FLORIDA INTERNATIONAL UNIVERSITY

**OFFICE OF INTERNAL AUDIT**

**AUDIT OF THE COLLEGE OF LAW** **Report 08/09-05**

**TO:** R. Kirk Landon, Chair, Finance and Audit Committee

**FROM:** Pyong Cho, Interim Audit Director

**DATE:** February 27, 2009

## EXECUTIVE SUMMARY

We conducted an audit of the College of Law for the period from July 1, 2007 through June 30, 2008. Our audit scope and objectives appear on page two of this report; audit findings, recommendations, and management responses are discussed in detail on pages three through thirteen.

Our audit disclosed an unusually high number of transaction errors which in our opinion indicated a significant internal control weakness and a lack of proper oversight by management over financial transactions. Specifically, our audit disclosed errors related to: (a) use of Auxiliary and Educational & General funds; (b) payroll; (c) travel; (d) telephone usage; (e) moving expenses; (f) un-encumbered payments; (g) competitive solicitation; (h) signature authorizations; (i) purchasing card documentation; and (j) missing property items.

We wish to express our appreciation for the cooperation and assistance extended to us by the personnel from the College of Law and all other departments involved in this audit.

Audit conducted by Manuel Sanchez.

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## SCOPE AND OBJECTIVES

We have conducted an audit of the College of Law (College) for the period from July 1, 2007 through June 30, 2008. The objectives of the audit were to determine whether the established controls and procedures over the procurement of goods and services, travel, property and other areas were: (a) adequate to provide reasonable assurance that significant errors or irregularities were prevented or detected in a timely manner; (b) being properly adhered to; and (c) in accordance with University policies and procedures and applicable laws, rules and regulations.

Our audit was part of the approved work plan for the fiscal year 2008-2009. The audit included tests of the accounting records and such other auditing procedures as considered necessary under the circumstances. Audit fieldwork was conducted from September 16, 2008 through January 12, 2009.

Any audit is subject to inherent risk and may not detect all material errors and weaknesses if these should exist. Our examination of the College was based on selected tests of the accounting and other records and related procedures; therefore, it would not necessarily disclose all instances of control weaknesses, noncompliance, or operational inefficiencies.

## USE OF REPORT

We are employed by Florida International University (FIU or University). This report is intended solely for the internal use of the State University System and is not to be used for any other purpose. This restriction is not to limit the distribution of this report, which is a matter of public record.

## BACKGROUND

Approved by the Florida Legislature in 2000, the College opened in August 2002 with a class of 67 full-time and 60 part-time students and made spectacular progress in building a first-rate academic program. The College was provisionally accredited by the American Bar Association (ABA) in 2004 and fully accredited in 2006, the quickest possible time in which a law school may achieve full accreditation under ABA rules.

The mission of the College is to serve the citizens of the State of Florida, particularly South Florida, by providing access to the legal profession through a contemporary, high-quality educational program. Like the University and metropolitan communities of which they are a part, the student body, faculty and administration reflect a wide variety of backgrounds and interests. Out of this diversity, the College seeks to create a scholarly community in which students and faculty discuss issues freely and with respect for differing perspectives.

In February 2007, College graduates enjoyed a 94 percent passing rate on the Florida bar exam, the highest in the state of Florida. In July 2007, College graduates continued to pass the bar at a higher than state average rate of 86 percent. There are now over 350 FIU College of Law Alumni practicing in South Florida and around the country.

The College has about 30 full-time faculty members and also has various visiting professors who teach subjects within their areas of expertise. Currently, the College has about 450 students, including part-time and full-time first, second, and third year students. Eventually, the school is projected to have a capacity of about 600 students.

## METHODOLOGY

Our examination included, but was not limited to, observation of actual practices and processing techniques, interviews with College and other University personnel, and testing of selected transactions during the period audited, as considered necessary under the circumstances. Sample sizes and transactions selected for testing were determined on a judgmental basis. Total expenditures for the College for the fiscal year ended June 30, 2008 was approximately $10 million of which $8,104,246 was related to payroll. Our total population which was subjected to sampling was $1,849,355, which excluded items such as depreciation expense, unrealized gains and losses, and auxiliary overhead.

