

FLORIDA INTERNATIONAL UNIVERSITY

Operational Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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April 1, 2009, through June 17, 2009.

The audit team leader was Marilyn E. Tolley, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. For the information technology portion of this audit, the audit team leader was Kathy Sellers, 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.

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FLORIDA INTERNATIONAL UNIVERSITY

SUMMARY

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

Finding No. 1: The University did not have written comprehensive fraud policies approved by the Board.

Finding No. 2: The University did not have written policies and procedures for direct purchases of construction materials and did not always take advantage of sales tax exemptions by making direct purchases of construction materials, or document why such purchases would not result in cost savings to the University.

Finding No. 3: The University had not established policies and procedures prescribing minimum liability insurance coverage for design professionals and needed to enhance its procedures to ensure that insurance coverage for design professionals is provided through completion of the project.

Finding No. 4: The University did not provide the required written statements to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 5: The University's controls over parking citation receivables needed improvement.

Finding No. 6: Tangible personal property records were not always complete and accurate.

Finding No. 7: Tangible personal property deletion survey forms were not always properly completed.

Finding No. 8: Vehicle usage logs were not always complete and did not include evidence of supervisory review.

Finding No. 9: The University had not implemented adequate procedures to monitor the reasonableness of fuel consumption.

Finding No. 10: The University needed to improve controls over collections received at the School of Hospitality and Tourism Management.

Finding No. 11: Controls over the purchasing card program needed improvement.

Finding No. 12: Improvements could be made in the competitive procurement process for purchases made through the University's purchasing card program.

Finding No. 13: Payments to vendors were not always pursuant to written contractual agreements or detailed purchase orders.

Other Matter: An investigation of the University's Purchasing Card program by the University's Office of Internal Audit disclosed improper use of purchasing cards and questionable payroll transactions.

BACKGROUND

Florida International 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

Finding No. 1: Policies for Reporting Fraud

The University had not developed a comprehensive fraud policy approved by the Board of Trustees for communicating and reporting known or suspected fraud. University Policy 125.205, provides that the University's Office of Internal Audit (Internal Audit) shall investigate allegations of financial fraud, waste, abuse, wrongdoing, and any whistleblower complaints. Although not stated in the policy, the Internal Audit's Web site provides a hot line for employees to call and report fraud. In addition, University policies exist for handling anonymous complaints and disciplinary actions for University employees. However, there are no fraud policies that clearly identify actions constituting fraud, incident reporting procedures, and consequences for fraudulent behavior. Effective fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Furthermore, in the absence of a comprehensive fraud policy, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

Recommendation: The University should develop comprehensive fraud policies for the detection, prevention, and reporting of fraud. These policies should be submitted to the Board of Trustees for their approval.

Finding No. 2: Direct Purchase of Construction Materials

Section 1013.45(1), Florida Statutes, authorizes the University to contract for the construction of facilities with a construction manager (CM) to be responsible for scheduling and coordinating construction during both the design and construction phases, and generally responsible for the successful, timely, and economical completion of the construction project. The Statute further provides that the CM may be required to offer a guarantee maximum price (GMP). The University is exempt from paying sales tax on direct purchases as provided by Section 212.08(7)(o), Florida Statutes, and can take advantage of this exemption by directly purchasing certain goods (e.g., materials, equipment, and or fixtures) for construction projects.

Although the University did not have written policies and procedures providing for the direct purchase of construction materials for capital construction projects, our review of seven construction projects in progress during the 2008-09 fiscal year, indicated that the University utilized the direct purchase of materials on certain projects. In these instances, the University included an owner direct purchase option in its agreements with contractors. Contractors were required to provide a detail of sales taxes in their bids for material supplies and equipment, and the

University reserved the right to make direct purchases of various construction equipment, materials, or supplies included in the contractors' bids. However, for one of the projects we reviewed related to the construction of the Nursing and Allied Health Building (formerly called the College of Nursing and Health Sciences' Molecular Biology Building), which began on August 1, 2008, the agreement did not require the CM to quantify and document in its GMP proposal the sales tax saving associated with the direct purchase of goods. Nor did the University, of record, attempt to make any direct purchases of materials for this construction project or document why it was not in the University's best interest to do so.

As of June 30, 2009, according to University records, the adjusted contract amount for this project totaled approximately \$34 million while the amount expended to date was approximately \$24 million. As indicated by the following schedule of values for this project, as of June 30, 2009, construction materials were a significant part of the construction costs of this project:

- Cast in Place of Concrete – \$3,883,262
- Architectural Pre-Cast Concrete Panels – \$1,626,383
- Miscellaneous Metal – \$666,450
- Metal Wall Panels – \$800,022
- Window Systems – \$2,715,278
- Drywall – \$1,105,301
- Elevators – \$429,307
- Plumbing – \$922,845
- HVAC & HVAC Controls – \$3,254,173

We requested, but were not provided, a detail of construction material purchases for this project. Further, while it may not be feasible to directly purchase all construction materials from vendors, the University could have directly purchased a portion of the required construction materials and benefited from the resulting sales tax savings. For example, for every \$1 million of construction materials directly purchased, the University would have realized savings of approximately \$70,000, assuming a sales tax rate of 7 percent.

Recommendation: The University should establish written policies and procedures for the direct purchase of construction materials. In addition, for future construction contracts, the University should take advantage of sales tax exemptions or document how the University obtained greater savings by the CM making the purchases.

Finding No. 3: Design Professionals Liability Insurance

Although the University's design professional contracts include an insurance requirement to maintain professional liability coverage with insurance coverage at a designated amount, the University had not implemented a policy establishing minimum insurance requirements for design professionals, such as architects and engineers.

During the 2008-09 fiscal year, the University increased the professional liability insurance coverage from \$1 to \$3 million for one design professional, and from \$1 to \$2 million for other design professionals that worked on University projects. Although, the established coverage was to be maintained throughout the duration of the project or the agreement, as applicable, there was no documentation to evidence the basis for establishing the insurance coverage amounts at \$1, \$2, or \$3 million. Adopting policies and procedures for prescribing minimum liability

insurance requirements for design professionals would help protect the University in the event that deficiencies exist in the work performed by these professionals.

