided Sales

Response: Any voided and or issuance of credits will be reviewed by a staff member and a supervisor. The person who prepares the void will sign the log and a signature of the person who approves it will also be required.

Implementation Date: July 1, 2012

Collections

Response: The Athletics Department has hired a ticket sales staff for FAU events. This staff takes orders and submits them to the Ticket Operations staff for processing. The Ticket Operations staff will then process the orders and at the close of batches, will submit to the Business Office to verify reconciliation and to make the deposit. There will be times when single game orders or an outside event orders will be taken by the Ticket Operation staff and processed. They will send the batches to the Business Office for verification of reconciliation as well as depositing the monies.

The new procedure will include the signature of the person receiving and processing collections as well as a signature of the person reconciling the collections.

Implementation Date: June 30, 2012

Owl Card

Response: The OWL Card Center has one cash register, each employee is assigned a unique number and must enter that number each time they ring up a transaction. The amount of cash collected does not necessitate adding a second register. The bulk of the cash collected in the OWL Card Center is for bus passes and ID cards. We have reduced the amount of cash collected by placing replacement id charges on the student accounts and no longer accepting debit account deposits. This has significantly reduced the amount of cash collected in the Center. For the period July 1, 2011 through December 31, 2011 the total cash collected in the owl card center was \$6,516.68. Of that, more than 50% was for the sale of bus passes. Bus passes are pre-numbered and accounted for in a log provided to us by the Board of County Commissioners. Access to the safe is limited to three (3) employees – the Assistant Director, Coordinator and Program Assistant of Business Services. The contents of the safe include the pre-number bus passes.

Implementation Date: March 1, 2012

Finding No 7: The University's controls over the issuance of complimentary athletic event tickets needed improvement.

Response: On game days, the ticket office will print the complimentary tickets, hand them to the Compliance Department employee working the game (football, men's or women's basketball) and there will be a form that is signed by both the Ticket Office as well as the Compliance employee acknowledging the number of complimentary tickets being handed out. On game days, the ticket office staff will handle all paid ticket transactions.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Implementation Date: March 1, 2012

Procurement of Goods and Services

Finding No. 8: The University's procedures for documenting management's prior authorization of student government purchases needed improvement.

Response: The Student Government office continues to enhance policies and procedures and will be heightening the approval and accountability process in the following ways:

1. Updating the internal Student Government Accounting and Budget (SGAB) Office Manual to include a process for documenting and holding account managers accountable for breeches in the policies and procedures for purchasing process.
2. All Account Managers are required to complete mandatory budgetary training, through completion of an online exam through blackboard. In order to increase compliance, the SGAB office will provide additional training sessions to account managers who utilize A&S fees throughout the year and a process will be put in place that calls for account managers who are not in compliance to go through remedial sessions. Further instances of non-compliance of University policy and process that occurs by the account manager, then student account managers will be referred to the Dean of Students and professional staff member will be referred to their immediate supervisor.
3. The SGAB Office has developed a tracking mechanism for purchase requisition and orders to be completed in a timely manner.

In addition, the SGAB will work to better educate vendors who work with Student Government programs to understand that if a Purchase Order is not in place before services are rendered, they are putting the Student Government and University at risk. Furthermore, we will stop requesting services from vendors who do not comply with University policies and procedures.

Implementation Date: June 30, 2012

Finding No. 9: The University's procedures for monitoring purchasing card usage needed improvement.

Response: On January 1, 2012 FAU lifted the restriction on p-Card gasoline purchases, making it possible to use the card for both rental vehicles and university fleet vehicles while conducting official university business. The Controller's Office will be reviewing any fuel charges made on the p-Card to ensure adherence to university policy. This modification will address past concerns where university personnel selected the p-Card as the method of payment even though the expense was appropriate. Both Purchasing and University Controller's staff will continue to work with Cardholders and Approvers to reinforce the importance of our tax exemption status, as well as the need for timely departmental approvals. Our mandatory p-Card training program will expand the module on the state's exemption process.

While we do not agree that a correlation exists solely between increased risk and the routine monitoring of activity, we do recognize that some cards may represent higher risk based on the nature of their use. For this reason management has begun to monitor the appropriateness of credit limits on certain cards and will look to convert several cards from an ongoing monthly credit limit to a "fund-as-you-go" declining balance program. Areas such as Athletic team travel, recruiting, international programs and

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

others will be considered for this program.

Implementation Date: June 30, 2012.

Tangible Personal Property

Finding No. 10: The University's procedures for investigating missing tangible personal property items needed improvement.

Response: The Controller's Office has implemented procedures to contact departments that are not responding to the Phase 3 and Phase 4 letters. When continued attempts to contact the custodians of the non-inventoried assets are not responded to in a timely manner, the request will also be forwarded to the appropriate Vice President for follow up measures.

Implementation Date: June 30, 2012.

Information Technology

Finding No. 11: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Response: The University concurs with this finding. The university has already made some immediate improvements to address the concerns raised in the audit after the audit was performed and additional reports and processes are being created and coordinated between the Information Security Officer, application security groups, and system administration groups.

Implementation Date: December 2011.

Finding No. 12: The University's IT security controls related to user authentication needed improvement.

Response: The University concurs with this finding. In response to the audit, enhanced security controls recommended by the audit have already been implemented in the most sensitive systems. For less sensitive systems and services, improvements are undergoing a phased-in approach.

Implementation Date: December 2012.