## FINDINGS AND RECOMMENDATIONS

### 1. Improper Use of Admissions Deposit

During our audit, we noted that the College used its Agency funds, totaling $1,878, to print 15,000 "holiday postcards." The funds used represented a $200 student "tuition deposit" paid by each student to "guarantee them a seat in the entering class" but who subsequently did not enroll at the College. Florida Statute section 1009.24(14) stated, "Each university board of trustees is authorized to establish a nonrefundable admissions deposit for undergraduate, graduate, and professional degree programs in an amount not to exceed $200. In the event the applicant does not enroll in the university, the admissions deposit shall be deposited in an auxiliary account of the university and used to expand financial assistance, scholarships, and student academic and career counseling services at the university. . . ."

The College's use of these deposits violated the Florida Statute as it was: (a) not transferred to an auxiliary account and used as indicated in the statute; and (b) its ultimate use to print holiday cards also violated Florida Statute section 286.27 which prohibited the use of state funds for the purpose of printing holiday cards.

At June 30, 2008, the aforementioned agency fund account had a balance of $52,380. We also noted that the physical collection of these deposits by the College was not previously authorized by the Controller's Office as required by the University.

**Recommendation No. 1 – Improper Use of Admissions Deposit**

1.1 The College should transfer all student deposit monies from the agency account to an auxiliary account as per Florida Statute and should reimburse the auxiliary account for any monies improperly used during the audit period.

1.2 The College should obtain authorization from the Controller’s Office to collect funds within the College.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

1.1 The College will transfer all monies from that agency account to an auxiliary account and will reimburse the auxiliary account for all monies which were improperly used.
Implementation date: May 15, 2009

1.2 The College will attempt to obtain the authorization of the Controller’s Office.
Implementation date: May 15, 2009

## 2. Inadequate Payroll Procedures

University payroll time entry guidelines required time keepers to “review employees’ time entries” and “notify Time Approvers that sign off is ready.” “If the department does not have a Timekeeper, then the Time Approver must review and sign off each employee.” In addition, these guidelines do not require exempt employees to sign off their time if they have no leave hours to report.

During our audit, we noted that the College had a total of 13 time keepers and 11 time approvers. We interviewed two of the time approvers who informed us that their approval was based solely on payroll deadlines and not on the accuracy of the payroll data as they were not in a position to know whether the employees (especially 12-month faculty members) were at work or not. They stated that the inability to know if an employee was at work or not was the result of either their physical location, or because the employees’ schedules were such that they were not always in the office or on campus. In addition, when time approvers signed off, in most cases employees had not approved/submitted their time so they would not know if the employee simply had forgotten to sign-off or had no leave to report.

As a result of the time approvers’ comments, we selected a sample of thirteen 12-month faculty members and reviewed their approved time entries from January 1, 2008 through August 21, 2008. We found two of the thirteen faculty members had reported a total of 8 leave hours during the combined 323 work days. The time approver for one of these faculty members stated, when asked whether the faculty member had taken any leave, “well whatever is on ADP, but I don’t know for sure since they work on another floor.” The second time approver reported that they had recently reported annual leave on a retroactive basis for the employee since “it is the employee’s responsibility to let me know when they are out and they know that.” As it turned out, the time approver was referring to two separate faculty members who had recently had leave reported retroactively. After our initial inquiry, the faculty member in question was subsequently contacted by the time approver and asked about any unreported leave time to which the faculty member provided details of 48 hours of previously unreported leave time from approximately two-and-a-half months prior.

This practice presented an inadequate payroll procedure which could result in an unnecessary financial burden to the College/University when employees are paid for their unused annual leave and/or sick leave.

