

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-067
December 2015

FLORIDA POLYTECHNIC UNIVERSITY



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Randy K. Avent served as President and the following individuals served as Members of the Board of Trustees:

R. Mark Bostick, Vice Chair to 7-31-14, Chair from 8-1-14	Scott J. Hammack
Frank T. Martin, Vice Chair from 8-1-14	Dr. Robert I. MacCuspie to 4-28-15 ^b
Robert "Rob" H. Gidel to 7-31-14, Chair ^a	Andrei Moss from 10-1-14 to 4-21-15 ^c
William "Bill" M. Brown	Thomas "Tom" D. O'Malley
Dr. Christina Drake from 5-2-15 ^b	Veronica Perez Herrera from 4-22-15 ^c
Dr. Sandra Featherman	Dr. Robert P. Scaringe from 3-26-15 to 6-4-15 ^d
Dr. Richard "Dick" P. Hallion	Robert W. Stork
	Donald H. Wilson

Notes: ^a Board member resigned on July 31, 2014, and position remained vacant through June 30, 2015.
^b Faculty senate chair, vacant from April 29, 2015, through May 1, 2015.
^c Student body president, first elected October 1, 2014.
^d Position remained vacant from July 1, 2014, through March 25, 2015, and June 5, 2015, through June 30, 2015.

The team leader was Becky D. Grode, CPA, and the audit was supervised by David A. Blanton, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

www.myflorida.com/audgen

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

FLORIDA POLYTECHNIC UNIVERSITY

SUMMARY

This operational audit of Florida Polytechnic University (University) focused on selected University processes and administrative actions. Our operational audit disclosed the following:

Administrative Management and Board Policies

Finding 1: As of October 13, 2015, the University had not adopted a detailed action plan to transition to the University its administrative service responsibilities that were being performed by the University of Florida.

Finding 2: The University had not developed comprehensive written procedures for all accounting and other business-related functions.

Finding 3: The University needs to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

Personnel and Payroll

Finding 4: The University did not perform background screenings for individuals in positions of special trust and responsibility.

Finding 5: The University needs to implement procedures to ensure supervisory review and approval of exempt employees work time is documented.

Procurements and Payments

Finding 6: The University needs to enhance controls over payments for contractual services.

Finding 7: The University did not adequately document the effectiveness and suitability of their software acquisition and had not clearly established, prior to purchase, time frames for implementation.

Finding 8: The University needs to enhance procedures over the purchasing card program.

BACKGROUND

The Florida Polytechnic 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 5 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 University President is selected by the Trustees and confirmed by the Board of Governors. 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.

This operational audit focused on selected University processes and administrative activities. The results of our financial audit of the University for the fiscal year ended June 30, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding 1: Administrative Services

State law¹ requires the University to provide, either directly or where feasible through a shared services model, administration of financial aid, admissions, student support, information technology, and finance and accounting with an internal audit function. The University entered into a shared services agreement with the University of Florida (UF) whereby the UF is responsible for performing various administrative services, such as bank account reconciliations, invoice processing, year-end accounting entries, project budget management, and preparation of monthly and annual financial reports. While the agreement did not provide for a termination date, either party may terminate the agreement after a prior 90-day notice.

In an effort to transition to direct administration from a shared-services model, the Board approved a strategic plan in December 2014 that provides for developing and implementing an action plan to terminate the shared-services agreement with the UF no later than December 2015. University personnel identified certain objectives and goals to develop information technology systems and processes for implementing and managing purchasing, student services, budgeting, and accounting and finance functions and other functions. However, University records did not evidence a written action plan setting forth how the various services detailed in the shared-services agreement would transition to the University. A written plan could establish the roles, responsibilities, and processes necessary for the transition, and identify the time frames and persons responsible for transition of the various shared services.

In response to our inquiry, University personnel indicated that a transition action plan was in the process of being finalized and would be submitted to the Board for approval; however, as of October 13, 2015, the plan had not been presented to the Board for approval. Without a Board-approved transition action plan establishing responsibility for the various administrative services and time frames for transitioning the services to the University, there is an increased risk that essential services may be interrupted or that services be provided inconsistent with the Board's expectations.