We also noted that procedures were not in place to ensure that the University was actively monitoring the renewal of insurance coverage. Our review of professional liability insurance coverage disclosed the following:

- Project BT 833 – Nursing and Allied Health Building (formerly called the College of Nursing and Health Sciences' Molecular Biology Building) – Construction costs of approximately \$34 million:

On February 18, 2009, we requested the University provide proof of continuing liability coverage for the design professional on this project. Although the certificate of insurance provided indicated that the firm had coverage of \$3 million from December 31, 2008, through December 15, 2009, it was dated March 10, 2009, which was subsequent to our request and 69 days after the start of the extended coverage period.

- Project BT 817 – Utilities, Infrastructure, Capital Renewals, Roofs (multiple minor projects) – Construction costs of approximately \$7 million:

We reviewed insurance documents for one of the design professionals that worked on these minor projects. On February 18, 2009, we requested the University provide proof of continuing liability coverage for the design professional. Although the certificate of insurance provided indicated that the firm had coverage of \$1 million from August 26, 2008, to August 26, 2009, it was dated February 26, 2009, which was subsequent to our request and 184 days after the start of the extended coverage period.

- Project BT 867 – Utilities, Infrastructure, Capital Renewals, Roofs (multiple minor projects) – Construction costs of approximately \$5 million:

We reviewed insurance documents for one of the design professionals that worked on these minor projects. On February 18, 2009, we requested the University provide proof of continuing liability coverage for the design professional. The certificate of insurance provided listed the firm's commercial general and auto liability coverage of \$1 million for the period August 1, 2008, to August 1, 2009; however, it did not list the required professional liability coverage and, therefore, was incomplete. In addition, it was dated February 26, 2009, which was subsequent to our request and 209 days after the start of the coverage period.

University personnel indicated that the required insurance coverage was obtained at the commencement of the project and, after that point, it was the Project Manager's responsibility to make sure that valid certificates of insurance are on file. However, the failure to adequately monitor the renewal of professional liability insurance coverage may result in the University being liable for significant amounts of the costs for repairs or remediation work in the event that deficiencies exist in the work performed by design professionals.

Recommendation: The University should establish written policies and procedures prescribing minimum liability insurance coverage requirements for design professionals. Additionally, the University should enhance its procedures to ensure that insurance coverage for design professionals is provided through completion of the project.

Finding No. 4: 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 119.07(5)(a), Florida Statutes, provides that an agency may not collect an individual's SSN unless the agency 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 that agency's duties and responsibilities as prescribed by law. Additionally, this Section requires that an agency collecting an individual's SSN provide the individual with a copy of the written statement indicating the purpose for collecting the number, and that SSNs collected by an agency will not to be used for any purpose other than the purpose provided in the written statement. This Section also requires that each agency 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, the University collected SSNs from employees, prospective employees, students, and certain vendors. Prior to our inquiries in March 2009, University procedures were not adequate to comply with Section 119.07(5)(a), Florida Statutes, as follows:

- Although, the University posted general information on its Web site for students to read about the collection and usage of SSNs, this procedure did not ensure that the student would get direct notification. Effective April 2009, the University incorporated a mandatory link, providing the required written statement for collection of SSNs, as part of the online student application.
- The University did not provide new employees with a written notification explaining the purpose for collection of SSNs. Effective March 2009, the University developed a form to provide written notifications to new employees.

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 that the required written statements are provided to individuals when their SSNs are collected to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 5: Parking Citations Receivables

Department of Parking and Transportation (Department) records indicated that accounts receivable for parking citations totaled approximately \$3.2 million as of June 30, 2009. This included amounts due from students and visitors. As similarly noted in our report No. 2008-120, our review disclosed that the University's controls over parking citations receivables needed improvement. Our test of 40 parking citations (20 issued to students and 20 issued to visitors) disclosed the following:

- For 8 of 20 citations issued to visitors from September 15, 2008, through January 26, 2009, University personnel had not, of record, obtained from the Florida Department of Highway Safety and Motor Vehicles or other sources identifying information (such as name and address) necessary for collection. Subsequent to our inquiry, for one of the citations dated September 15, 2008, the University obtained identifying information on August 14, 2009.
- The Department's Collection Policy 11.9.1, requires a registration hold be placed on the records of current students for nonpayment of parking citations older than 120 days. In addition, the policy requires a transcript and diploma hold be placed on the records of any student with a student identification number for citations older than 10 days. Our review of 20 students with citations disclosed that:
 - For 4 of 14 current student citations tested, registration holds were placed 30 to 95 days late.

- For 8 of 20 student citations tested, the transcript and diploma holds were not placed timely. For 7 of these citations, the holds were placed 24 to 205 days late and for the other citation the hold was never placed on the student's transcript, although the citation was later paid.

The absence of obtaining identifying information for visitor issued citations, and the failure to timely place registration or transcript and diploma holds on records of students that do not pay amounts owed for parking citations, limits the University's collection efforts.

Recommendation: The University should ensure that sufficient identifying information is obtained for all individuals issued parking citations and that academic holds are timely placed on students' records for nonpayment of obligations.

Finding No. 6: Tangible Personal Property Records

To ensure proper accountability and safeguarding of tangible personal property, the University should maintain adequate records of property items. In addition, property items not located during physical inventory counts should be promptly reported to the property custodian, a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency. The University's Property Control Manual (Manual) requires the Property Control Department (Department) to establish guidelines and procedures governing the accountability, control, transfer, and ultimate disposal of tangible personal property. The Department is to be notified in writing when property items are transferred, deleted, or surplus.

The University reported tangible personal property of approximately \$150 million at June 30, 2009. We selected 30 items from the property records for physical observation. As similarly noted in our report No. 2008-120, our review disclosed inaccuracies in the University's tangible personal property records, as follows:

- We noted 4 items, with a total cost value of approximately \$41,000 that could not be located. The items included two analyzers, a camera, and a computer workstation. Upon audit inquiry, University personnel found the two analyzers off campus; however, forms authorizing the use of the items off campus had not been completed. Subsequent to our review, the camera was determined stolen and a survey form was completed to request deletion of the item from the property records; however, University personnel did not report the stolen item to an appropriate law enforcement agency. The computer workstation was found subsequent to our review.
- We noted 10 items, with a total cost value of approximately \$36,000, were at locations other than those reported in the property records. Contrary to the Manual, forms authorizing the transfer of these property items to locations other than those noted in the property records were not prepared.

