

# FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

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Operational Audit

For the Fiscal Year Ended  
June 30, 2008



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

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Mr. Karl E. White from 7-10-07 (4)

Dr. James H. Ammons, President

Notes: (1) Student body president.  
(2) Faculty senate chair.  
(3) Position remained vacant from January 7, 2008, to February 28, 2008.  
(4) Position remained vacant from May 25, 2007, to July 9, 2007.

The audit team leader was Gregory A. Hunt, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. For the information technology portion of this audit, the audit team leader was Bill Allbritton, 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://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 for the fiscal year ended June 30, 2008, disclosed the following:

**Finding No. 1:** The University did not perform collection procedures timely for certain returned checks receivable.

**Finding No. 2:** Payments to vendors did not appear timely in several instances, contrary to University policies.

**Finding No. 3:** The University needed to improve its controls over communication expenses.

**Finding No. 4:** University procedures did not provide for adequate monitoring of cellular telephone (cell phone) usage. Also, the University should confer with the Florida Department of Financial Services to report to the Internal Revenue Service the value of cell phone services as income for employees who did not make an adequate accounting of the business use of their assigned cell phones.

**Finding No. 5:** Payments to some contractors were not made pursuant to a signed and sufficiently detailed written agreement.

**Finding No. 6:** The University did not verify its insurable values for buildings and other structures and improvements with amounts actually insured.

**Finding No. 7:** The University's security controls within the PeopleSoft Financials System needed improvement.

### BACKGROUND

The University is a 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 provides governance in accordance with State law and Board of Governors' Regulations. The Board of Governors, or the Trustees if designated by the Board of Governors, selects 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, 2008, 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, 2008, will be presented in a separate report.

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**FINDINGS AND RECOMMENDATIONS**

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**Finding No. 1: Returned Checks Receivable**

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According to University records, accounts receivable related to returned checks (checks returned because of nonsufficient funds, a closed checking account, or the execution of a stop payment) totaled \$209,025 at June 30, 2008, of which \$24,095 were returned checks originating from decentralized collections. Our review disclosed improvements were needed in the University's controls relating to returned check receivables originating from decentralized collection points.

University personnel did not timely perform collection efforts, such as mailing collection letters and referring unpaid accounts to a collection agency. Our test of ten returned checks from decentralized collections totaling \$14,639, which were returned by the bank during the period June 12, 2007, through March 28, 2008, disclosed that collection letters were not mailed timely. Collection letters were mailed from 62 to 271 days after the checks had been returned by the bank. As of October 9, 2008, eight of these returned checks, totaling \$11,584, remained uncollected and had not been forwarded to a collection agency for further action.

Under the above conditions, there is an increased risk that the University will be unable to collect amounts due for returned checks. A similar finding was noted in our report No. 2007-178.

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**Recommendation: The University should enhance its procedures for returned checks originating from decentralized collection points to ensure timely collection efforts**

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**Finding No. 2: Vendor Payments**

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The University's Purchasing Manual, Section 2.0, provides that, in accordance with the University's Prompt Payment Compliance Policy, vendors be paid within 40 days after the receipt of an invoice and the receipt, inspection, and approval of the goods or services. This Section provides that invoices with discrepancies are given an additional 5 days in which such discrepancies are to be researched and corrected. Our test of payments to vendors for goods and services disclosed that vendors were not always paid in a timely manner. Our test of 30 vendor payments, totaling \$1,063,929, disclosed that for eight of the vendor payments, certain invoices, totaling \$1,041,469, were paid from 66 to 358 days after the invoice date. For example, one vendor payment totaling \$2,541, included five invoices dated from September 27, 2006, through September 29, 2006; however, the invoices were not paid until September 20, 2007. University personnel were not able to provide an explanation for the delay in payments in these instances. Personnel in the University Controller's Office indicated that it makes the final approval for payment; however, it must rely on University department personnel to provide the dates goods and services are received and timely submit invoices approved for payment. When the date of receipt provided by the University departments is not accurately documented and the approved invoice is not timely submitted to the Controller's Office, the likelihood of late payment increases which could result in late charges and lost discounts. Similar findings were noted in our report Nos. 2005-032 and 2007-178.

