

Florida A&M University Division of Audit and Compliance

Results of the Ernst & Young Report
Internal Audit Project Support

As a result of findings that the University's Division of Audit & Compliance did not follow professional standards in performing internal audits, the University contracted with Ernst & Young to re-perform eight audits/reviews identified in an investigation conducted by Sniffen & Spellman, P.A., and to assess investigations to determine if they were performed objectively, in conformance with applicable standards, and adequately documented.

Bank Reconciliations

Finding

Bank Reconciliation procedures can be strengthened by timely preparation and review of reconciliations and defining “aged” checks. One Bank Reconciliation policy document should serve as an overarching guide to procedures.

Recommendation

Update the Bank Reconciliation policies and procedures to provide for roles and responsibilities, expected timelines for completion and review, and the handling of outstanding checks and deposits.

Corrective action

Bank Reconciliation procedures have been updated and will be reviewed on an annual basis as a part of continuous improvement.

Bank Reconciliations

Finding

Monthly bank reconciliations are not completed in a timely manner, and preparation and approval dates are not consistently documented.

Recommendation

Bank reconciliations should be prepared and reviewed timely. Renewed focus should be given to an automated bank reconciliation process through PeopleSoft.

Corrective action

The University strives to complete bank reconciliations by the 25th of the following monthly, though it sometimes takes longer due to the manual process. The University will resume the effort for automating its bank reconciliations.

Bank Reconciliations

Finding

There were outstanding checks aged in excess of 365 days. Procedures for the handling of aged, outstanding checks are insufficient.

Recommendation

Management should re-institute its process of meeting to catalogue, discuss, and resolve outstanding checks at least monthly.

Corrective action

The University will reinstitute the process of holding meetings to discuss, research, and resolve outstanding items at least monthly.

Bank Reconciliations

Finding

There were two occurrences of deposits outstanding greater than 30 days.

Recommendation

Management should re-institute its process of meeting to catalogue, discuss, and resolve outstanding checks at least monthly.

Corrective action

The University will reinstitute the process of holding meetings to discuss, research, and resolve outstanding items at least monthly.

Bank Reconciliations

Finding

Reconciling items spanned more than one period, and in some cases, across the entire fiscal year. Supporting documentation was not consistently maintained.

Recommendation

Management should re-institute its process of meeting to catalogue, discuss, and resolve outstanding checks at least monthly.

Corrective action

The University will reinstitute the process of holding meetings to discuss, research, and resolve outstanding items at least monthly.

Athletics Revenue

Finding

Adequate documentation is not maintained for revenue collected from parking, concessions, and sponsorships.

Recommendation

Define document retention policies and procedures to include specific documents required.

Corrective action

The University will continue to review and enhance procedures. A tracking mechanism has been developed for all categories of advertising and sponsorships. Event parking for home games has been transferred to the Boosters.

Athletics Revenue

Finding

There were inaccuracies found on the inventory control sheets used to document program/parking sales, and the change in/out worksheets used to document cash given to employees to be used as change.

Recommendation

Develop policies and procedures related to the sale of parking tickets and game programs, and provide additional training for all personnel involved in the process.

Corrective action

The University has developed procedures for managing parking and program sales. The Athletic Department will ensure that additional training is provided in recordkeeping and inventory control.

Athletics Revenue

Finding

Revenue accounts are not designed to consistently identify game revenue. The A-Receipts report used to document deposits sent to the cashier's office did not agree to the game day support or the general ledger.

Recommendation

Policies and procedures should specify General Ledger accounts and map the accounts to revenue types. A reconciliation of the A-Receipts and the General Ledger should be performed at least monthly.

Corrective action

The University has account codes that identify revenue collected for football games and classics, and will ensure revenues are properly recorded, classified, and reconciled to the correct General Ledger account. Reconciliations of the A-Receipts report will be performed monthly.

Athletics Revenue

Finding

Revenue recorded on the General Ledger is not reconciled to the revenue journal entry prepared by the Athletics Department.

Recommendation

Implement a reconciliation of the deposit request forms to revenues recorded on the General Ledger.

Corrective action

Reconciliation procedures have been developed to cover all categories of Athletics revenue, including revenue journal entries.

Athletics Revenue

Finding

Duties are not adequately segregated among the collection of cash, preparation of deposits, and preparation of cash journal entries to be posted to the GL.

Recommendation

Incompatible duties should be appropriately segregated.