¹ Section 1004.345(1)(f), Florida Statutes.

Recommendation: The University should continue efforts to finalize a Board-approved detailed transition action plan, as required by the Board strategic plan. The detailed transition action plan should establish the roles, responsibilities, and processes necessary for the transition and identify the time frames and individuals or employees responsible for transitioning the processes from the UF to the University.

Finding 2: Procedures Manual

Written procedures clearly defining the responsibilities of employees are essential to provide both management and employees with guidelines regarding the efficient and consistent conduct of University business and the effective safeguarding of University assets. In addition, written procedures, if properly designed, communicated to employees, and effectively placed into operation, provide management additional assurance that University activities are conducted in accordance with applicable laws, rules, and other guidelines. Comprehensive procedures manuals are necessary to ensure appropriate training of new staff and promote a smooth transition in the event of a change in key business and finance-related personnel.

Although the University had initiated efforts to develop written procedures to address certain business functions, such as accounts receivable, auxiliary services, and accounts payable, the procedures were not finalized as of September 2015. As the University transitions administrative services from the UF, as discussed in Finding 1, and designs and implements information technology systems and related business processes, it is essential that the University develop comprehensive procedures manuals specific to University operations.

Recommendation: The University should continue efforts to develop comprehensive written procedures to enhance the effectiveness and ensure the consistent conduct of accounting and other business-related functions.

Finding 3: Textbook Affordability

State law² requires universities to post on their Web sites, as early as feasible, but not less than 30 days prior to the first day of class for each term, a list of textbooks required for each course offered at the institution during the upcoming term. Additionally, Board of Governors (BOG) Regulations³ provide that each university board of trustees adopt a regulation that establishes textbook adoption procedures to minimize the costs of textbooks for students and document the intent of the course instructors to use all items ordered, including the extent to which a new edition differs significantly and substantively from earlier versions, and the value of changing to a new edition. The posted list must include the International Standard Book Number (ISBN) for each required textbook or other identifying information, which must include, at a minimum, the title, all authors listed, publishers, edition number, copyright date, published date, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

² Section 1004.085(3), Florida Statutes.

³ BOG Regulation No. 8.003, *Textbook Adoption*.

The University established the BOG-required textbook adoption regulation and procedures and contracted with a vendor to manage and operate the University Bookstore, as well as to compile and post lists of adopted textbooks on the University's Web site. However, the University had not established monitoring procedures to ensure that textbook information was posted on the University's Web site at least 30 days prior to the first day of classes. As part of our audit, we reviewed the dates the vendor posted textbook information, including the required ISBN or other identifying information, to the University's Web site for the 345 total textbooks adopted for the Fall 2014 and Spring 2015 terms. We identified 125 textbooks, or 36 percent, for which the vendor had not timely posted the information to the University's Web site. The number of days the postings were late ranged from 5 to 54. Without timely posted textbook information, students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.

Recommendation: The University should enhance its monitoring of the College Bookstore vendor to ensure that textbooks are timely posted on the University's Web site in accordance with State law.

PERSONNEL AND PAYROLL

Finding 4: Background Screenings

Although not specific to universities, State law⁴ provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening⁵ is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. University Regulations⁶ specify that the University shall designate, as appropriate, all positions of employment for which a background screening is required based on the nature of trust, responsibilities, and location of the position.

The University employs persons in positions of special trust or responsibility such as information technology personnel with access to sensitive information, personnel with access to cash and inventory, personnel with access to social security numbers, and personnel who provide educational services to students under 18 years of age. We requested University personnel to provide us a list of the positions designated for background screening and, although a list was not available, University personnel provided a draft policy that required level 1 background screenings (local and State criminal history records checks) for all job applicants and level 2 background screenings for prospective employees who have lived outside the State of Florida, are in positions of trust, or are required by Federal or State law to have the screenings. Notwithstanding this draft policy, our review of University records disclosed that the University had not conducted any level 2 background screenings for persons employed in positions of special trust or responsibility, including positions that have direct contact with students under 18 years of age. In response to our inquiry, the University Human Resources Manager indicated that these

⁴ Sections 409.175, 110.1127, and 1012.32(2)(a), Florida Statutes.