Failure to maintain accurate tangible personal property records limits accountability and increases the risk that property items may become lost, stolen, or otherwise not properly accounted for.

Recommendation: The University should strengthen its procedures to ensure that the property records are complete and accurate. When University personnel cannot locate property items, missing property item reports should be filed with the appropriate law enforcement agency. Also, property transfer forms or off-campus use forms should be completed to document approval for transfers or off-campus use of property.

Finding No. 7: Property Deletions

University records indicated that tangible personal property with a total cost value of approximately \$4.8 million was deleted from the property records for the 2008-09 fiscal year.

The University's Property Control Manual (Manual) requires property custodians to complete survey forms to request the deletion of property items and provide the reasons for the requested deletions. If the request is being made because of an inventory shortage (i.e., a missing property item), a statement explaining the circumstances is also required, including the corrective action to be taken to prevent subsequent shortages. If the request is being made to have property declared surplus, the form should indicate that the item is obsolete, inoperative, unserviceable, or that the continued use is uneconomical or inefficient, or serves no useful function.

For surplus property requests, the property custodian must also submit a memo to the Property Control Department listing the surplus items by tag and description, then the items would be moved by the Campus Services Department to the surplus warehouse for storage, and the items would be removed from the department's property records pending approval for final disposition.

As similarly noted in our report No. 2008-120, our test of 30 items deleted from the property records during the 2008-09 fiscal year, disclosed 13 property items, with a total cost value of approximately \$40,000, for which survey forms were not properly completed, as follows:

- The survey forms for 7 property items indicated that the items were being deleted due to inventory shortage. However, contrary to the Manual, the survey forms did not document the corrective action to be taken to prevent another shortage. Subsequent to our audit inquiry, University personnel obtained the required corrective action memos.
- The survey forms for 6 property items indicated that the items were being deleted because they had been declared surplus. However, contrary to the Manual, the items remained in the department's property records and there was no documentation evidencing that the property custodians had sent the required memos to the Property Control Department requesting that these items be declared surplus.

Properly completed survey forms reduce the risk of misappropriation of property items and provide for increased accountability.

Recommendation: The University should strengthen its procedures to ensure accurate completion of survey forms for property deletions.

Finding No. 8: Vehicle Records

University records indicated that there were approximately 180 University-owned vehicles as of June 2009. University Policy 540.005, which became effective July 2008, stated that University vehicles are not to be used for personal use. Although the revised policy no longer required that vehicle trip logs be maintained to document each trip taken by the vehicle user department, University personnel indicated that department heads are asked verbally to complete and submit vehicle logs to the Vehicles Services Department (Department). We were further informed that Department personnel verify the signatures and vehicle numbers and then file the logs in each vehicle's folder.

Our review of 15 vehicles used for off-campus travel disclosed that vehicle trip logs continued to be used for 14 of the 15 vehicles. The vehicle trip log provided preprinted areas to document the driver's name, destination, and purpose of the trip, date, time, and mileage. The log also provided an area for the driver's supervisor to sign as

evidence of supervisory review of the log. We reviewed the vehicle logs prepared for the 14 vehicles. We noted one or more of the following deficiencies for 6 of the 14 vehicle logs tested:

- The logs for 3 vehicles did not include a supervisor's signature to evidence supervisory review.
- The log for 1 vehicle did not disclose the destination of the trip.
- The logs for 3 vehicles had gaps between the ending mileage on one trip and the beginning mileage on the next trip. The gaps in mileage ranged from 72 to 4,519 miles.

Similar findings were noted in our report No. 2008-120. Accurate vehicle trip logs serve to document that vehicle use is for a University purpose and timely supervisory review of these records would further ensure the accuracy of the records.

Recommendation: The University should implement procedures to ensure that University-owned vehicle usage is adequately documented and approved by the vehicle user department.

Finding No. 9: Monitoring Fuel Efficiency of Vehicles

University records indicated that during the 2008-09 fiscal year fuel expenses totaled approximately \$244,000. The University has a computerized fuel system in place that is programmed to identify the University vehicle by wireless interface prior to fueling and automatically captures the vehicle's current odometer reading, date and time of transaction, fuel quantity, and fuel type. The automated process only takes place on those vehicles that had the fuel systems installed and programmed. The fuel system generates several reports that provide management vehicle fuel usage information, such as transaction date, vehicle operator, odometer reading, and fuel quantity for each refueling.

We selected 15 vehicles to determine the reasonableness of fuel consumption by calculating miles per gallon, using the odometer readings shown on the fuel system reports for two months during the 2008-09 fiscal year. We noted one or more of the following deficiencies for 10 of the 15 vehicles tested:

- For 4 vehicles, we noted errors in odometer readings that distorted the calculation of miles driven between refueling.
- For 1 vehicle, the odometer readings were not transmitted to the system.
- For 5 vehicles, the odometer readings, as shown on the fuel system report on the date of fueling the vehicles, were not within the range of miles driven for the same dates as shown on the vehicle's trip logs. The differences noted in odometer readings ranged from 416 to 2,933 miles.
- For 1 vehicle refueled at Biscayne Bay Campus, manual fuel logs were used; however, these logs did not require the user to record the odometer reading when refueling.

Although University procedures provided for the Vehicle Services Department (Department) to forward the fuel system reports with fuel bills to the appropriate department head, and the department heads were to review the reports and notify the Department of any inconsistencies, University records did not document such reviews or how exceptions noted were resolved.

Similar findings were noted in our report No. 2008-120. Under these circumstances, the University has limited assurance of the reasonableness of fuel consumption and there is increased risk that unauthorized use of University fuel may be made.

Recommendation: The University should continue its efforts to monitor the reasonableness of fuel consumption, but should also establish monitoring procedures sufficient to ensure the accuracy of odometer readings recorded in the system. In addition, University records should document the resolution of exceptions disclosed by monitoring procedures.