Corrective action

Segregation of duties currently exists within Athletics. The department has added staff to support to Ticket Office and Business Office to further segregate duties and enhance internal controls.

Athletics Revenue

Finding

The vending permit contract does not consistently document standard rate per game or payment amounts due.

Recommendation

Modifications to standard contract terms and conditions should be reviewed and approved by the Athletics Director and legal counsel. Implement a process for tracking vendor payment due dates and amounts received.

Corrective action

The vendor application is being revised to ensure it contains all pertinent information. Vendor logs are now being maintained and no vendors are allowed to participate without payment.

Athletics Revenue

Finding

The University's contract with Sodexo may be unfavorable and an opportunity may exist to improve the contract's terms and impact on the University.

Recommendation

Consider revisions to the terms of the Sodexo contract or explore other options that may be more favorable.

Corrective action

The University is renegotiating the terms of its concession agreement with Sodexo. The Athletics Department will monitor the sales report and establish a tracking mechanism for revenues due. An Invitation to Negotiate has been issued to solicit proposals for a new contract for food services.

Technology Fee

Finding

The technology fee funds spent are not monitored and compared to the amount budgeted for approved projects.

Recommendation

Implement a monitoring control to track amounts spent per project and identify projects exceeding budgeted amounts.

Corrective action

The University is monitoring on a monthly basis revenue collected, budgetary activities, project proposals, and approved transactions for technology fee funds. The University will implement a system to review all proposals at the conclusion of each project and develop a project amendment process.

Technology Fee

Finding

There is not a control in place to validate that recipients of the Florida Bright Futures Scholarship do not pay technology fees with scholarship funds.

Recommendation

Implement a process to validate that technology fees are not paid with scholarship funds.

Corrective action

Currently the Bright Futures Scholarship amount is less than tuition, and scholarship funding has not been used to pay the technology fee. The University will implement a control to provide assurance that technology fees are not paid with Bright Futures Scholarship funds in the event that Bright Futures funding exceeds tuition.

Technology Fee

Finding

One project funded from Technology fees did not evidence the approval of the University President or Provost. Management was unable to provide the approval form.

Recommendation

Define document retention policies and consider additional training for employees to reiterate the importance of obtaining required approvals before initiating projects.

Corrective action

Remedial and refresher training will be provided to employees responsible for the retention and maintenance of official documents. Employees will be required to abide by all legislative bylaws governing the initiation and disbursement of technology fee funds.

Textbook Affordability

Finding

Approximately one-third of the textbooks were not adopted and posted by the deadlines established by BOG regulation.

Recommendation

Enforce the deadline by rejecting Course Book Information Request forms submitted after the deadline unless a written request is provided as required by the BOG regulation. Consider additional training for instructors and employees.

Corrective action

The University has finalized and posted on the FAMU website a document that demonstrates best practices related to textbook adoption and use. Academic Affairs will meet with each school and college to review the best practices. A process will be implemented for an exception to submit a book order after the deadline.

Textbook Affordability

Finding

Textbooks were posted without the International Standard Book Number (ISBN), copyright date, or published date.

Recommendation

Consider additional training and reiterate the importance of including required information for posting to the University website.

Corrective action

The University will coordinate with Barnes & Noble to ensure that either the ISBN or other identifying information required by regulations are entered into the text-aid system.

Textbook Affordability

Finding

The University does not perform a reconciliation of textbooks and information posted to the Text Aid System and Barnes & Noble web portal.

Recommendation

Consider implementing a weekly reconciliation of the Text Aid System and Barnes & Noble website during the weeks prior to and beginning each semester.

Corrective action

There is currently a process in place to ensure correct materials are entered. One employee enters the textbook information into the Text Aid System, and then another employee verifies the entered orders to ensure the system and website reflect the correct required materials.

Textbook Affordability

Finding

Course Book Request Forms were not retained for Fall 2010 and Spring 2011. Textbook requests are submitted through various methods, including online, fax, and outdated forms.

Recommendation

Develop a policy requiring textbook requests to be submitted via the standard Course Book Request Form, and define document retention policies.

Corrective action

Textbook requests will only be accepted on the standard Course Book Request form. Procedures will be updated to ensure use of the standard form and retention of those forms for two academic years.

Textbook Affordability

Finding

The Course Book Request form does not capture sufficient information to provide justification for the use of new editions.

Recommendation

The Course Book Request form should be updated to include justification of new editions and approval of the Department Dean or Chair.