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**Recommendation: The University should enhance its procedures to ensure timely payments to vendors for goods and services. These procedures should ensure that departments timely and accurately record the date goods and services are received and timely submit invoices to the University Controller's Office for final approval and payment.**

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**Finding No. 3: Communication Expenses**

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The University provided cellular telephones (cell phones) to certain employees for use in performing their duties. The University's Board of Trustees adopted a telecommunication policy, effective September 13, 2007, which requires employees requesting cellular phone service to submit a cellular service request form approved by the employee's department head. Our current audit disclosed that cellular phones were assigned to a total of 125 employees with a total cost of approximately \$88,000, for the 2007-08 fiscal year.

We selected 10 employees assigned cell phones and requested the cellular service request form used by the University to document the need for and approval of a cell phone assigned to the employee. Although requested, we were not provided with the required cellular service request forms. A similar finding was noted in our report No. 2007-178.

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**Recommendation:** The University should retain documentation evidencing the need for, and approval of, the assignment of cell phones to employees.

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**Finding No. 4: Cellular Telephones**

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Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the University to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of such a record.

The University's telecommunication policy permits employees to use cell phones for personal use and, if the number of minutes used in any one month exceeded the number of minutes on the plan, the employee is required to reimburse the University to the extent that personal calls contributed to the excess minutes. In addition, the policy also requires employees to identify which cell phone calls were business-related, the specific business purpose of each call, and which were for personal use. Such documentation for the business purpose of cell phones is required to comply with the requirements of the IRC and United States Treasury Regulations cited above.

We requested but were not provided documentation to identify the business purpose for cell phone calls in accordance with the University's policy. As such, the University should have conferred with the Florida Department of Financial Services (FDFS) regarding reporting to the Internal Revenue Service (IRS) the value of cell phone services provided each employee assigned a cell phone. Our review disclosed that the University had not included the value of these services in the income reported on these employees' W-2 forms for the 2007 calendar year. A similar finding was noted in our report Nos. 2005-032 and 2007-178.

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**Recommendation:** The University should ensure that employees adhere to its policy requiring documentation of the business purpose of each call. In the absence of such procedures, the University should confer with FDFS to report appropriate amounts of income to the IRS in accordance with the Federal requirements cited above.

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**Finding No. 5: Contractual Services**

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As a matter of good business practice, contractual arrangements should be evidenced by written contracts embodying all provisions and conditions of the procurement of such services. The use of a well written, complete, and properly executed written contract protects the interests of both parties, defines the services to be performed, and provides a basis for payment. In addition, the University is responsible for establishing controls to ensure that payments to contractors are for services actually performed and in accordance with agreed-upon terms.

As similarly noted in our report No. 2007-178, our review of payments for contractual services for the 2007-08 fiscal year disclosed payments, totaling \$21,714, to one contractor for maintenance and monitoring of security systems which were not made pursuant to a signed written agreement. Instead purchase orders were approved based on letters from the vendor which outlined the applicable rates for the 2007-08 fiscal year. Without the benefit of an approved contract, the University may not be able to pursue appropriate action should the vendor not perform required services or should a dispute arise over invoiced amounts.

Our tests of 10 contract payments, totaling \$1.4 million, disclosed instances in which written agreements or supporting documentation for payments were not adequate as follows:

- Payments totaling \$10,660, were made in excess of the combined approved amounts for two contracts with one consultant. University records did not evidence whether one or both of the contracts were overpaid. University personnel were unable to provide documentation to support the excess payments. Subsequent to our discussions, the University was investigating the payments made to this consultant.
- One consultant was reimbursed \$1,256 for travel costs that were in excess of the allowable travel per diem rates pursuant to Section 112.061(6)(d), Florida Statutes. The agreement with the consultant included a provision requiring the consultant to comply with State laws. Subsequent to our discussions, the University was investigating the payments made to this consultant.
- As similarly noted in our report No. 2007-178, the University continued to make payments pursuant to a written agreement with the Northwest Regional Data Center (NWRDC) for certain services (i.e., batch job and CPU usage) that were not addressed in the written agreement.

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**Recommendation:** The University should ensure that payments for contractual services are made pursuant to signed written agreements, which clearly establish the specific responsibilities of the parties to the contracts and the University's financial obligations, prior to the services being rendered and paid.