A review of annual leave balances for these two employees reflected that one had the maximum accrual of 44 days or 352 hours, while the second employee had 25.7 days or 206 hours (hired August 1, 2007). This is important to note as if these employees were to transfer or terminate from their 12-month contract to an academic year contract, the University, and specifically the College, would be responsible for the employee's annual leave payout. For example, a review of the College's leave payout for the fiscal year ended 2007-08 reflected that the College paid out $64,270 in leave payouts to four employees (ranging from $990 to $28,939), three of which received the maximum leave balance allowed (352 hours). The fourth employee was hired in November 2007 and was paid 64 hours of annual leave time.

The College Dean acknowledged that its payroll procedures did not effectively monitor the annual leave hours taken by Administrative and Professional (A&P) and faculty employees on 12-month contracts. He indicated that many of the 12-month employees were faculty members whose research could be done from home computers or whose clinical responsibilities often were performed off campus. He also indicated that some A&P as well as faculty employees had considerable responsibilities off campus and it would be extremely difficult to monitor.

**Recommendation No. 2 – Inadequate Payroll Procedures**

2.1 In light of the control weaknesses noted, we recommend that the College re-train its time keepers and time approvers on sign-off procedures. In addition, Human Resources and the Provost's Office should ensure exempt employees are informed of the requirement to report leave time taken to a time approver on a timely basis.

2.2 We recommend that Human Resources evaluate and implement best practices to ensure that exempt employees report their leave hours taken for each pay period.

**AUDITEE COMMENT/ACTION PLAN:**
**(HUMAN RESOURCES/PROVOST'S OFFICE)**

2.1 Human Resources will work together with the College of Law and Provost's Office to ensure attendance of the TimeSaver training that is being offered as a result of finding of the "Audit of Controls Over the ADP Payroll Process: 1.1 - 1.5" to review and educate on current business processes to both time keepers/time approvers throughout the University. The Provost's Office will create awareness through Dean communication on this requirement once the training has been conducted. Time keeper/time approver classes will be offered by end of April 2009.
Implementation date: April 30, 2009

2.2 Human Resources will evaluate and review the current process for exempt employees to report their leave hours taken for each pay period and benchmark the process against other universities and best practices in the industry. The already published and revised Guidelines from "Audit of

Controls Over the ADP Payroll Process: 1.1 - 1.5" will be updated to include this recommendation of leave hours taken along with a communication effort to HR Liaisons and Department Heads. The Guidelines will be updated and posted after review has been completed by April 17, 2009 on the Human Resources website. Communication to HR Liaisons will occur in our monthly meeting. Communication reminder to Department Heads will be sent quarterly by Human Resources.
Implementation date: April 17, 2009

**3. <u>Inadequate Travel Procedures</u>**

University travel expenses are governed by the University Travel Expense Policy (Policy) and the University's Travel & Expense Procedures Manual.

During our audit, we selected 12 travel-related transactions, encompassing a total of $17,715. One transaction for $2,437 was unable to be tested since the purchasing card supporting documentation was unavailable at the College.

Our test of the 11 transactions found the following non-compliance with University policy and procedures:

- Travel Authorization Requests (TAR) were prepared after-the-fact on 3 transactions, ranging from 13 to 55 days after the traveler's departure date;
- No TARs were completed on 3 transactions;
- One TAR was approved by a non-authorized signer;
- Traveler was improperly reimbursed for breakfast and lunches totaling $23 although the meals were included as part of the registration fee;
- Traveler was improperly reimbursed for $64 related to excess taxi tips ($16) and charges for an additional driver and liability insurance not permitted on a non-authorized car rental company ($48);
- Traveler was improperly reimbursed $120 for lunches included in the registration fee and breakfasts included in the hotel reservation. The same traveler was reimbursed for two hotel nights prior to the conference start resulting in an improper reimbursement of $355 for the one additional night and per diem of $91;
- One Voucher for Reimbursement was submitted to the Controller's Office 40 days after the traveler's return, rather than within the 10 days required by the Policy;
- We noted that travel expense reimbursements were at times simply supported by an e-mail correspondence between the traveler and the on-line vendor, and these e-mails were usually forwarded to the Controller's Office without any additional physical, documentary evidence of proof of payment. Although we did not find any discrepancies and these reimbursements were accompanied by approvals from authorized signers, we believe that there is a control weakness within the process. It is a fact that whenever an e-mail is forwarded, changes can be easily made to its original content. As such, it would be difficult for a reviewer to detect a traveler who has falsified their cost or method of payment. This can result in the University processing a travel reimbursement for an inflated amount. Although significant changes to costs should be detected through the University's current

controls, other changes might not be and the accumulation of those over time could be significant.

