

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Operational Audit



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Reverend R. B. Holmes, Jr., Vice Chair to 8-19-09
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Ms. Belinda Reed Shannon from 7-31-09 to 6-14-10 (4)
Mrs. Marjorie Turnbull from 1-07-10
Mr. Karl E. White

Dr. James H. Ammons, President

Notes: (1) Board member served beyond the end of her term, January 6, 2010.
(2) Student body president.
(3) Faculty senate chair.
(4) Position vacant from July 1, 2009, to July 30, 2009, and from June 15, 2010, to June 30, 2010.

The audit team leader was Kathy Stich, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. 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 AGRICULTURAL AND MECHANICAL UNIVERSITY

SUMMARY

Our operational audit disclosed the following:

STUDENT TUITION AND FEES

Finding No. 1: The University expended revenues from tuition differential fees for salaries to graduate teaching assistants, contrary to Section 1009.24(16), Florida Statutes.

INVENTORY AND PROPERTY

Finding No. 2: Records and control procedures related to pharmaceutical inventory needed improvement.

Finding No. 3: The University needed to improve controls over works of art and historical treasures.

PROCUREMENTS

Finding No. 4: The University needed to improve controls over its purchasing card program.

PERSONNEL AND PAYROLL

Finding No. 5: The University's controls related to payroll processing needed improvement.

BACKGROUND

Florida Agricultural and Mechanical 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

Student Tuition and Fees

Finding No. 1: Tuition Differential Fee

Section 1009.24(16), Florida Statutes, states in part that each university board of trustees may establish a student tuition differential fee for undergraduate courses, which shall be used to promote improvements in the quality of undergraduate education and provide financial aid to undergraduate students who exhibit financial need.

Section 1009.24(16)(a), Florida Statutes, provides that 70 percent of revenues from tuition differential fees must be expended for certain specified purposes other than for student financial aid, which include increasing course offerings, improving graduation rates, increasing the percentage of undergraduate students who are taught by faculty, decreasing student-faculty ratios, providing salary increases for faculty who have a history of excellent teaching in undergraduate courses, improving the efficiency of the delivery of undergraduate education through academic advisement and counseling, and reducing the percentage of students who graduate with excess hours. This Section also provides that the tuition differential fees for undergraduate education may not be used to pay the salaries of graduate teaching assistants. This Section further provides that except as otherwise provided in Section 1009.24(16)(a), Florida Statutes, the remaining 30 percent of the revenues from tuition differential fees, or the equivalent amount of revenue from private sources, must be expended to provide financial aid to undergraduate students who exhibit financial need.

The University received approval from the Florida Board of Governors to assess the tuition differential fee starting in August 2009. Our review disclosed that a separate fund and account was established to record tuition differential fee transactions. The University recorded \$1,102,404 in collections and \$390,711 in expenses from the tuition differential fees during the 2009-10 fiscal year. The expenses were comprised of \$288,208 for the specific purposes other than student financial aid and \$102,503 for student financial aid.

Our test of expenses from the tuition differential fees disclosed that \$36,891 of these fees was spent on salaries for graduate assistants that were teaching undergraduate courses, contrary to Section 1009.24(16)(a), Florida Statutes. University personnel indicated that their intention was to expand course offerings and decrease student-faculty ratios by using graduate assistants as the main class instructor, and that the law allowed the use of these funds for the salaries of graduate students who were the main undergraduate class instructor, but did not allow the use of funds for the salaries of graduate students who were assisting the main instructor. However, the law, in prohibiting the use of tuition differential fees for paying graduate teaching assistants, does not make a distinction as to the manner in which a graduate student may be used and does not grant an exemption from this prohibition for graduate students used as the main instructor. Furthermore, one of the specified purposes for expending tuition differential fees is to increase the percentage of undergraduate students who are taught by faculty; however, the payment of salaries for graduate students to act as main instructors could be contrary to this purpose as it may result in a decrease in the percentage of undergraduate students taught by faculty.

Recommendation: The University should establish procedures to ensure that tuition differential fees are expended in accordance with Section 1009.24(16), Florida Statutes. Additionally, the University should restore the \$36,891 to the tuition differential fee account.