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**Finding No. 6: Insurance Coverage**

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The University obtains insurance coverage for buildings and other property through the Florida Department of Financial Services, Division of Risk Management (Division). The Division annually provides universities with certificates of coverage, and the universities are responsible for notifying the Division of needed changes to insurable values shown on the certificates of coverage. Premiums are based on the total insurable value of all university buildings and other property shown on the insurance certificates.

The Division has developed a valuation method that includes a matrix of cost factors used to arrive at the actual cash value (ACV) of the building. A university may use the Division's valuation method, or an alternative method, to determine the insurable value. If a university elects to show on the insurance certificate an insurable value that is lower than the ACV, in the event of a loss, the university would be covered up to that amount, rather than the ACV.

However, according to Division personnel, the ACV is the maximum coverage provided by the Division. Therefore, a university's insurable value, as shown on insurance certificates, should not exceed the ACV because to do so would result in a university paying additional premiums without receiving coverage beyond the ACV. A university may opt to purchase additional commercial insurance coverage in excess of the ACV.

Our review of the University's procedures for insuring buildings and other property disclosed the following:

- As of July 2008, the insurable values shown on insurance certificates for 10 of 13 buildings were more than the ACV by \$28,663,363. One building with an ACV of \$10,508,608, was reported twice to the Division. In these instances, the University paid higher premiums than necessary without benefit of additional insurance coverage.
- The insurable values were less than the ACV for 3 of 13 buildings by \$326,056. In these instances, the University may not have adequate coverage to compensate for a loss.

Upon notification on audit, University personnel submitted amended insurance certificates to reflect the ACV for these buildings.

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**Recommendation:** The University should ensure that insurable values included on the certificate of coverage reflect the ACV. In addition, the University personnel should review and amend as needed the insurable values for buildings and other property insured with the Florida Department of Financial Services, Division of Risk Management.

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**Finding No. 7: Information Technology – Security Controls**

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Effective security controls include controls over user access to systems and data. Access controls help ensure that personnel are performing only those duties stipulated for their respective jobs and positions by enforcing, through the establishment of system access privileges, limitations on users' abilities to access data and perform system actions.

In our report No. 2006-187, we noted instances of inappropriate access to the University's PeopleSoft Financials System. In our report No. 2008-050, we noted that the University had contracted with a consultant specializing in information security and control to perform a Universitywide information technology risk assessment. PeopleSoft access controls were included as part of the risk assessment. Based on the completed risk assessment, the University was in the process of modifying its control processes to improve assigning and monitoring access privileges so that access is granted based on the need to perform assigned job responsibilities. Although the University had made progress modifying the access privileges for user accounts identified with unnecessary superuser and correction-level access privileges, the modifications had not yet been fully completed. According to the contracted consultant, the removal of these high-level access privileges was 40 percent completed as of the end of the audit period.

Allowing access privileges that are not needed to perform assigned job responsibilities increases the risk that unauthorized changes to programs or data may occur and not be detected in a timely manner.

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**Recommendation:** We recommend that the University continue its efforts to restrict employee access privileges to only those areas that are needed to perform assigned job responsibilities.

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**OTHER MATTERS**

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In September 2007, the University became aware of unauthorized changes to students' records. These unauthorized changes were to student grades and residency information. The University reported the alleged fraud to local law enforcement, which resulted in grand jury indictments of several individuals.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2007-178.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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. 2007-178. 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 2007-08 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
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the University's information technology (IT) security awareness and training program.
Procedures to safeguard IT resources.	Interviewed consultant personnel and University staff and reviewed the consultant's report and supporting documentation concerning the status of University corrective action on previous IT audit findings.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation relating to the University's fraud policy and related procedures.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes).	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Independence and reporting of Inspector General.	Reviewed current Inspector General charter, reporting authority, and reports.
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, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008.
Procedures for adopting and amending the budget.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable Florida Statutes and State Board of Education Rules.
Procedures to safeguard electronic fund transfers.	Reviewed written agreements and assigned duties related to electronic fund transfers.
Cash collection procedures decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the University's collection procedures. Reviewed internal audit reports on cash collection procedures at decentralized collection points.
Restrictions pertaining to financial aid fees.	Reviewed the University's policies and procedures over the collection and use of financial aid fees. Reviewed the work performed by an external consultant.
Restrictions pertaining to activity and service, health, and athletic fees described in Section 1009.24(4), Florida Statutes.	Reviewed the University's policies and procedures over the collection and use of fees. Reviewed work performed by an external consultant.
Retaining fees assessed pursuant to Sections 1009.24(10), (11), and (12), Florida Statutes.	Reviewed the University's policies and procedures over the collection and use of fees. Performed procedures to verify compliance with laws.