Finding No. 10: Decentralized Collections – The School of Hospitality and Tourism Management

The School of Hospitality and Tourism Management (Department) collected fees for Wine Certificate programs, seminars, trainings, and non-credit courses. According to University records, collections received in the form of checks totaled approximately \$236,000 during 2008-09 fiscal year.

The Department's collection procedures were the subject of an audit performed by the University's Office of Internal Audit. The Office of Internal Audit's audit report, dated July 31, 2008, disclosed that the Department's functions of receipting, depositing, and reconciling collections were not properly separated, and that no logs were used to document the receipt of checks.

Our current review disclosed that the Department's collection procedures still needed improvement, as follows:

- Checks were not restrictively endorsed immediately upon receipt to limit their negotiability in the event of loss or theft.
- A mail receipt log was not prepared upon receipt of mail collections. A log was prepared by the Assistant Director from documentation received from the Secretary after the collections were remitted to the Student Financials Office for subsequent deposit. The failure to prepare mail receipt logs at the initial point of collection limits the effectiveness of the controls afforded by the use of such logs.
- Transfer documents were not used to evidence the transfer of collections between employees. Without use of transfer documents, responsibility for collections cannot be fixed to one individual should a loss or theft occur.
- University personnel did not periodically reconcile collections remitted to the Student Financials Office to the accounting records. Absent such reconciliations, the University cannot be assured that all collections have been properly accounted for and deposited in the University's accounts.

Recommendation: The University should strengthen procedures at the School of Hospitality and Tourism Management to ensure that checks received are restrictively endorsed, and recorded to a mail receipt log, immediately upon receipt; transfer documents are used to evidence the transfer of collections between employees; and collections remitted to the Student Financials Office are periodically reconciled to the accounting records.

Finding No. 11: Purchasing Card Program

The University administers a purchasing card program in which it provides credit cards to authorized personnel to procure certain goods and services. The University developed a Purchasing Card Manual (Manual) that addressed policies, procedures, and controls over the purchasing card program. According to the Manual, purchasing cards are designed to handle and expedite low dollar purchases of goods and services in a more effective, efficient, and economical manner than may be achieved through the purchase order system. The University contracted with a financial institution to issue the purchasing cards and to process purchases. Purchasing cards were issued to approximately 1,240 University employees as of June 2009, and purchasing card expenditures totaled approximately \$19.1 million during the 2008-09 fiscal year. Our review of purchasing card procedures, and testing of transactions, disclosed that the University's controls over the purchasing card program needed improvement, as discussed below.

Purchasing Card Credit Limits

The Manual established credit limits for each cardholder at \$1,000 for single transactions, and \$5,000 for total monthly transactions; however, the Manual does provide for temporary and permanent increases in these limits with proper approval.

Our review of the credit card limits assigned to purchasing cardholders during the 2008-09 fiscal year disclosed 64 cardholders that had monthly credit limits in excess of \$25,000. As shown in Table 1 below, ten of these cardholders had monthly credit limits ranging from \$75,000 to \$300,000, and had single transaction credit limits ranging from \$12,000 to \$140,000:

Table 1		
Examples of Employees with High Credit Limits		
Employee Title	Maximum Monthly Credit Limit	Maximum Single Transaction Limit
Former Controller	\$ 300,000	\$ 12,000
Senior Associate Athletic Director	150,000	140,000
Senior Director - Facilities Operations	100,000	30,000
Assistant Baseball Coach	100,000	20,000
Asst. A.D. Event MGT/OPS - Intercollegiate Athletics	80,000	20,000
Associate Director University Library	100,000	15,000
Sr. Administrative Assist. - Football Department	100,000	15,000
Assistant Men Basketball Coach	80,000	20,000
Coordinator of Admin. Services - Office of Publications	80,000	20,000
Director at the Kovens Conference Center	75,000	30,000

Examples of purchasing card transactions made by the 10 cardholders noted above that exceeded the \$1,000 limit established for single transactions are shown in Table 2, below:

Table 2			
Examples of High Dollar Purchases Made With Purchasing Cards			
Date	Amount	Description	Cardholder
07/01/08	\$ 5,934.00	Diversity Magazine - Spring 2008	Coordinator of Administrative Services - Office of Publications
07/07/08	6,815.00	College of Medicine Viewbook	Coordinator of Administrative Services - Office of Publications
07/22/08	6,154.00	Photo Gallery/Calendar 08	Coordinator of Administrative Services - Office of Publications
10/09/08	15,379.64	Lodging	Assistant A.D. Even MGT/OPS Intercollegiate Athletics
10/13/08	5,439.00	Ground Transportation	Assistant A.D. Even MGT/OPS Intercollegiate Athletics
10/29/08	13,218.16	Football Uniforms	Senior Administrative Assistant - Football Department
11/07/08	9,832.76	Football Uniforms	Senior Administrative Assistant - Football Department
11/10/08	9,700.00	Football Uniforms	Senior Administrative Assistant - Football Department
11/12/08	30,328.01	Books for Fall 2008	Senior Associate Athletic Director
11/12/08	15,819.81	Books for Fall 2008	Senior Associate Athletic Director
12/04/08	4,166.00	Thanksgiving Card and Envelope	Coordinator of Administrative Services - Office of Publications

We were informed by University personnel that some of the cardholders listed in Table 1 needed high credit limits for their position. However, granting these higher monthly credit and single transaction limits is not consistent with the University’s Manual, which provides that the purchasing cards are designed to handle and expedite low dollar purchases.

We also noted that there was no evidence that high dollar purchasing card transactions were closely monitored to ensure that purchases did not circumvent competitive procurement policies. When maximum transaction limits are not enforced for purchasing cards, the risk increases for personnel to make high dollar purchases or split purchase orders that bypass bid procedures (see further discussion in Audit Finding No. 12 - *Competitive Procurement*).

Purchasing Card Cancellations for Former Employees

We reviewed the purchasing card accounts of 76 former employees who terminated employment between July 1, 2008, and January 23, 2009. Our review disclosed 33 instances in which the former employees' purchasing cards were not cancelled in a timely manner. The delays in cancellation ranged from 7 to 75 days after the date of termination of employment. For one of these purchasing cards, charges totaling approximately \$62,850 were made after the former employee's termination. This account was in the name of the former Controller and was used by another University employee to process the direct billing of travel transactions. Our review of these transactions disclosed that these transactions were adequately supported and were for valid expenses of the University; however, when purchasing card accounts of former employees are not timely cancelled, there is an increased risk that unauthorized purchases may be made. A similar finding was noted in our report No. 2008-120.