Inventory and Property

Finding No. 2: Pharmaceutical Inventory

The University operated three pharmacies, one of which was on the main campus as part of Student Health Services. The other two pharmacies were located off-campus and served the local community through the Leon County Health Department’s Southside Clinic and through the City of Tallahassee’s Lincoln Neighborhood Service Center. Pharmaceutical inventory totaled \$34,340 as of June 30, 2010.

Our review disclosed that records and control procedures related to pharmaceutical inventory needed improvement, as follows:

- Although the Pharmacies had established formal written procedures over Pharmacy operations, there existed inadequate separation of duties. The Pharmacy Managers for all three locations had access to pharmaceutical inventory, ordered and received pharmaceutical inventory, updated the perpetual inventory records, assisted with the physical inventory count, and reconciled the counts to the perpetual inventory records. Absent compensating controls, these incompatible duties (access to assets and records) increase the risk that loss, theft, or unauthorized use, should they occur, may not be detected in a timely manner, if at all.
- Our test counts of 37 pharmaceutical items, on hand in March and April 2010, disclosed that for 20 of the pharmaceutical items the actual amount on hand did not agree with the amount recorded in the perpetual inventory records at the two off-campus locations. The differences noted in the Table below ranged from 1,000 to (1,950), including one item (Item No. 1) that was a controlled pharmaceutical. These differences indicated that the University’s inventory controls were not effective in providing adequate accountability for pharmaceutical inventories. In response to our inquiry, in May 2010, University personnel investigated and determined the causes of the differences noted below. According to University personnel, these differences were primarily the result of human errors in recording medication issued for prescriptions, and failure to timely add purchases to, and timely remove expired or destroyed medications from, the perpetual inventory records. Failure to maintain accurate accountability for pharmaceutical inventory increases the risk that loss, theft, or unauthorized use, should they occur, may not be detected in a timely manner, if at all.

Table			
Item No.	Quantity Per Records	Quantity Per Physical Count	Overage (Shortage)
<u>Southside Clinic</u>			
7	180	0	(180)
10	0	100	100
<u>Lincoln Neighborhood Service Center</u>			
1	C 719	760	41
2	2,443	720	(1,723)
3	390	490	100
4	450	300	(150)
6	100	0	(100)
7	180	90	(90)
8	8,320	7,500	(820)
9	4,750	2,800	(1,950)
11	68	85	17
13	38	440	402
14	0	60	60
16	0	100	100
19	0	90	90
20	0	1,000	1,000
21	0	100	100
22	0	500	500
23	0	100	100
24	0	500	500

C = Controlled Substance

Recommendation: The University should enhance its policies and procedures related to pharmacy operations to ensure that incompatible duties are properly separated, or that compensating controls are implemented. These compensating controls may include the performance of physical inventory counts by personnel independent of the pharmacy operations and periodic independent verification of purchases and issuances of pharmaceuticals. Procedures should also provide that any differences between perpetual inventory records and actual inventory on hand be timely investigated and resolved by personnel independent of pharmacy operations.

Finding No. 3: Works of Art and Historical Treasures

The University maintains black archives, artifacts, and collections at the Carrie Meek – James N. Eaton, Sr., Southeastern Regional Black Archives Research Center and Museum (Museum) located in the Carnegie Library on the University’s main campus. The Museum, which opened in February 1977, has a curator who is primarily responsible for the works of art and historical treasures. The Museum’s collection of works of art and historical treasures were valued at \$712,703 at June 30, 2010. Items are received through donors and are independently appraised at the date of donation for donor tax purposes. In addition, in-house estimates are performed for items without an appraised value.

Our review disclosed that an annual inventory of the works of art and historical treasures in the Museum had not been performed. According to University personnel, procedures had not been implemented to provide for an annual physical inventory of the works of art and historical treasures located in the Museum. Failure to maintain accurate accountability over these assets by performing an annual physical inventory, and comparing the results of this physical inventory to records of works of art and historical treasures located in the Museum, increases the risk that loss, theft, or unauthorized use of property, should they occur, may not be timely detected.

Recommendation: The University should establish procedures to perform an annual physical inventory of the Museum’s works of art and historical treasures.

Procurements

Finding No. 4: Purchasing Cards

The University administers a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. The purpose of the purchasing card program is to efficiently and effectively handle and expedite low dollar purchases of goods and services as well as high-volume repetitive purchases. Purchasing cards are subject to the same rules and regulations that apply to regular University purchases, and the University has established purchasing card procedures to provide users with additional guidance on how to properly use the purchasing cards.