**<u>Recommendation No. 3 – Inadequate Travel Procedures</u>**

3.1 We recommend that the College develop a procedure to ensure that all purchasing card transaction records are maintained as required by University purchasing card procedures. This documentation serves as the only support for all purchasing card transactions at the University.

3.2 We recommend that the College ensure that all future travel is compliant with University Policy, and as such, a TAR is completed at least 7 days in advance of travel and properly approved and a Voucher for Reimbursement is submitted within 10 days after the traveler's return.

3.3 We recommend that College travelers, as well as approvers, be more cognizant of University reimbursement policies. The College should collect on any improper reimbursement.

3.4 We recommend that the Controller's Office examine the cost/benefits of altering the current procedures of allowing employees to submit e-mails as evidence of payment from on-line vendors. An alternative would be to also require employees to provide a credit card statement reflecting their charge as on-line vendors require payment via a credit card.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

3.1-3.3 We admit to the inadequacy of the travel procedures outlined by the auditors. We will seek recall of pro-cards from all faculty and require them to use personal credit cards and seek subsequent re-imbursement, which will help to ensure that their travel plans are not made irresponsibly prior to the dean's office approval of TARs. This will also make easier the enforcement of University policies prohibiting the expenditure of E&G [Educational and General] funds for food and beverages [on pro-cards]. We will distribute in writing the particulars of the University travel policies and attempt to re-train secretaries responsible for filling out TARs and reimbursement forms in these regards. We have sought to collect any improper reimbursements of which we have become aware.
Implementation date: May 15, 2009

**(CONTROLLER'S OFFICE)**

3.4 The Controller's Office will examine the cost/benefits of altering the current procedures of allowing employees to submit e-mails as evidence of payment from on-line vendors including consideration of requiring employees to provide a credit card statement reflecting such charge consistent with sound internal controls and industry best practices. As the Controller's Office is currently streamlining the Travel Reimbursement process as part of the PantherSoft 9.0 upgrade, we anticipate that we will examine the cost/benefits of altering the current procedures subsequent to the upgrade.
Implementation date: September 30, 2009

## 4. <u>Improper Telephone Usage</u>

The Division of Information Technology (IT) informed us that although the previous University policy on use of Suncom and commercial lines had not been formally adopted by the University, its procedures were still in effect. Previous Policy 11.9, *Use of Suncom Network and Commercial Lines*, stated, "The Telecommunications Department will distribute a monthly detail report of all long distance calls made by each telephone. The report shall be inspected by the user(s) of the telephone for accuracy. The user(s) shall sign the report to certify that all calls contained in it were made for official State business. If due to some exceptional circumstances a call is placed for a reason other than official State business, the user(s) of the report will identify these calls and reimburse the University for the cost."

A similar procedure for the use of cellular telephones existed. A memorandum issued by the Vice President of Information Technology on April 1, 2008, stated, "employees must request a copy of their monthly cellular phone charges from their budget managers." However, a new University policy regarding the use of cellular telephones was adopted effective July 1, 2008.

The College provided employees a monthly detail report of all long distance telephone calls assigned to the College once every few months with instructions to review their charges and reimburse the University for any non-business telephone calls made. However, current University procedures required that all telephone bills be reviewed monthly, with personal calls identified and reimbursed and that business calls were to be certified to, and with proof that such review took place maintained for audit purposes. Our review disclosed that very few faculty and staff provided the College evidence that they had reviewed their charges for personal calls. Also, reimbursements, when received, did not always identify personal calls being reimbursed.