⁵ A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

⁶ Regulation 6.011, *Employee Criminal Background Checks*.

positions were not subjected to background screenings because University personnel misinterpreted the draft policy and believed that level 2 background screenings were only required if the employee had lived outside the State of Florida in the previous 7 years.

As of June 30, 2015, the University employed 190 employees and, in response to our inquiry, University personnel indicated that it was the University's intent to perform background screenings for all employees; however, as of November 19, 2015, the screenings had not been performed. When individuals employed in positions of special trust or responsibility are not subjected to background screenings, there is an increased risk that the individuals may have backgrounds that are not suitable for such employment.

Recommendation: The University should enhance procedures to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including positions that have direct contact with persons under 18 years of age.

Finding 5: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The University pays exempt employees (i.e., technical, executive, and administrative employees and faculty) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the University reported salary costs of \$8.4 million for exempt employees. According to University personnel, exempt employees document their leave on leave request forms that are submitted to supervisors for review and approval. After supervisory approval of the leave request forms, the forms are submitted to the University Human Resources Department, and the Department summarizes the forms and submits the summary to the UF Payroll Department. However, the University did not require exempt employees to prepare time sheets or other records to document their time worked. Without such records and supervisory review and approval of the records, there is limited assurance that exempt employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review and approval, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate. In response to our inquiry, University personnel indicated that they are currently processing payroll through the shared-services agreement and that as they transition the administrative services they will implement procedures to provide for supervisory certification of time worked.

Recommendation: The University should establish a mechanism for exempt employees to report time worked, and also establish procedures requiring supervisors to document the review and approval of such time.

Finding 6: Contractual Services

The University routinely enters into contracts for services, and has designed and implemented internal controls that generally ensure payments are consistent with contract terms and conditions. For the 2014-15 fiscal year, University contractual services payments totaled \$3,822,451 and, to determine the propriety of these payments, we selected and examined University records supporting 22 payments totaling \$619,034 related to a total of 4 contracts and purchase orders. Our test disclosed that:

- The University contracted with a company to verify and certify the accuracy of certain construction costs and the University agreed to pay the company up to \$60,000 based on hourly compensation rates, ranging from \$115 for associate staff to \$375 for management staff, and reimburse the company for allowable costs. The contract required the firm to submit sufficiently detailed invoices for payment. For payments made pursuant to this contract, we noted:
 - The University made payments totaling \$60,000 for services and \$5,476 for reimbursable costs. While invoices requesting payment identified billed costs by activity, neither the invoices nor other University records identified the company staff titles or staff hours worked to allow University personnel to reconcile the hourly compensation rates and related charges to the contract.
 - The University reimbursed the company \$4,794 for travel and printing expenses based on invoices that totaled this amount; however, University records did not identify the purpose for the travel, distance(s) traveled, or mileage rates or contain printing expense cost records. Accordingly, the University could not demonstrate the reasonableness of the travel cost reimbursement or substantiate the validity of the printing cost reimbursement.
 - University payments to the company included a June 2015 late payment fee of \$682 for services incurred in March 2015. While University personnel indicated that the late payment occurred because of an oversight, our review disclosed that the late fee exceeded the contract's late fee provision and resulted in an overpayment of \$466.
- The University contracted with a company to provide internal auditing services and the University agreed to pay the company based on hourly compensation rates, ranging from \$150 for associate staff to \$285 for management staff. Regarding the internal auditing services contract we noted:
 - The contract required the company to submit sufficiently detailed invoices for payment; however, neither the invoices requesting payment nor other University records identified the company staff titles and staff hours worked to allow University personnel to reconcile the hourly compensation rates and related charges totaling \$24,900 to the contract.
 - The University reimbursed the company \$3,312 for administrative and travel expenses based on invoices that totaled this amount; however, University records did not identify the basis upon which the administrative expense reimbursement was requested or the purpose for the travel, distance(s) traveled, or mileage rates to demonstrate the reasonableness of the travel cost reimbursement.