The University adopted an administrative policy that addressed the authority to purchase on behalf of the University, cardholder responsibilities, unallowed uses of purchasing cards, and penalties for misuse of the purchasing card. The University also developed a Purchasing Card Manual (Manual), which established responsibilities of the Purchasing Department program administrator, program area supervisors, Controller’s Office personnel, and cardholders. During the period July 1, 2009, through March 31, 2010, the University had assigned 28 purchasing cards and incurred charges for goods and services totaling approximately \$583,000.

We selected 41 transactions, totaling \$27,304 from 8 cardholder accounts, to determine whether purchasing card usage was consistent with the University’s purchasing card administrative policy, Manual, and good business practices. Our review of purchasing card procedures and testing of transactions disclosed that the University’s controls over the purchasing card program needed improvement, as noted below:

- For 15 of the 41 transactions, totaling \$23,282 from 6 cardholder accounts, the cardholders did not sign the purchasing card receipt evidencing approval of the purchase, contrary to the Manual. For 2 other transactions totaling \$313, the receipt was signed by someone other than the assigned cardholder.
- For 29 of the 41 transactions, totaling \$25,753 from 7 cardholder accounts, the cardholder did not timely submit the required receipts supporting the transactions to the Purchasing Department for processing. While the Manual required that cardholders forward receipts within 3 calendar days from the date of purchase, these receipts were submitted 5 to 46 days late and ranged from \$45 to \$2,913. Failure to timely submit receipts could result in payment to the purchasing card provider (bank) prior to verifying the validity and appropriateness of the transaction.
- For 3 of the 41 transactions, totaling \$1,113, it appeared that the transactions had been split to circumvent the single transaction limit of \$999, contrary to the Manual. The 3 transactions ranging from \$159 to \$477 were with the same vendor, for the same items, on the same day, and by the same cardholder.
- For 11 of the 41 transactions, totaling \$12,209 from 5 cardholders, charges were for unallowable items, as defined by the University’s administrative policy and Manual. These items included banquet catering of \$7,587, alcoholic beverages of \$502, holiday cards of \$1,113, and a gourmet gift basket of \$134. In response to our inquiry, University personnel indicated that they are seeking reimbursement for the gift cards and alcoholic beverages.

Effective controls to provide monitoring of its purchasing card program reduces the risk of purchasing cards being used for unauthorized purposes.

Recommendation: The University should enhance its training, monitoring, and review procedures over its purchasing card program to ensure compliance with the University’s administrative policy and Manual. Additionally, the University should continue its efforts to seek reimbursement for the inappropriate purchasing card charges.

Personnel and Payroll

Finding No. 5: Payroll Processing

In July 2010, the University became aware of adjunct faculty who had not been paid in a timely manner for classes taught in the months of May through July 2010. On July 21, 2010, the President directed the University’s Office of Audit and Compliance to conduct a complete review of the payroll processes to determine the reasons for the untimely payroll payments and to provide actions to prevent such instances in the future. The Office of Audit and Compliance (OAC) determined that 43 adjunct faculty and support staff were paid salaries totaling \$219,794, from 2 to 32 business days late. According to OAC personnel, in response to a higher than anticipated demand by students for courses during the Summer terms, the University requested that faculty teach additional courses during the Summer. These additional courses were in excess of the standard work assignments for faculty and required a contract for the additional hours. Many of these additional courses began before the contracts with adjunct faculty teaching these courses and support staff could be processed in the payroll system. The late payments to these employees occurred because the University could not process payroll for work performed before the related contract information was entered into the payroll system. According to University personnel, payroll processing is being enhanced to ensure that adjunct faculty and support staff are paid in a timely manner.

Recommendation: The University should continue its efforts to enhance payroll processing to ensure that employees are paid in a timely manner.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2009-087.