Sales Tax Exemption

The Manual indicates that the cardholder must advise the vendor that the transaction is exempt from sales tax. If the vendor does not honor the tax exemption or deduct the sales tax from the charge, the cardholder should provide an explanation on the purchasing card receipt. We noted 14 instances, totaling \$364, in which sales tax was paid with no explanation shown on the receipt. Without an explanation of the reason for paying sales tax, the cardholder may have incurred an unnecessary cost to the University. Subsequent to our review, University personnel indicated they had developed a process to identify sales taxes paid.

Restriction on Purchases

The Manual lists numerous items that are not allowed to be purchased using the purchasing cards. These items are to be obtained by submitting a purchase request to Purchasing Services. Examples of purchases that are not allowed include: personal purchases, FIU parking decals, gift cards, appliances, computers, hazardous materials and chemicals, plaques and trophies exceeding \$100, unauthorized entertainment, food purchases including restaurant meals (unless authorized in advance), and cellular telephone services and accessories (unless authorized in advance). Our review of purchasing card transactions identified purchases that were not allowed, or did not appear to demonstrate an authorized valid public purpose, as described below:

- *Personal Purchases:* Four purchases totaling \$566 for four employees' professional license renewals or certifications. University personnel did not provide documentation evidencing that these purchases were allowed.
- *FIU Parking Decals:* Two purchases totaling \$492 by the Student Government Association for FIU parking decals.
- *Gift Cards:* Purchases totaling \$4,500 for gift cards. University personnel indicated that the gift cards were purchased by the Department of Psychology for parents of children participating in a study. Although not provided for in the Manual, the Department did obtain prior authorization from the Purchasing Card Coordinator; however, a complete accounting of the gift cards distributed was not provided.
- *Appliances:* Three purchases of appliances totaling approximately \$1,400. The appliances consisted of a freezer, mini-refrigerator, and an electric range.
- *Computer:* One purchase of an office computer for approximately \$1,900.

- Hazardous Materials and Chemicals: Purchases of hazardous materials totaling approximately \$3,800, as disclosed by our review of purchases classified as chemicals or lab supplies.
- Plaques and Trophies: Two purchases of individual trophies or plaques totaling \$131 and \$139, respectively.
- Cellular Telephone Service and Accessories: Cellular telephone services totaling \$571 from July 2008 through May 2009. Supporting documentation did not evidence that a Cellular Phone Allowance/Purchase Request Form was completed and that an exception was granted prior to the charges. Subsequent to the charges, an authorization was obtained on June 4, 2009, from the Vice President of Academic Affairs.
- Travel Expenses: The Manual provided that cards may be used for lodging costs at domestic and foreign hotels with the maximum daily room rates based on the United States General Services Administration (GSA) for domestic lodging and the United States Department of State - Foreign Per Diem Rates for foreign travel. The rates apply for all hotel rooms unless the specific meeting or convention is being held at the same hotel where the cardholder is lodging. Our review disclosed four instances in which the daily room rate for lodging exceeded the authorized GSA or foreign per diem rate from \$86 to \$414. In these instances, a specific meeting or convention was not being held at the same hotel where the cardholder was lodging.

The Manual provided that purchasing cards can be used to pay for taxis/cab fare when employees are on travel status. However, our review disclosed two purchases of luxury transportation services to and from the airport for \$160 and \$128, respectively. Supporting documentation did not justify the reason for using the more expensive luxury transportation services.

- Restaurant Meals and Entertainment: Restaurant meals and entertainment were generally not included in the list of items allowed by the Manual unless they were authorized in advance. Effective February 1, 2009, the University began requiring that food purchases, including restaurant meals be authorized in advance by completing a Food Authorization Form. Our review disclosed that supporting documentation for some purchases of restaurant meals and entertainment did not show evidence of prior authorization, a detailed receipt, or demonstrate an educational purpose. Examples of some of these purchases are shown in Table 3, below:

Table 3			
Examples of Restaurant Meals and Entertainment Purchases			
Date	Amount	Vendor Category	Description
07/03/08	\$ 950.82	Bowling Alley	Purchase of food, and rental of shoes and lanes. The cardholder indicated that the purchase was for a field excursion for students to see the application of math, physics, and engineering. There was no documentation evidencing prior authorization.
12/12/08	3,250.00	Sporting Facility	Purchase of 10 FedEx BCS Football National Championship tickets. According to the University, nine of the tickets were given to donors for cultivation purposes. The tickets were paid from athletic funds. There was no documentation evidencing prior authorization.
03/18/09	2,510.50	Restaurant	Purchase was made for a staff development event. An itemized receipt was not provided to determine the allowability of items purchased.
05/14/09	875.00	Restaurant	The University paid \$6,435 for a masters program graduation dinner, which allowed one guest per student. This amount included 25 dinners totaling \$875 in excess of those allowed by this function.

Without sufficient, appropriate supporting documentation and supervisory approval of purchases, there is an increased risk that such purchases may not be for valid authorized public purposes, and when policies and procedures are not followed, there is an increased risk that the University could incur unnecessary costs.

Recommendation: The University should enhance procedures to ensure that purchasing card credit limits serve the intended purpose of its purchasing card program; credit limit increases that allow for high dollar transactions are closely monitored to ensure that purchases do not circumvent competitive procurement policies; the purchasing card accounts of former employees are closed in a timely manner; purchasing card purchases and supervisory approval of charges are made in accordance with established procedures; and cardholders maximize savings by taking advantage of the University's tax exempt status when using the purchasing card.