Without adequate documentation of the services received and reimbursable costs and reconciliations performed to compare invoiced service costs to vendor contracts, the risk is increased that overpayments may occur or that the services provided may not be consistent with the Board's expectations. In response to our inquiry, University personnel indicated that they will implement staff training to ensure vendor invoices are appropriately reconciled to supporting documentation, such as contracts that identify the basis for the payments, before vendor payments are made.

Recommendation: The University should enhance procedures to require, before payments are made, documentation of the satisfactory receipt of services and the performance of reconciliations of invoiced service costs to vendor contracts. In addition, the University should seek reimbursement for the \$466 late fee overpayment.

Finding 7: Software Acquisition

A Software as a Service (SaaS) agreement provides for a software provider to license operating software to an entity based on certain subscription terms. On April 29, 2015, the University entered into a SaaS agreement with a software provider for \$1,167,733 to acquire finance and human resources information technology (IT) resources. During the 2014-15 fiscal year, the University paid a total of \$437,098 to the software provider, including \$334,988 for annual subscription costs and \$102,110 for initial costs of training and related software instructions. To help the University successfully place the software into operation, the University entered into a contract with an implementation partner on October 6, 2015, for \$2,016,740 and established a SaaS Steering Committee to oversee implementation of the project.

Our review of this arrangement disclosed that:

- University personnel prepared a cost and benefit analysis to support the decision to contract with the software provider. However, the analysis only compared the SaaS costs to the current shared-services agreement with the UF for IT services. In addition, the analysis excluded consideration of certain costs, such as training and support services, limited the comparison to 1 year of services, and University records did not evidence consideration of procuring SaaS services using a competitive solicitation process. Given the extensive complexities and costs of software services, utilizing independently developed cost estimates for the desired components and functionalities would have provided more complete information upon which to negotiate for this procurement.
- University data is stored on the software provider's servers, increasing the importance of the provider's data security, security incident, physical and environmental security, and data backup controls. While the software provider is subject to periodic evaluations of internal control over its information security program, such as service auditor reports,⁷ University records did not evidence consideration of the most recent service auditor report of the provider or other evaluations of the provider's security controls before the University entered into the contact. In response to our inquiry, the University requested and obtained the most recent service auditor report of the provider that indicated controls were operating effectively. Untimely evaluations of software provider security controls increase the risk that University data entrusted to the software provider may not be properly safeguarded against security threats and risks.
- Although the University incurred subscription costs at rate of \$27,916 per month, it had not established a plan to begin using the subscription services. In response to our inquiry, University personnel provided documentation that required the implementation specialists to prepare a detailed implementation plan during the initial phase of the software acquisition. However, given that the University incurred subscription costs from April 29, 2015, through the date of our inquiry (September 2015), during which the University did not obtain the software services, the University incurred unnecessary costs totaling \$139,580. Further, subscription costs will continue to be incurred unnecessarily until the detailed implementation plan is developed and the University's implementation partner begins the implementation of the SaaS software.

⁷ As described by the American Institute of Certified Public Accountants (AICPA), Statement of Auditing Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization (SSAE No. 16).

- In May 2015, the University paid the software provider \$71,760 for prepaid training credits to train staff at the provider's facility, at the University by a provider instructor, or through virtual (online remote) training courses. University personnel can select the dates, times, and methods of instruction from the provider's training catalog through November 2016. In response to our inquiry, University personnel indicated that, as of September 2015, they had not requested any training from the catalog as they were waiting until the implementation partner agreement was signed so that the consultants could provide training recommendations. University personnel further indicated that, as of September 2015, key team members were still being hired and the University expected to use all prepaid training credits. However, advance payments for training that could expire before University personnel use the training could expose the University to unnecessary costs should implementation not be timely completed.

Recommendation: The University should enhance procedures to ensure, for future software contracts, that University records clearly demonstrate that such purchases are made at the lowest price consistent with desired quality and include consideration of the sufficiency and appropriateness of data security controls. In addition, future contracts should include service time frames and details to provide appropriate monitoring of project management and training services. Also, payments for software training services should only be made after documented satisfactory receipt of implementation of the software and related training.

Finding 8: Purchasing Cards

The University administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process and expedites low dollar purchases of goods and services. P-cards are subject to the same rules and regulations that apply to regular University purchases. As of June 30, 2015, the University had assigned a total of 44 P-cards to employees.