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 August 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. 2009-087. 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
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 their access privileges.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the University's fraud policy and related procedures.
Statement of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the University President, Board members, and certain University employees filed statements of financial interest in accordance with law.
Independence and reporting of the Inspector General.	Examined written policies, procedures, and supporting documentation evidencing activities of the internal audit function and related reporting.
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 social security numbers.
Collection efforts for nonsufficient funds (NSF) checks.	Examined policies, procedures, and supporting documentation to determine whether the University made sufficient efforts to collect NSF checks.
Pharmaceutical inventories.	Reviewed pharmacy inventory items to determine whether the pharmacy's inventory records were accurate.
Museum works of art and historical treasures.	Reviewed controls over museum works of art and historical treasures to determine whether the University had established adequate safeguards to protect such assets from theft or loss.
Tangible personal property records.	Examined tangible personal property records to determine whether they contained information necessary to account for and identify University-owned property. Tested property items to determine whether the University's property records accurately described property items.
Annual physical inventory of property.	Examined supporting documentation of the University's annual physical inventory of property to determine whether annual physical counts were performed and missing property items were promptly investigated.
Procedures for valuing property for insuring buildings.	Examined supporting documentation to determine whether the insured values of buildings were properly calculated during the audit period.
Student fee deferments.	Examined supporting documentation to determine whether the University had authorized student fee deferments in accordance with statutory authority.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Florida residency determination, and tuition and fees.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition and fees in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Tuition differential fees.	Tested payments from tuition differential fees collected to determine whether the University used the tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Student fees associated with distance learning fees and excess hour surcharge.	Determined whether distance learning fees and excess hour surcharges were assessed and collected as provided by Sections 1009.24(17) and 1009.286(2), Florida Statutes.
Procedures for student activity and service, health, and athletic fees assessed.	Reviewed University records evidencing that such fees were separately accounted for by the University.
Auxiliary operations contract compliance.	Reviewed procedures to determine whether the University monitored compliance with contract provisions and the collection of commissions.
Payroll and personnel.	Tested payroll transactions to determine the accuracy of the rate of pay, certifications by supervisory personnel of employee time reports, and the timely payment of salaries.
New hires.	Reviewed policies, procedures, and documentation to determine whether background checks and qualification verifications were performed for newly hired employees.
Performance evaluations.	Tested employees' annual performance evaluations to determine whether the University timely performed the evaluations.
Terminal pay policies and procedures requirements of Section 1001.74(5)(e), Florida Statutes (2009).	Tested employee employment contracts entered after July 1, 2009, for compliance with Section 1001.74(5)(e), Florida Statutes (2009), limiting contract settlement paid with State funds to the amount of the employees annual salary.
Salary cancellations.	Reviewed policies, procedures, and supporting documentation to determine whether salary cancellations were appropriate and adequately documented.
Overtime payments.	Reviewed policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Direct-support organizations.	Reviewed payments, transfers, and loans between the University and its direct-support organizations and determined the purpose and legal authority of such payments, transfers, and loans.
Mandatory and nonmandatory transfers.	Tested transfers from all University-restricted funds and determined the purpose and legal authority for such transfers.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchasing card transactions.	Tested purchasing card transactions for propriety and compliance with related University policies, procedures, and regulations. Tested for the timely cancellation of purchasing cards for former employees.
Procurement policies and procedures.	Examined University regulations related to procurement for compliance with BOG regulations, and tested expenditures for compliance with University and BOG regulations.
Electronic payments.	Reviewed policies, procedures, and supporting documentation to determine whether the University had implemented adequate controls over electronic payments to employees, vendors, and other parties.
Travel expenses.	Examined travel policies and procedures and tested travel authorization forms to verify that travel was properly authorized and reimbursed travel costs were in accordance with law and University policies.
Vehicle usage logs.	Reviewed policies, procedures, and records supporting use of University-owned vehicles and determined whether drivers of University-owned vehicles held a current valid driver's license.
Procedures for monitoring use of wireless communication devices.	Reviewed policies and procedures to determine whether the University limited the use of, and documented the level of service provided for, wireless communication devices.
Capital lease and energy management project.	Reviewed supporting documentation regarding the University's implementation of its energy management project and determined whether the University was monitoring the project to evaluate energy savings.
Contractual agreement procedures.	Tested contractual service payments for compliance with contract provisions, laws, and regulations.
Construction manager contracts.	Reviewed a construction manager project and determined whether procedures were in place to properly monitor the project's progress in accordance with the terms of the contract.
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



Florida Agricultural and Mechanical University

TALLAHASSEE, FLORIDA 32307-3100

JAMES H. AMMONS, Ph.D., PRESIDENT

OFFICE OF THE PRESIDENT

TELEPHONE: (850) 599-3225
FAX: (850) 561-2152
TDD: (850) 561-2784

October 28, 2010

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

Dear Mr. Martin:

Attached are the responses to the findings on the operational audit of the Florida Agricultural and Mechanical University for the fiscal year ended June 30, 2010. The responses reflect the corrective actions for all of the findings.