Finding No. 12: Competitive Procurement

Board of Governors Regulation 18.001, Purchasing Regulations, requires each university board of trustees to establish a competitive solicitation threshold not greater than \$75,000 for the purchase of commodities or contractual services. Additionally, this regulation establishes that the purchase of commodities and contractual services shall not be divided (split purchase order) to avoid the requirement of competitive solicitation. Accordingly, the University's Purchasing Procedures Manual (Manual) required that all purchases of commodities, contractual services, or deferred payment contracts in excess of \$75,000, be made by competitive solicitation, unless otherwise exempted. In addition, the splitting of orders, and failure to combine orders, when practical, to keep the total cost below the competitive solicitation threshold is prohibited.

Our review of payments made to vendors, processed through the University's purchasing card program, from July 2008 through May 2009, disclosed numerous purchasing card transactions for which orders of goods and services made from the same vendor were not combined. As a result, in these instances, the University was precluded from the benefit of a competitive solicitation process as noted below:

- A vendor was paid approximately \$409,000 for student meals on behalf of the University's various masters' programs and student certifications. These are programs for which value-added fees are collected from the students. Although requested, we were not provided with competitive selection documentation for these services, nor was there evidence that such services were exempt from a competitive selection process.
- A vendor was paid approximately \$130,000 for student meals related to various masters' programs conducted at an off-campus facility. These are programs for which value-added fees are collected from the students. These services were provided pursuant to an agreement, which allowed the vendor to generally provide food, beverages, and other items at the facilities. Although requested, we were not provided with competitive selection documentation for these services, nor was there evidence that such services were exempt from a competitive selection process.
- Two vendors were paid approximately \$167,600 and \$88,400, respectively, for business cards, letterheads, brochures, catalogs, posters, commencement program booklets, and invitations without the benefit of a competitive solicitation process. We were informed by University personnel that various departments incorrectly used these vendors for the above-mentioned services instead of using a contracted vendor. On August 26, 2009, University personnel indicated that they corrected this practice and that departments were now using the contracted vendor.

When goods and services are purchased without the benefit of a competitive selection process, the University is not assured that it is obtaining goods and services at the best price consistent with acceptable quality. Subsequent to our review, University personnel indicated they had developed a process to monitor cumulative payments to vendors to identify goods and services that may be subject to a competitive selection process.

Recommendation: The University should ensure that goods and services are procured using a competitive selection process as required by Board of Governors Regulation 18.001 and the University’s Manual, or properly document that such procurements are exempt from competitive selection requirements. In addition, procedures should be enhanced to ensure that purchases are not split that otherwise would be subject to the University’s competitive selection process.

Finding No. 13: Contractual Agreements

As a matter of good business practice, significant procurements of goods and services should be evidenced by written agreements or detailed purchase orders embodying all provisions, conditions, and deliverables of the procured goods or services. The use of a well written, complete, and properly executed written agreement protects the interests of both parties, defines the services to be performed or the goods to be delivered, and provides the basis for payments.

Our review of payments to vendors from July 2008 through May 2009, processed through the University’s purchasing card program, disclosed that a significant number of purchases were made from certain vendors without the benefit of an executed written agreement or detailed purchase order. The detail of these instances is shown in Table 4, below:

Table 4		
Types of Goods and/or Services	Number of Vendors	Approximate Payments Made
Business Cards, Brochures, Envelopes with Logo, and Postcards	1	\$56,800
Contraceptives	2	\$29,800 and \$21,700
Employment and Promotional Advertisement	2	\$109,700 and \$53,100
Vaccines and Labaratory Tests	2	\$47,300 and \$24,300

A similar finding was noted in our report No. 2008-120. When payments are made to vendors without the benefit of written agreements or detailed purchase orders, the University has limited assurance that it is receiving the goods and services to which it is entitled at agreed upon prices and has limited ability to resolve disputes with vendors related to the nature of the services and goods received.

Subsequent to the end of the 2008-09 fiscal year, University personnel provided reports that evidenced that departments were actively monitoring vendor payments in an effort to enhance controls in this area.

Recommendation: The University should continue its efforts to ensure that written agreements or detailed purchase orders are used for purchases of goods and services.

OTHER MATTER

During our audit, the Office of Internal Audit (OIA) notified us that they were in the process of performing an internal audit of purchasing card controls. The OIA identified potential abuse by a cardholder and concluded that the cardholder misused the purchasing card provided by the University. Disciplinary action was taken by the University resulting in the termination of employment of this employee and the employee that approved this cardholder’s purchases. Partial restitution was obtained by the University. Another OIA investigation relating to the use of purchasing cards disclosed improper use of purchasing cards and questionable payroll transactions were reported. The University terminated the employees involved and these cases were referred to the State Attorney’s Office. The

OIA is currently working on three additional investigations relating to the use of purchasing cards. These investigations are scheduled for completion during the first quarter of the 2010 calendar year.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2008-120.

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. 2008-120. 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.

A handwritten signature in blue ink, appearing to read "David W. Martin".