Pursuant to a shared-services agreement with the UF, the University relied on the UF to serve as the P-Card Administrator and relied on the guidance in the UF's P-Card Best Practices Manual (P-Card Manual) for the issuance, use, and cancellation of P-cards. The P-Card Manual also provided that all purchases made on a P-card must have a clear business purpose that benefits the University and supports the mission of the business unit. In addition, the University used a form to code P-card charges, reconcile the charges to supporting documentation, and document approval by purchasers and their supervisors. To ensure P-card purchases are made within acceptable ranges based on the cardholder's responsibilities, the University established single transaction limits for each cardholder ranging from \$1,000 to \$2,000.

During the 2014-15 fiscal year, all 44 P-cards were used and University personnel incurred P-card charges totaling \$701,000. We selected and examined University records supporting 30 P-card transactions totaling \$40,000 and scanned other P-card transactions for reasonableness. Our procedures disclosed that:

- One cardholder with a single transaction limit of \$1,000 made 2 P-card transactions on the same day for \$695 each (totaling \$1,390) to a vendor for University vehicle repairs. Splitting P-card transactions to circumvent the cardholder's single transaction limit increases the risk for purchases that are inconsistent with University purchasing procedures.
- University records did not evidence supervisory review and approval of 7 P-card transactions totaling \$5,406. These P-card charges included transactions for conference registration fees,

repairs and maintenance, cellular telephone charges, and temporary staffing. Absent supervisory approval, the risk for unauthorized purchases without timely detection is increased.

- University records did not evidence the public purpose for 12 P-card transactions totaling \$1,020 for food and flowers. While University personnel indicated that procedures did not always ensure that P-card purchases were limited to allowable charges or adequately documented to justify the public purpose of the purchases, they indicated that campus-wide training is underway to enhance controls over P-card purchases. Without records to substantiate such charges, the risk that purchases may not benefit the University or support its mission is increased.
- University records disclosed that the two employees with P-cards who separated from University employment during the 2014-15 fiscal year did not have their P-cards canceled until 16 and 54 days, respectively, after the employees separated from employment. While we noted no P-card activity for these former employees subsequent to their employment separations, untimely cancellation of P-card privileges increases the risk that unauthorized purchases may be made.
- University personnel did not maintain a listing of University cardholders or maintain monthly activity reports for each cardholder. Although the University relied on the UF to serve as the P-card administrator, without maintaining accurate listings of cardholders and monthly activity report limits, the University's ability to identify cardholders who may no longer need a card and to evaluate the reasonableness of established purchasing limits is limited.

Subsequent to our inquiry, the University assumed responsibility for much of the P-card program administration from the UF; however, written procedures had not been developed for these new responsibilities and the University continued to record P-card activity through UF's accounting system.

Recommendation: The University should continue efforts to ensure P-card purchases are limited to appropriate single transaction limits, subject to supervisory review and approval, and appropriately demonstrate the public purpose served. In addition, such controls should ensure timely cancellation of P-cards upon employment separations and accurate listings of cardholders and monthly activity reports are maintained.

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 April 2015 to October 2015 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:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and

efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.

- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Examined Board, committee, and advisory board minutes for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records to determine whether the University had informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information, as required by Section 1006.695, Florida Statutes.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policies.