During our audit, we reviewed a charge of $1,749 posted to long distance charges on the College's departmental ledger in March 2008. We noted that the long distance charges pertained to calls placed from September 2007 through January 2008. The bills encompassed 117 voice lines, and long distance charges ranged from $0 to $151.

Our review of long distance charges also found a large number of long distance calls placed during the period tested. One sample of 68 lines found an average of 41 long distance calls placed, per line, during the five month period. However, a review of reimbursements to the College found that only four faculty members reimbursed the College a total of $52 during this period. During our testing we also noted long distance telephone calls that appeared to have been made to relatives were not reimbursed to the College.

We were informed by College personnel that two employees had been requested to reimburse previously identified long distance and cellular non-business calls placed. The first employee's calls were placed prior to the audit period. The second employee's calls were placed during the months of January through March 2008, and totaled $55. However, to date no reimbursement had been received by the College.

**Recommendation No. 4 – Improper Telephone Usage**

4.1 We recommend that the College comply with current University procedures on the use of Suncom and commercial lines. This should include monthly monitoring of long distance telephone charges and reimbursement of all personal telephone calls. Evidence of such review should be maintained.

4.2 We recommend that the College ensure that prior long distance telephone calls be reviewed and either signed off as business calls or reimbursed if non-business calls. This review should go back as far as reasonably possible.

4.3 We recommend that the College get reimbursed for non-business telephone calls made by the two employees. If the two employees fail to pay, we recommend that the College report the non-reimbursement to Human Resources for disciplinary action.

4.4 We recommend that the Division of IT ensure that its policy over the use of Suncom and commercial lines becomes part of official University policy.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

4.1 The College has instituted a procedure which requires faculty and administrators to review and sign off on these calls as business related or else to designate personal calls and reimburse the University for them.
Implementation date: Immediately

4.2 The College will ensure that prior non-business long distance telephone calls be reimbursed.
Implementation date: May 15, 2009

4.3 We will review the details of the two employees' calls and pursue collection.
Implementation date: May 15, 2009

**(DIVISION OF IT)**

4.4 The Division of IT developed the policy and proposed that it be adopted by the University. This proposed policy has been under review by the University Compliance Officer. The policy addresses the usage of both domestic long-distance telephone calls and international long-distance telephone calls.
Implementation date: March 31, 2009

## 5. <u>Other Expenses</u>

As part of our audit, we also examined expenses other than payroll, travel, and telephone, totaling $500,943. Our examination resulted in the following control deficiencies:

- **Mailing of Holiday Cards -** We noted one transaction using E&G funds, totaling $9,130, of which $1,628 was marked as postage for mailing of "holiday cards." This represented the mailing of 10,196 items. In addition, there were two other bulk mailings as part of the $9,130, totaling $7,243, representing 9,659 items. Although we were unable to determine whether part of these mailings were for holiday cards, since the College purchased 15,000 holiday cards it would be reasonable to expect that a portion of these mailings were also for holiday cards. The use of state funds for mailing of holiday cards was prohibited by Florida Statute section 286.27, which stated, "No state funds shall be expended for the purchase, preparation, printing, or mailing of any card the sole purpose of which is to convey holiday greeting."

- **Moving Expenses -** We noted one transaction in which the University paid an employee $3,300 for moving expenses. We were informed by Human Resources personnel that the procedure in effect at the time required that the "Employee Eligibility Certification for Moving Expenses" form be approved prior to incurring the expense. However, in this particular case, the form was approved by Human Resources on September 27, 2007, while the expenses were incurred between June 4, 2007 and August 2, 2007.

- **Un-encumbered Payments -** University Rule 6C8-7.030(3)(a) gave Purchasing the sole responsibility to "Canvass sources of supply and contracting for the purchase or lease of all commodities and contractual services for the University in any manner, including purchase by installment- or lease-purchase contracts." The University developed an "Un-encumbered Payment Form" to be used for payments of purchases made without issuing purchase orders (P.O.) to document the nature of the emergency or reason for not using the University Purchasing System.

