

FLORIDA GULF COAST UNIVERSITY

Operational Audit



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Michael Villalobos to 3-09-10
Jaynie M. Whitcomb to 3-09-10

Dr. Wilson G. Bradshaw, President

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

The audit team leader was William D. Foster, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Deidre N. Melton, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA GULF COAST UNIVERSITY

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The University did not properly monitor the activities of its athletic camps and did not provide for supervisory review of financial reporting for the camps.

Finding No. 2: The University’s security controls related to user authentication needed improvement.

BACKGROUND

Florida Gulf Coast 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, 2010, 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, 2010, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Athletic Camps

The University’s athletic department provides student athletic camps to accommodate the needs and interests of student athletes in their quest for excellence in highly competitive sports. These camps, including volleyball and softball activities for children ranging from elementary school to high school, are developed and managed by the University’s athletic coaches. The coaches are responsible for establishing participant fees for the camps, setting the number of participants for each camp, purchasing insurance and other supplies, and recruiting supervisory personnel as needed. The camps are advertised on the athletic department Web site with instructions for interested parties on how to register their child or team. Payments for camps are normally by check; however, some camps have online payment capabilities with a service manager who remits payment by check to the athletic department. Checks are received at the athletic department, recorded on a check log, and then processed by the central cashier’s office. Camp profits, participant revenues less salaries and other expenses, are split among the primary camp coaches as payment for services rendered. University personnel who participate in these camps are required to submit annual leave slips for the time spent on camp activities that conflict with their regular position. During the 2009-10 fiscal year, the University held 17 athletic camps.

Although the athletics department established policies and procedures for monitoring athletic camps, our review of two athletic camps indicated that improvements could be made, as follows:

- For both camps, the financial reports did not evidence supervisory review of these reports. Revenues and expenditures associated with these camps totaled \$16,220 and \$5,099, respectively, for the 2009-10 fiscal year. Camp financial reports should be reviewed by supervisory personnel to ensure they are accurate, timely prepared, and that the profits from these camps are appropriately split among the primary camp coaches for payment of services rendered.
- One of two University employees paid for camp activities did not submit annual leave slips for the time they participated in athletic camp activities. Leave not taken was for three days of camp and, as a result, this employee received his regular University pay of \$724 in addition to the athletic camp pay of \$2,500 for the same time period.

Similar findings were noted in our report No. 2009-107.

Recommendation: University personnel should ensure that financial reports of athletic camp activities are reviewed by supervisory personnel to ensure that such reports are properly and timely prepared. Further, the University should adjust the annual leave records for the employee noted-above and, for future athletic camps, ensure that personnel who participate in these camps use annual leave from their regular position for time spent engaging in camp activities.

Finding No. 2: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain University security controls related to user authentication that 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 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. 2009-107.

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 March 2010 to July 2010 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. 2009-107. 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 2009-10 fiscal year

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

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.

**EXHIBIT A
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information Technology (IT) policies and procedures.	Inspected the University’s written IT policies and procedures to determine whether they address certain important IT control functions.
IT disaster recovery plan.	Examined supporting documentation related to the University’s IT disaster recovery plan. Determined whether the University’s plan had been recently tested.
IT security awareness and training program regarding the confidentiality of information.	Examined supporting documentation related to the University’s IT security awareness and training program.
IT contractual services.	Examined the written agreement between the University and Northwest Regional Data Center (NWRDC). Reviewed payments to NWRDC to determine whether payments were made in accordance with the terms of the agreement.
IT environmental and security controls.	Examined environmental and security controls associated with the University’s IT resources to determine whether vulnerabilities existed.
IT audit logging and monitoring controls.	Examined supporting documentation to determine whether audit logging and monitoring controls were configured and enforced in accordance with IT best practices.
IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access controls.	Tested application access privileges to determine whether access granted to sensitive finance module objects and payroll and position control module objects promote separation of duties.
Procedures for managing and controlling system and application administrator accounts.	Examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, system, and application to determine whether these accounts had been appropriately assigned and managed.
Procedures to timely prohibit former employees’ access to electronic data files.	Tested access privileges for employees who terminated employment during the audit period and verified that the University timely terminated access privileges.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the University’s fraud policy and related procedures.
Reporting of institute and centers information as required by the Board of Governors (BOG).	Examined supporting documentation to determine whether the University had provided accurate and complete information to the BOG for selected institutes and centers.
Statement of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether University Board members and certain University employees filed statements of financial interest in accordance with law.

**EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the University had provided individuals with a written statement as to the purpose of collecting their social security numbers.
Pharmaceutical inventories.	Reviewed pharmacy inventory items to determine the accuracy of the pharmacy's inventory records and controls over pharmaceutical inventories for adequacy.
Procedures for athletic department's athletic camps.	Tested athletic camps and reviewed supporting documentation for cash collections and employee compensation.
Documentation of Florida residency requirements of Section 1009.21(3)(c), Florida Statutes.	Tested students with out-of-state permanent addresses receiving in-state tuition rate and determined if the University complied with Section 1009.21(3)(c), Florida Statutes.
Tuition Rates.	Compared tuition fees charged to amounts approved by the Florida Board of Governors.
Procedures for calculating technology and tuition differential fees.	Reviewed the University's procedures regarding the assessment of technology and tuition differential fees. Examined supporting documentation to determine whether the University properly calculated these fees.
Direct-support organizations.	Reviewed all payments, loans, and transfers from the University to direct-support organizations for propriety.
Procedures for drivers licenses verification.	Reviewed employees using University vehicles to determine if the University verified that the employee had a valid driver's license in accordance with University policies.
Terminal pay policies and procedures requirements of Section 1001.74(5)(e), Florida Statutes (2009).	Tested employee contracts entered after July 1, 2009, for compliance with Section 1001.74(5)(e), Florida Statutes (2009), limiting termination, buyout, or any other type of contract settlement paid with appropriated State funds to the amount of the employees annual salary.
Purchasing card transactions.	Tested purchasing card expense transactions for propriety and compliance with related laws, rules, and University policies. Tested for the timely cancellation of purchasing cards for former employees.
Monitoring of energy performance based-agreement.	Determined whether the University provided for the monitoring of any energy performance based-agreement.
Procedures for insuring architects and engineers.	Tested major construction projects in progress during the audit period to determine whether the University had obtained evidence of required insurance.
Procedures for direct material purchases.	Tested major construction projects in progress and reviewed supporting documentation evidencing procedures used by the University when considering direct material purchases.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for valuing property for insuring buildings.	Examined supporting documentation to determine whether the insured values were properly calculated during the audit period.
Disbursements from University restricted resources to the Unrestricted Fund.	Reviewed all payments, loans, and transfers from the University Restricted Fund, Loan Funds, and Plant Funds to the Unrestricted Fund for propriety.
Procedures for monitoring cellular telephone usage.	Determined whether the University provided for adequate controls over the issuance and use of cellular telephones.
Textbook affordability.	Examined supporting documentation to determine whether the University's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the President

September 22, 2010

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

Dear Mr. Martin:

Enclosed are the management responses from Florida Gulf Coast University (FGCU) for the two audit findings from the Auditor General's operational audit of FGCU for the period July 1, 2009 through June 30, 2010. Within each management response is a statement of explanation including FGCU's actual or proposed corrective action.

This letter and the enclosed management responses are being submitted electronically to your office at flaudgen_audrpt_cc_univ_fefp@aud.state.fl.us.

If you have any questions or need additional information, please contact Carol Slade, Director, Internal Audit. She may be reached by telephone at (239) 590-1117 or e-mail at cslade@fgcu.edu.

Sincerely,

Wilson G. Bradshaw, PhD
President

Enclosure

- c: Dr. Joseph Shepard, Vice-President, Administration & Finance
- Vee Leonard, General Counsel
- Linda Bachelier, Assistant Vice-President & Controller
- Carol Slade, Director, Internal Audit
- Deidre Waigand, Audit Supervisor
- Ken Kavanagh, Director of Athletics

**EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE**

FLORIDA GULF COAST UNIVERSITY
 RESPONSES TO OPERATIONAL AUDIT RECOMMENDATIONS
 For the Period July 1, 2009 Through June 30, 2010

1. Athletic Camps

RECOMMENDATION:

University personnel should ensure that financial reports of athletic camp activities are reviewed by supervisory personnel to ensure that such reports are properly and timely prepared. Further, the University should adjust the annual leave records for the employee noted-above and, for future athletic camps, ensure that personnel who participate in these camps use annual leave from their regular position for time spent engaging in camp activities.

RESPONSE:

The Athletic Department concurs with the recommendation. The Athletic Department has strengthened its financial reporting policies and procedures with the expansion of the athletic coach's manual, specifically the camp section, which addresses the need for supervisory personnel to review all camp reports. In addition, supervisory signature lines have been added to camp financial reports. To ensure that personnel who participate in camps use annual leave in accordance with University policy, the Athletic Department has communicated to the Athletics Staff that annual leave is to be taken during any camps or clinics conducted during the work day.

IMPLEMENTATION DATE: October 2010

AUDITEE: Kenneth Kavanagh, Director of Athletics

2. Information Technology

RECOMMENDATION:

The University should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

RESPONSE:

The University concurs with the finding, and will improve security controls related to user authentication.

IMPLEMENTATION DATE: July 2011

AUDITEE: Duncan McBride, Associate Vice President, Administrative Services