- Analyzed the unencumbered available balance in the education and general fund of the University Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balance at June 30, 2015. We performed analytical procedures to determine whether financial transactions in other funds required resources from other unrestricted funds that would cause a significant reduction in available unencumbered balance in the education and unrestricted State appropriated funds.
- Evaluated whether the University had adequate procedures to document Florida residency in compliance with Sections 1009.21 and 1009.24, Florida Statutes, and Board of Governor's Regulation 7.005.
- Examined both auxiliary operations contracts with total revenues of \$692,867 for the 2014-15 fiscal year to determine whether the University was properly monitoring compliance with the contract terms, including fees and insurance provisions.
- Evaluated University policies and procedures regarding textbook affordability for compliance with Section 1004.085, Florida Statutes. We also examined documentation for the 345 textbooks added during the 2014-15 fiscal year to determine whether the textbook information was timely listed on the University's Web site.
- Examined University records for the 3 administrative employees (including the President) who received compensation totaling \$1,004,482 during the 2014-15 fiscal year to determine whether the amounts paid did not exceed limits provided in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Reviewed the University's policies and procedures for terminal leave pay to ensure consistency with Florida law. From the population of 10 former employees paid \$37,795 for accumulated annual and sick leave during the 2014-15 fiscal year, we selected and examined records supporting payments totaling \$34,481 to 5 employees for terminal leave to determine compliance with Section 100.122, Florida Statutes, and University Rule Nos. 6.004 and 6.005.
- Reviewed the University's policies and procedures for obtaining background screenings for University employees. We also examined University records to determine whether employees in positions of special trust or responsibility, such as positions in direct contact with minors, had undergone the appropriate background screenings.
- Reviewed the University's policies and procedures for supervisory approval of time worked and leave used by noninstructional and administrative employees to evaluate whether compensation payments were appropriate and leave balances were accurate.
- From the population of 278 employees paid compensation totaling \$13,484,133 during the 2014-15 fiscal year, selected and examined records for 30 employees compensated a total of \$46,825 to determine the accuracy of the rate of pay and validity of employment contracts.
- Examined University expenditure documentation to determine whether expenditures were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and Board policies. From the population of expenditures totaling \$20,835,934, we selected and examined:
 - Documentation relating to 31 payments totaling \$63,568 for general expenses.
 - Documentation relating to 22 payments totaling \$619,034 related to 4 agreements for contractual services.
- Examined purchasing card (P-card) transactions to determine whether the University's P-card program was administered in accordance with University policies and procedures and purchases were not of a personal nature. From the population of P-card transactions totaling \$701,373 for

the 2014-15 fiscal year, we selected and examined documentation relating to 30 P-card transactions totaling \$39,639.

- From the population of 271 payments totaling \$40,134 made to employees for other than travel reimbursement and compensation during the 2014-15 fiscal year, selected and examined documentation for 30 payments totaling \$6,404 to determine whether such payments were reasonable, adequately supported, and for valid University purposes and whether such payments related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- Reviewed University policies and procedures related to identifying potential conflicts of interest. For selected University officials, we reviewed Florida Department of State, Division of Corporation, records; statements of financial interest; and University records to identify any potential relationships that represent a conflict of interest with vendors used by the University.
- Determined whether the University evaluated the effectiveness and suitability of the software application prior to purchase and whether the University used competitive vendor selection process. Also, we reviewed procedures for requesting and obtaining service organization reports of the software provider prior to acquiring the software.
- Reviewed the University's current policies and procedures manual for finance-related activities for completeness.
- Evaluated University procedures to determine whether the University designated an employee to serve as investigative authority for any whistle-blower information as required by Section 112.3189, Florida Statutes.
- Reviewed University controls over petty cash funds to determine whether adequate controls had been established to safeguard cash balances.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Mark Mroczkowski
Vice President and CFO
4700 Research Way
Lakeland, FL 33805
Tel: 863-874-8408
mmroczkowski@flpoly.org

December 15, 2015

Sherrill F. Norman, CPA
Auditor General
State of Florida
111 West Madison Street
Claude Denson Pepper Building, Suite G74
Tallahassee, FL 32399-1450

Re: Management Response to Preliminary and Tentative Findings for FY15 Operational Audit

Dear Sherrill Norman:

In connection with the operational audit of Florida Polytechnic University for the fiscal year ended June 30, 2015, I am submitting our institution's responses to the preliminary and tentative audit findings and recommendations pursuant to Florida Statutes. If you have any questions or should you require additional information, I can be reached at 863-874-8408.

Regards,

A handwritten signature in blue ink that reads "Mark Mroczkowski".

Mark Mroczkowski
Vice President and CFO
Florida Polytechnic University

Cc: Randy Avent, President
Mark Bostick, Chairman of the Board of Trustees
Don Wilson, Esq, Chairman of the Audit Committee

Operational Audit
Preliminary and Tentative Audit Findings
Year Ended June 30, 2015

Management's Response

Administrative Management and Board Policies

Finding 1: As of October 13, 2015, the University had not adopted a detailed action plan to transition to the University its administrative service responsibilities that were being performed by the University of Florida.