  Our audit disclosed that the College failed to abide by the University Rule noted above. They circumvented the requirement by processing payments for goods/services not obtained through Purchasing as un-encumbered payments. During our test, we noted 14 transactions, totaling $106,146, paid without being previously encumbered by the College, as they were paid via the Un-Encumbered Payment Form. In all cases, the justification provided either did not satisfy the requirement of using the Un-Encumbered Payment Form or no justification was provided.

- **Duplicate Payment** - We noted one transaction, totaling $866, in which the vendor charged for delivery twice, resulting in an overpayment of $75. This transaction was one of the un-encumbered charges noted above.

- **Accounting Code -** We noted four transactions, totaling $18,245, which were coded to the incorrect account. The impact of these errors did not have a material effect on the University's financial statements taken as a whole. However, the accumulation of similar errors throughout the University could potentially impact the financial statements and/or management decision-making.

- **Funds Transfer** - We noted that the College was allowed to transfer $250,000 from its E&G account to its Financial Aid account without review of either the Office of Financial Planning or the Controller's Office. We understand that the University had, in general, agreed to allow the College to transfer such funds, and the Controller's Office had removed the limitation to transfer between funds.

However, such inter-fund transfers are not generally permitted by a department without proper review and authorization.

- **Goods/Services Received Prior to P.O.** - We noted three transactions, totaling $12,222, in which the P.O. or agreement was dated after the vendor invoice. In one instance, the P.O. for the purchase of office equipment, totaling $8,370, was dated July 3, 2007 and the vendor invoice was dated May 23, 2007. In the second instance, the P.O. for the purchase of labor and material on an alarm system, totaling $3,252, was dated January 9, 2007 and the vendor invoice was dated December 28, 2006. In a third instance, the agreement for services totaling $600 was signed December 4, 2007 and the services were rendered June 30, 2007.

- **Use of Auxiliary Fund/Competitive Solicitation -** We noted payments under a maintenance contract for the purchase and maintenance of plants, totaling $19,620, from an Auxiliary fund account intended for Information Technology Services. Auxiliary enterprise accounts are business activities which provide a product or a service, or both, to students, faculty, and staff, for which a charge is made. Each auxiliary operation is a self-supporting entity and should be accounted for as such. The purchase and maintenance of plants from the Information Technology Services auxiliary account was not part of the intended business activities. Furthermore, the amounts paid appeared to be excessive, which was subsequently confirmed when the vendor reduced its price first by 16% and then by 60% following a request by the College Dean.

  In addition, we noted that no other written quotations were obtained by the College prior to contracting with the vendor, even though the amount expended by the College during the fiscal year exceeded the minimum threshold ($15,000) for requesting written quotations before contracting.

- **Authorized Signer** - We noted two transactions, totaling $1,600, were processed by the Controller’s Office via the un-encumbered payment form, although the form was approved by an unauthorized signer on the account.

- **P-Card Approval** - We noted one purchasing card transaction, totaling $2,653, for the purchase of advertising, in which the only support provided was the vendor’s invoice. Support documentation for purchasing card transactions should provide evidence that the goods/service were received by the University. In the case of advertising, that would include a copy of the ad itself.

**<u>Recommendation No. 5 – Other Expenses</u>**

5.1 The College should reimburse any E&G funds used for the mailing of holidays cards, and ensure that the practice is discontinued.

5.2 We encourage the College to be cognizant of University policies and procedures as it pertains to employee moving expenses.

5.3 The College should ensure that all future purchases, except those exempted by Purchasing, are conducted via the University’s Purchasing System, and that the use of the Un-encumbered Payment Form is properly documented and limited to legitimate emergencies.

5.4 We recommend that all invoices be reviewed for propriety prior to being approved. The College should attempt to recover the $75 for the double billing of delivery charges.

5.5 We recommend that controls over the coding of transactions be strengthened at all levels to ensure proper account coding.