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

Scope (Topic)	Methodology
Tuition refunds.	Reviewed policies and calculations for tuition refunds. Reviewed work performed by an external consultant.
Auxiliary operations contract compliance.	Reviewed procedures to ensure compliance with contract provisions and collection of commissions.
Employee compensation policies and procedures.	Reviewed policies and procedures resolving outstanding salary claims. Reviewed procedures resolving unpaid salary increases. Reviewed procedures over salary payment cancellations.
Fingerprinting and background checks for personnel in a position of special trust or that had direct contact with children.	Selected a sample of University personnel who had direct contact with children or work in an area requiring special trust to determine whether the University had obtained fingerprint and background checks for the individuals included in our sample.
Terminal pay policies and procedures.	Review the University's policies and procedures for terminal pay to ensure policies and procedures are consistent with Florida law. Select a sample of former employees and determine whether the University properly calculated terminal pay in accordance with University policies and procedures.
Employee performance evaluations.	Reviewed procedures for the completion of annual performance evaluations.
Sabbatical leave policies and procedures.	Reviewed policies and procedures over sabbatical leave, sabbatical leave reports, and changes to sabbatical leave.
Use of consultants in lieu of staffing positions.	Reviewed increase in number of funded staff positions. Compared current use of consultants with prior years.
Procurement policies and procedures.	Reviewed purchasing policies and procedures. Selected a sample of significant dollar purchases and examined supporting documentation evidencing that compliance with bid requirements, the University's policies and procedures, and Florida Statutes.
Procedures for athletic medical payments.	Reviewed contract with third-party to process payments for athletic medical costs.
Procedures for monitoring cellular telephone usage and compliance with related IRS reporting requirements.	Determined whether the University either provided for compliance with IRS substantiation requirements for cellular telephone usage or, for the most recent calendar year, reported the value of cellular telephone services provided to employees as income for those employees.
Construction and capital outlay policies and procedures.	Reviewed procedures for determining labor burden costs. Reviewed records for correction of fire safety inspection deficiencies.

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

Scope (Topic)	Methodology
Procedures for insuring architects and engineers.	Selected a sample of 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.
Procedures for insuring buildings.	Determined, on a test basis, whether insurance coverages were updated for major assets.
Tangible personal property policies and procedures.	Determined, on a test basis, if police reports were submitted for applicable missing property items. In addition, verified that the University reconciled capital outlay expenditures to additions to tangible personal property records.
Vehicle usage records.	Reviewed procedures and records of University-owned motor vehicles.
Sponsored research policies and procedures.	Reviewed policies and procedures for monitoring and reporting activities for sponsored research. Reviewed procedures to reconcile records to amounts received from grantor.
Scholarship disbursements.	Reviewed policies and procedures to reconcile scholarship disbursements with student financial aid records.
Compliance with restrictions on transactions with terrorist states.	Performed procedures to verify no payments were made to vendors with an address in a terrorist state.
Student records.	Selected a sample of grade change forms to determine if changes were properly authorized.

EXHIBIT B  
MANAGEMENT'S RESPONSE



# Florida Agricultural and Mechanical University

TALLAHASSEE, FLORIDA 32307-3100

JAMES H. AMMONS, Ph.D., PRESIDENT

OFFICE OF THE PRESIDENT

January 9, 2009

TELEPHONE: (850) 599-3225  
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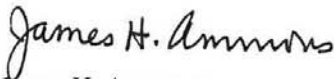
Mr. David W. Martin  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

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, 2008. 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,

  
James H. Ammons  
President

Attachment

c: Ms. Teresa Hardee, CFO and VP for Administrative and Financial Services  
Mr. Robert Seniors, VP for Information Technology  
Dr. Charles O'Duor, VP for Audit and Compliance

**Florida A&M University  
Management Response to the Operational Audit Findings  
For the Fiscal Year Ended June 30, 2008**

**Finding No. 1: Returned Checks Receivable**

The University did not perform collection procedures timely for certain returned checks receivable.