We appreciate the work of your staff assigned to the operational audit of our campus. If there are any questions, please contact me at (850) 599-3225.

Sincerely,

A handwritten signature in black ink that reads 'James H. Ammons'.

James H. Ammons
President

Attachment

c: Dr. Cynthia Hughes-Harris, Provost and VP for Academic Affairs
Ms. Teresa Hardee, CFO and VP for Administrative and Financial Services
Dr. Charles O'Duor, VP for Audit and Compliance

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Florida A&M University
Management Response to the Operational Audit Findings
For the Fiscal Year Ended June 30, 2010

Finding No. 1: Tuition Differential Fee

Finding Summary: The University incurred expenditures from tuition differential fees on salaries for graduate assistants that were teaching undergraduate courses, contrary to Section 1009.24(16) (a), Florida Statutes.

Recommendation: The University should establish procedures to ensure that tuition differential fees are expended in accordance with Section 1009.24(16), Florida Statutes. Additionally, the University should restore the \$36,891 to the tuition differential fee account.

Response: The University concurs with the recommendations. Our goal was to use differential tuition as the statutes intended. These employees were hired as adjunct faculty to teach laboratory courses. These credentialed instructors were also graduate assistants. We will enhance our procedures to ensure that our use of tuition differential fees follows Section 1009.24(16), Florida Statutes. The university restored the recommended amount to the tuition differential fee account.

Finding No. 2: Pharmaceutical Inventory

Finding Summary: The University had not provided for an adequate separation of duties in Pharmacy operations. Additionally, the University's inventory controls were not effective in providing adequate accountability for pharmaceutical inventories.

Recommendation: The University should enhance its policies and procedures related to pharmacy operations to ensure that incompatible duties are properly separated, or that compensating controls are implemented. These compensating controls may include the performance of physical inventory counts by personnel independent of the pharmacy operations and periodic independent verification of purchases and issuances of pharmaceuticals. Procedures should also provide that any differences between perpetual inventory records and actual inventory on hand be timely investigated and resolved by personnel independent of pharmacy operations.

Response: The University concurs with the recommendations. The University will have an independent staff periodically monitor this inventory to ensure adequate separation of duties.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Florida A&M University
Operational Audit for 6/30/10
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Finding No. 3: Works of Art and Historical Treasures

Finding Summary: An annual inventory of the works of art and historical treasures in the Black Archives Research Center and Museum had not been performed.

Recommendation: The University should establish procedures to perform an annual physical inventory of the Museum's works of art and historical treasures.

Response: The University concurs with the recommendation. This museum location will be added to the University's annual inventory process.

Finding No. 4: Purchasing Cards

Finding Summary: The University's controls to prevent unauthorized use of the purchasing card such as evidencing card holder approval of purchases, ensuring timely submission of required receipts, and prohibiting split payments and unallowable purchases needs to be improved.

Recommendation: The University should enhance its training, monitoring, and review procedures over its purchasing card program to ensure compliance with the University's administrative policy and Manual. Additionally, the University should continue its efforts to seek reimbursement for the inappropriate purchasing card charges.

Response: The University concurs with the recommendation. The University updated the purchasing card (P-Card) policy #2006-04 and it was approved by the University Board of Trustees on April 22, 2010. All P-Cards were inactivated on June 30, 2010, and every subsequent P-Card user will receive new training. Further, the University will enhance its current procedures for monitoring all expenditures on P-Cards. All unallowable transactions will be reimbursed.

Finding No. 5: Payroll Processing

Finding Summary: The University became aware of employees who had not been paid timely during the summer. The review of the payroll process determined that several employees received untimely payroll payments.

Recommendation: The University should continue its efforts to enhance payroll processing to ensure that employees are paid in a timely manner.

Response: The University concurs with the recommendation and will continue to enhance its payroll processes.