5.6 We recommend that the Office of Financial Planning ensure that they authorize any future transfers between Fund types.

5.7 We recommend that the College ensure that a P.O. is issued for all future transactions prior to purchasing goods/services.

5.8 We recommend that in the future, the College not use auxiliary funds for expenditures unrelated to the account's original/intended purpose.

5.9 We recommend that in the future, the College ensure that written quotes are obtained for purchases between $15,000 and $75,000.

5.10 We recommend that the Controller's Office ensure that all un-encumbered payment forms are approved by department authorized signers prior to processing.

5.11 The College should ensure that all purchasing card approvers require evidence of receiving goods/services prior to approving purchasing card transactions.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

5.1-5.5 The College will comply with the recommendations.
Implementation date: May 15, 2009

**(OFFICE OF FINANCIAL PLANNING)**

5.6 All transfers from E&G will be initiated by the Office of Financial Planning. In the past all transfers from E&G to another fund were initiated from the Office of Financial Planning with the one exception for the College of Law. Effective November 2008, all transfers are initiated from the Office of Financial Planning. The Office of Financial Planning made the transfer for the College of Law for Fiscal Year 2008-2009.
Implementation date: Immediately

**(COLLEGE OF LAW)**

5.7-5.9 The College will comply with the recommendations.
Implementation date: May 15, 2009

**(CONTROLLER'S OFFICE)**

5.10 The Controller's Office procedures require that all un-encumbered payment forms are approved by departmental authorized signers prior to processing. Effective immediately, the Accounts Payable manager will initiate training to remind/ensure staff to process un-encumbered payments consistent with said procedures.
Implementation date: Immediately

**(COLLEGE OF LAW)**

5.11 The College will comply with the recommendation.
Implementation date: May 15, 2009

**6. Unaccounted for Property Items**

As part of our audit, we examined the most current inventory of accountable property items. As of January 12, 2009, the College held assets in 9 different departments, totaling $724,849. A review of the last time those assets had been inventoried found that $161,322, or 22.3%, had not been inventoried in over a year. University policy required that Property Control conduct a yearly inventory of University property, which in this case had been performed. However, the College's accountable officers did not verify the Departments' Inventory Report lists to locate all unaccounted for property items not found via Property Control's inventory.

**Recommendation No. 6 – Unaccounted for Property Items**

6.1 We recommend that the College comply with current University policy and follow-up on all unaccounted for property items. Property Control procedures should be followed, depending on whether the item is found or not.

6.2 In the future, we recommend that the College follow-up on Property Control's yearly inventory and investigate all missing property items in a timely basis.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

6.1-6.2 The College will institute a system in which property inventory will be the local responsibility of the Director of IT and the designated building manager.
Implementation date: May 15, 2009

**7. Recommendation No. 7 – Overall**

The findings in this report indicate that College personnel were not generally complying with the University's policies or procedures and/or state laws or rules as they pertained to: the use of Auxiliary and E&G funds; payroll; travel; telephone usage; moving expenses; un-encumbered payments; competitive solicitation; signature authorizations; purchasing card documentation, and missing property items. In our opinion, an unusually high number of transaction errors indicated a significant internal control weakness at the College, and a lack of proper oversight by management over financial matters mainly caused by the decentralization of financial operations. As such, we recommend that management take appropriate actions to consolidate financial oversight and ensure that internal control weaknesses are strengthened.

**AUDITEE COMMENT/ACTION PLAN:**

**(COLLEGE OF LAW)**

In the summer of 2009, the College will be appointing a new Director of Budget. That office will have assigned to it a more active role than heretofore in business transactions and in monitoring all categories mentioned.
Implementation date: August 31, 2009

## PRIOR AUDIT RECOMMENDATIONS

As part of our audit, we reviewed internal and external audit reports issued during the last three years to determine whether there were any prior recommendations related to the scope and objectives of this audit and whether management had effectively addressed prior audit concerns. No prior recommendations were noted related to the College.