**Recommendation:** The University should enhance its procedures for returned checks originating from decentralized collection points to ensure timely collection efforts

**Response:** The University concurs with this recommendation. Collection procedures for returned checks originating from decentralized collection points have been enhanced. The improvements will include a check verification service for electronically processing checks written to the University. The service will reduce the risk that the University will be unable to collect amounts due for returned checks. To improve the collection efforts, the University added staff whose sole responsibility is to process return checks receivable. Furthermore, the procedures have been revised to incorporate timely assignment of returned checks to the collections agency/State Attorney's Office.

**Finding No. 2: Vendor Payments**

Payments to vendors did not appear timely in several instances, contrary to University policies.

**Recommendation:** The University should enhance its procedures to ensure timely payments to vendors for goods and services. These procedures should ensure that departments timely and accurately record the date goods and services are received and timely submit invoices to the University Controller's Office for final approval and payment.

**Response:** The University concurs with this recommendation. The University is implementing a new imaging system to improve timeliness of processing invoices. Also, the University is implementing the Administrative Services Assistance Program (ASAP) that will serve as the liaison between the Controller's Office and departments to ensure that payments are processed in a timely manner. These two additions to our operations will assist the University with strengthening its compliance with the Prompt Payment Policy.

**Finding No. 3: Communication Expenses**

The University needed to improve its controls over communication expenses.

**Recommendation:** The University should retain documentation evidencing the need for, and approval of, the assignment of cell phones to employees.



**Response:** The University concurs with this recommendation. Cellular service request forms have been completed by employees assigned cell phones. The forms reflect the justification for the assigned cell phones and approval by appropriate department heads.

#### **Finding No. 4: Cellular Telephones**

University procedures did not provide for adequate monitoring of cellular telephone (cell phone) usage. Also, the University should confer with the Florida Department of Financial Services to report to the Internal Revenue Service the value of cell phone services as income for employees who did not make an adequate accounting of the business use of their assigned cell phones.

**Recommendation:** The University should ensure that employees adhere to its policy requiring documentation of the business purpose of each call. In the absence of such procedures, the University should confer with FDFS to report appropriate amounts of income to the IRS in accordance with the Federal requirements cited above.

**Response:** The University concurs with this recommendation. The University revised its cell phone usage procedures in order to comply with the requirements of the Internal Revenue Code and U.S. Treasury Regulations. The changes will enable the University to report the value of cell phone services in the income reported for the employees with assigned cell phones.

#### **Finding No. 5: Contractual Services**

Payments to some contractors were not made pursuant to a signed and sufficiently detailed written agreement.

**Recommendation:** The University should ensure that payments for contractual services are made pursuant to signed written agreements, which clearly establish the specific responsibilities of the parties to the contracts and the University's financial obligations, prior to the services being rendered and paid.

**Response:** The University concurs with this recommendation. The University is currently developing a training program for contract monitoring for the campus community as well as strengthening contract administration within the Purchasing Department to ensure that payments to contractors are for services performed and in accordance with agreed-upon terms.

#### **Finding No. 6: Insurance Coverage**

The University did not verify its insurable values for buildings and other structures and improvements with amounts actually insured.

**Recommendation:** The University should ensure that insurable values included on the certificate of coverage reflect the ACV. In addition, the University personnel should review and amend as



needed the insurable values for buildings and other property insured with the Florida Department of Financial Services, Division of Risk Management.

**Response:** The University concurs with this recommendation. The University has instituted a system of checks and balances by adding an additional reviewer to ensure the accurate and timely computation and reporting of the insurable values and Actual Cash Values on the certificate of coverage for buildings and other structures and improvements.

#### **Finding No. 7: Information Technology – Security Controls**

The University's security controls within the PeopleSoft Financials System needed improvement.

**Recommendation:** We recommend that the University continue its efforts to restrict employee access privileges to only those areas that are needed to perform assigned job responsibilities.

**Response:** The University concurs with this recommendation. The University is committed to improving information technology security controls and has completed corrective actions as of December 2008 including the following:

- Development of procedures and processes to effectively maintain and monitor PeopleSoft Financial System access
- Identification and removal of privileges for terminated employees
- Restricted access to ensure proper segregation of duties
- Updated security documentation to reflect changes to PeopleSoft roles and permission lists
- Implemented logging and review of security changes to the PeopleSoft Financial System roles

The implementation of these changes will provide effective access controls and ensure integrity of financial and administrative data.