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.	Inspected the University's written IT policies and procedures to determine whether they addressed University-level governance of IT resources.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation related to the University's IT security awareness and training program.
Procedures to timely prohibit employees' access to electronic data files.	Tested employees who terminated employment during the audit period and inspected supporting documentation evidencing when the University terminated access privileges.
Application environment and support function.	Inspected the University's written policies and procedures regarding the application environment and support functions. Also, interviewed University staff and inspected the supporting documentation concerning system logging, wireless access, user workstation controls, user identification and authentication, technical management, operating system, and network controls.
Data Center environmental controls.	Inspected supporting documentation related to the Data Center environmental controls.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the University's fraud policy and related procedures.
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.
Procedures for parking citation receivables.	Tested parking citations to determine the effectiveness of collection procedures.
Pharmaceutical inventory.	Reviewed procedures of pharmaceutical inventory and determined whether incompatible duties were properly separated and whether complete and accurate perpetual inventory records were used to maintain accountability. Tested pharmaceutical inventory and performed a physical count and verified that inventory values were properly extended and based on the correct invoice price.
Tangible personal property records.	Conducted a physical observation of property items included in the property records and verified that the items were properly tagged and that records adequately described the asset. Tested property items observed at the University's sites and traced back to the property records to determine the completeness of the inventory records.
Deletions and disposals of tangible personal property.	Tested property deletions and determined whether property deletions were accomplished in the manner prescribed by law, BOG regulations, and Board policies.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Cash collection procedures at decentralized collection points.	Reviewed control procedures at selected locations to determine the effectiveness of the University's collection procedures.
Procedures for bonus payments.	Tested employees that received bonus payments and examined supporting documentation to determine that bonus payments were properly authorized, recorded, and documented in accordance with University policies and procedures.
Procedures for the multi-purpose card (PantherCard) program.	Determined whether the University had established adequate control procedures over the use of the PantherCard.
Purchasing card program.	Tested purchasing card transactions to determine whether these purchases were properly authorized, supported, recorded, and reported. Tested former employees and determined whether the purchasing cards were canceled timely.
Procedures for monitoring cellular telephone usage.	Determined whether the University adequately monitored the use of cellular telephones.
Procurement policies and procedures.	Tested bids and examined supporting documentation to determine compliance with competitive procurement requirements.
Travel compliance.	Tested travel vouchers to determine that the travel mileage, meals, or per diem rates were calculated in accordance with rates prescribed by Section 112.061, Florida Statutes.
Procedures for vehicle usage records.	Tested University owned vehicles and reviewed vehicle logs maintained to determine that vehicle usage was for University purposes.
Procedures for monitoring vehicle fuel usage.	Tested vehicles and related fuel management reports to determine whether the reports were accurate and reviewed by supervisory personnel, and whether the vehicles' reported miles per gallon appeared reasonable.
Procedures for contractual agreements.	Tested payments for contractual services and examined supporting documentation to determine whether payments were properly documented, classified, and made in accordance with contractual terms.
Annual safety inspection reports.	Examined annual safety inspection reports to determine whether the University complied with building life-safety, fire safety, and sanitation standards prescribed by the State Board of Education. Also, determined whether significant deficiencies noted in the reports had been corrected timely.
Procedures for insuring architects and engineers.	Tested significant or representative major construction projects in progress during the audit period to determine whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Direct purchase of construction materials.	Selected major construction projects that were in progress during the audit period to determine whether the University took advantage of any tax savings available through the direct purchase of construction materials.
Textbook affordability.	Determined whether the University had developed policies and procedures for implementing Section 1004.085, Florida Statutes.
Student records.	Determined whether the University had established adequate controls over grade changes and the issuance of diplomas.

**EXHIBIT B
MANAGEMENT'S RESPONSE**



Florida International University

Office of the President

February 19, 2010

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

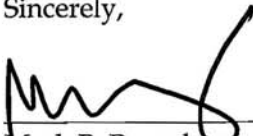
Dear Mr. Martin,

Enclosed is our response to the preliminary and tentative findings and recommendations for the Operational Audit of Florida International University for the fiscal year ended June 30, 2009. We will implement the recommendations identified during the audit in accordance with the enclosed schedule of responses.

We appreciate the thoroughness and professionalism of your staff in completing the audit. The resulting recommendations will assist us in improving our operations and safeguarding our resources.

If you have any questions or need additional information, please do not hesitate to contact Dr. Kenneth Jessell, Chief Financial Officer & Senior Vice President for Finance & Administration, at kjessell@fiu.edu.

Sincerely,



Mark B. Rosenberg
President

Cc: Douglas Wartzok, Interim Provost & Executive Vice President
Kenneth Jessell, Chief Financial Officer & Senior Vice President for Finance and Administration

FLORIDA INTERNATIONAL UNIVERSITY
Responses to Preliminary and Tentative Findings
of the Operational Audit
For the Fiscal Year Ended June 30, 2009

Finding No. 1: Policies for Reporting Fraud

Recommendation:

The University should develop comprehensive fraud policies for the detection, prevention, and reporting of fraud. These policies should be submitted to the Board of Trustees for their approval.

Response:

At the time of the exit conference, a comprehensive fraud policy had already been developed and presented to the University's senior leadership for their review, input and approval. The Fraud Prevention and Mitigation/University Responsibility and Response Policy, Policy Number 140.110, was adopted by the Board of Trustees on November 19, 2009

Final Implementation Date: Completed

Finding No. 2: Direct Purchase of Construction Materials

Recommendation:

The University should establish written policies and procedures for the direct purchase of construction materials. In addition, for future construction contracts, the University should take advantage of sales tax exemptions or document how the University obtained greater savings by the CM making the purchases.

Response:

The University has taken advantage of the savings derived from the direct purchase of construction materials in the past. There are times, however, when direct purchases will not result in any savings due to the resources involved in ordering, documenting, and receiving materials. There are also liability and timing issues involved with certain materials, such as concrete and steel, when direct purchases could potentially add to project costs. For each project, a thorough cost-benefit analysis is completed in determining the optimal use of direct purchases of construction materials.

The University will establish formal written policies and procedures for the direct purchases of construction materials. Facilities Management has already included language in all construction contracts to allow for Owner-Direct Purchases of Construction Materials. Each project is analyzed to determine whether cost savings exist. When sufficient cost savings are projected, this option will be exercised. We will maintain records to document this process.

Final Implementation Date: June 30, 2010

Finding No. 3: Design Professionals Liability InsuranceRecommendation:

The University should establish written policies and procedures prescribing minimum liability insurance coverage requirements for design professionals. Additionally, the University should enhance its procedures to ensure that insurance coverage for design professionals is provided through completion of the project.

Response:

The FIU Department of Risk Management & Environmental Health and Safety has created Insurance Guidelines for the Purchase of Goods and Services for all University vendors (including design professionals) and these are being reviewed by University officials. The University is currently working on written policies and procedures prescribing minimum liability insurance coverage for design professionals. Professional liability coverage types and limits have been incorporated into the professional construction services contracts.

Final Implementation Date: June 30, 2010

Finding No. 4: Collection of Social Security NumbersRecommendation:

The University should continue its efforts to ensure that the required written statements are provided to individuals when their SSNs are collected to ensure compliance with Section 119.071(5) (a), Florida Statutes.

Response:

Effective April 2009, Enrollment Services provides an electronic notification of the statement of purpose to students as part of the student application process.