Corrective action

The Course Book Request form will be updated to allow for more sufficient justification of new editions and approval of the Department Dean or Chair.

Textbook Affordability

Finding

University policies and procedures do not document the textbook voucher limit of \$799 per student per semester, and PeopleSoft is not designed to limit the receipt per semester.

Recommendation

Update policy and procedure to reflect the voucher limit, and update PeopleSoft to include the limitation per student per semester.

Corrective action

Procedures will be updated to reflect the book voucher limit, and an edit will be added to PeopleSoft that will prevent a student's cumulative total from exceeding the book voucher limit.

Sub-recipient Monitoring

Finding

Policies and procedures could be strengthened by adding/enhancing:

- Process for monitoring A-133 audit compliance
- Performance of annual risk assessment to determine follow-up of findings noted in A-133 reports
- Composition of training team and evidence of training
- Identification of a timeframe for current indirect cost rate

Recommendation

Consider making the described revisions.

Corrective action

The policies and procedures will be updated to include a review of the indirect cost rate for sub-recipients, performance of annual risk assessment, and monitoring of A-133 audits. Training will be provided to Principal Investigators and staff and documented through the University's Organizational Training and Development Office.

Sub-recipient Monitoring

Finding

The Office of Sponsored Programs and Division of Audit and Compliance do not consistently maintain, review findings from, or ensure corrective action of findings on the A-133 reports.

Recommendation

Policies and procedures should be updated to place the responsibility of requesting, receiving, and retaining A-133 reports with the Office of Sponsored Programs, and the review of findings and corrective actions with the Division of Audit and Compliance.

Corrective action

The appropriate policies and procedures will be updated.

Sub-recipient Monitoring

Finding

Two sub-recipient payments did not evidence approval prior to payment. These invoices did not follow the standard procedures and were sent directly to the department sub-contracting the work rather than the Office of Sponsored Programs.

Recommendation

Consider additional training for department employees, reiterating the importance of review and approval by the Office of Sponsored Programs.

Corrective action

Training will be provided to departmental employees. All sub-recipient invoices are now submitted to Accounts Payable through ImageNow, reducing those invoices submitted directly by departments.

Contracts and Grants Expenditures

Finding

Policies and procedures could be strengthened by updating:

- Purchasing Department's roles and responsibilities
- Responsibilities for maintenance of documentation
- Names of the Financial Status reports for A-133
- Process for review and approval of final technical reports
- Process for monitoring A-133 audit compliance

Recommendation

Consider revising and strengthening indicated policies and procedures.

Corrective action

The Division of Research will review and revise appropriate policies and procedures.

Insurance Coverage on Buildings

Finding

The insurable value calculation did not evidence review and approval of the Director. The approval is informal and not documented.

Recommendation

The computation of insurable values should evidence the review and approval of the Director.

Corrective action

The computed insurable values and actual cash values for buildings and other structures and improvements will be reviewed and signed by the Director.

Insurance Coverage on Buildings

Finding

Policies and procedures do not address the process for determining insurable values, frequency of the computation, or the addition or removal of assets.

Recommendation

Revise policies and procedures to detail the process. Include a process for reconciliation of asset additions and disposals to the fixed asset sub-ledger.

Corrective action

Policies and procedures will be reviewed and revised to ensure they include the process for determining insurable values, frequency of the computation, the addition or removal of assets, and reconciliation to the fixed asset sub-ledger.

Investigations

Findings

Policies and procedures governing the conduct of investigations did not exist, creating a lack of consistency.

Files did not include original complaint and investigator name, or certification of the investigator's independence and objectivity.

Work papers were not clearly and completely documented to support findings in the reports.

The review of policies, procedures, controls, and contracts applicable to the investigation was not consistently documented in work papers.

Two reports were not finalized.

Investigations

Recommendations

Develop a consistent and objective methodology for conducting investigations to include:

- Overall policies and procedures governing the investigation process;
- Intake form to document complaints;
- Certification of independence and objectivity by the investigator; and
- Standard reporting templates and report distribution requirements.

Consideration should be given to the cost-benefit of implementing a consistent case management system for all complaints received by the Division.

Investigations

Corrective Actions

Operating procedures governing the investigation process were adopted in May 2012 to provide a methodology and consistency with which investigations are to be performed. The procedures also include an intake form, independence and objectivity certification form, review requirements, and a reporting format. In February 2012 the Division began using the tracking mechanism within the ethics hotline web portal to track all complaints received by the Division.

- Questions and Comments