Recommendation: The University should continue efforts to finalize a Board-approved detailed transition action plan, as required by the Board strategic plan. The detailed transition action plan should establish the roles, responsibilities, and processes necessary for the transition and identify the time frames and individuals or employees responsible for transitioning the processes from the UF to the University.

Response: The University will continue to enhance its action plan for phases II and III of the transition from shared services with the University of Florida that is consistent with this recommendation. The plan has been submitted to University leadership and stakeholders at the University of Florida for final review and implementation.

Implementation date: December 2015

Finding 2: The University had not developed comprehensive written procedures for all accounting and other business-related functions.

Recommendation: The University should continue efforts to develop comprehensive written procedures to enhance the effectiveness and ensure the consistent conduct of accounting and other business-related functions.

Response: The University is continuing to develop comprehensive written procedures. New procedures are being developed in concert with the ERP implementation such that they conform to the best practices built into the system.

Implementation date: September 2016

Finding 3: The University needed to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

Recommendation: The University should enhance its monitoring of the College Bookstore vendor to ensure that textbooks are timely posted on the University's Web site in accordance with State law.

Response: The University will continue to work with faculty and staff to gain improved knowledge and experience of the demand requirements, which will result in improved scheduling of classes and therefore a timelier posting of textbooks. We are progressing toward improved compliance with the law and regulation to the greatest extent possible.

Implementation date: Ongoing

Personnel and Payroll

Finding 4: The University did not perform background screenings for individuals in positions of special trust and responsibility.

Recommendation: The University should enhance procedures to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including positions that have direct contact with persons under 18 years of age.

Response: The University has established a policy addressing level II background screenings for individuals with positions of special trust and is in the process of acquiring a live scan fingerprint and background checking system so that we may conduct the recommended background screenings.

Implementation date: January 2016

Finding 5: The University needed to implement procedures to ensure supervisory review and approval of exempt employees work time is documented.

Recommendation: The University should establish a mechanism for exempt employees to report time worked, and also establish procedures requiring supervisors to document the review and approval of such time.

Response: The University is working on designing our new processes, procedures and controls, including payroll, to conform to the best practices provided by our new ERP system in a way that maximizes internal control.

Implementation date: Ongoing

Procurements and Payments

Finding 6: The University needed to enhance controls over payments for contractual services.

Recommendation: The University should enhance procedures to require, before payments are made, documentation of the satisfactory receipt of services and the performance of reconciliations of invoiced service costs to vendor contracts. In addition, the University should seek reimbursement for the \$466 late fee overpayment.

Response: The University will continue to develop and enhance its review process for paying invoices related to contracted services, including auditing for work performed. The University will also work with its General Counsel to ensure that contracted amounts for late fees fall within the statutory guidelines.

Implementation date: December 2015

Finding 7: The University did not adequately document the effectiveness and suitability of their software acquisition and had not clearly established, prior to purchase, time frames for implementation.

Recommendation: The University should enhance procedures to ensure, for future software contracts, that University records clearly demonstrate that such purchases are made at the lowest price consistent with desired quality and include consideration of the sufficiency and appropriateness of data security controls. In addition, future contracts should include service time frames and details to provide appropriate monitoring of project management and training services. Also, payments for software training services should only be made after documented satisfactory receipt of implementation of the software and related training.

Response: We agree that records did not evidence consideration of procuring SaaS services using a competitive solicitation process. The University is continuously working to enhance and improve our procedures to ensure that our records reflect all of our efforts to obtain products and services at the best possible price.

Implementation date: Ongoing

Finding 8: The University needed to enhance procedures over the purchasing card program.

Recommendation: The University should continue efforts to ensure P-card purchases are limited to appropriate single transaction limits, subject to supervisory review and approval, and appropriately demonstrate the public purpose served. In addition, such controls should ensure timely cancellation of P-cards upon employment separations and accurate listings of cardholders and monthly activity reports are maintained.

Response: The University will continue to evaluate and enhance both its processes and controls relating to P-card purchases and administration.

Implementation date: January 2016