As of March 2009, the Division of Human Resources is providing information related to the collection and use of social security numbers to new employees. Additionally, the University's applicant tracking system (JOBSSLink) a notice to prospective employees, in the form of a memorandum, provides all purposes for which the Division utilizes social security numbers. The memorandum is also included as a part of the New Employee Sign-on Packet that all new employees are requested to review and complete before joining the University. Effective December 1, 2009, the memorandum now includes a statement of acknowledgement of the statement of purpose from each new employee.

Final Implementation Date: Completed

Finding No. 5: Parking Citations ReceivablesRecommendation:

The University should ensure that sufficient identifying information is obtained for all individuals issued parking citations and that academic holds are timely placed on students' records for nonpayment of obligations.

Response:

In July of 2009, the Office of Parking and Transportation finalized its interface with the Florida Department of Motor Vehicles. This interface provides the department with vehicle ownership information instrumental in collecting overdue citations. We have also implemented programming changes to address the issues regarding registration holds, diploma processing, and transcript requests.

Final Implementation Date: Completed

Finding No. 6: Tangible Personal Property RecordsRecommendation:

The University should strengthen its procedures to ensure that the property records are complete and accurate. When University personnel cannot locate property items, missing property item reports should be filed with the appropriate law enforcement agency. Also, property transfer forms or off-campus use forms should be completed to document approval for transfers or off-campus use of property.

Response:

The University will continue to communicate to the departments the importance of notifying Property Control when assets are moved or used off campus and periodically communicate the procedure for stolen property. Additionally, when property cannot be located, a missing property item report will be completed and referred to the appropriate division or agency.

Final Implementation Date: June 30, 2010

Finding No. 7: Property DeletionsRecommendation:

The University should strengthen its procedures to ensure accurate completion of survey forms for property deletions.

Response:

The University requires proper documentation prior to assets being retired in the Asset Management System. The University will continue to review the documentation for accuracy and completeness prior to entry into the Asset Management System.

Final Implementation Date: June 30, 2010

Finding No. 8: Vehicle RecordsRecommendation:

The University should implement procedures to ensure that University-owned vehicle usage is adequately documented and approved by the vehicle user department.

Response:

University Policy 540.005 will be strengthened to require adequately maintained and approved vehicle logs. The University will monitor and enforce compliance with the policy.

Final Implementation Date: June 30, 2010

Finding No. 9: Monitoring Fuel Efficiency of VehiclesRecommendation:

The University should continue its efforts to monitor the reasonableness of fuel consumption, but should also establish monitoring procedures sufficient to ensure the accuracy of odometer readings recorded in the system. In addition, University records should document the resolution of exceptions disclosed by monitoring procedures.

Response:

The Office of Vehicle Services will implement new procedures that will ensure the effective monitoring of data in the computerized fuel system. As part of these procedures, documentation of the resolution of exceptions disclosed by the monitoring procedures will be required and maintained on file.

Final Implementation Date: June 30, 2010

Finding No. 10: Decentralized Collections - The School of Hospitality and Tourism ManagementRecommendation:

The University should strengthen procedures at the School of Hospitality and Tourism Management to ensure that checks received are restrictively endorsed, and recorded to a mail receipt log, immediately upon receipt; transfer documents are used to evidence the transfer of collections between employees; and collections remitted to the Student Financials Office are periodically reconciled to the accounting records.

Response:

The School of Hospitality and Tourism Management will follow the University's cash collection policy. The Office of the Controller has provided guidance to the School and will monitor and provide training.

Final Implementation Date: June 30, 2010

Finding No. 11: Purchasing Card Program

Recommendation:

The University should enhance procedures to ensure that purchasing card credit limits serve the intended purpose of its purchasing card program; credit limit increases that allow for high dollar transactions are closely monitored to ensure that purchases do not circumvent competitive procurement policies; the purchasing card accounts of former employees are closed in a timely manner; purchasing card purchases and supervisory approval of charges are made in accordance with established procedures; and cardholders maximize savings by taking advantage of the University's tax exempt status when using the purchasing card.

Response:

Credit card limits are set based on departmental needs. We have performed a review of all limits and adjusted them accordingly. This review will be an ongoing process that will reduce the risk of circumventing the competitive solicitation requirements.

P-cards are inactivated based on reports received from Human Resources each pay period. Going forward Human Resources will provide these reports to the Office of the Controller on a daily basis. This will ensure timely inactivation of P-cards for terminated employees.

Sales taxes paid are disputed when discovered. As a result of the University's upgrade to PeopleSoft 9.0, we are able to review transactions in detail to discover sales taxes paid and dispute them accordingly. When sales tax exemption is not honored, the University will continue its efforts to require cardholders to provide an explanation on the purchasing card receipt.

To further strengthen the credit card program, we began sending out periodic communications directly to the finance managers, approvers and cardholders on appropriate use of the card and reminders of each individual's role and responsibility. We have enhanced our training to include Commodity Card Fraud. The President of the University has communicated via e-mail and in faculty and staff meetings the importance of all units operating consistently with university policies, procedures and state law. Additionally, we have conducted a review of our program and as a result reduced the number of employees with cards, reviewed and appropriately reduced card limits, implemented more stringent controls by issuing separate Commodity and Travel Cards and implemented a review to identify instances of subordinate approval. The University has also implemented a fraud hot line and fraud policy.

Final Implementation Date: March 30, 2010

Finding No. 12: Competitive ProcurementRecommendation:

The University should ensure that goods and services are procured using a competitive selection process as required by Board of Governors Regulation 18.001 and the University's Manual, or properly document that such procurements are exempt from competitive selection requirements. In addition, procedures should be enhanced to ensure that purchases are not split that otherwise would be subject to the University's competitive selection process.

Response:

The University will ensure that goods and services are procured using a competitive selection process and will properly document when procurements are exempt from this process. With the University's upgrade to PeopleSoft 9.0, enhanced functionality is now available which provides a better means to monitor purchasing activity.

Final Implementation Date: Completed

Finding No. 13: Contractual AgreementsRecommendation:

The University should continue its efforts to ensure that written agreements or detailed purchase orders are used for purchases of goods and services.

Response:

The University will continue to provide clear guidance to ensure that written agreements or detailed purchase orders are used for purchases of goods and services. With the University's upgrade to PeopleSoft 9.0, enhanced functionality is now available which provides a better means to monitor purchasing activity.

Final Implementation Date: Completed