Office of Internal Audit

Follow-up Audit of Housing and Residential Life

Report No. 16/17-04

October 14, 2016
MEMORANDUM

DATE: October 14, 2016

TO: Larry Lunsford, VP Student Affairs
   Cathy Akens, Associate VP Student Affairs & Dean of Students

FROM: Allen Vann, Chief Audit Executive

SUBJECT: Follow-up Audit of Housing & Residential Life, Report No. 16/17-04

Pursuant to our approved annual plan, we have completed a follow-up audit of Housing & Residential Life. The Housing & Residential Life Department, with revenues of nearly $30 million operates seven residential complexes all located on the Modesto A. Maidique Campus (MMC) encompassing 3,257 bed spaces. The primary objective of our audit was to verify that management had effectively implemented the fourteen recommendations that resulted from our previous audit, Report No. 10/11-06, issued November 2, 2010.

Overall, our audit disclosed that Housing fully implemented 10 of the prior 14 audit recommendations. Three of the recommendations were partially implemented and one had not been implemented. Those partially implemented recommendations related to fire alarm reports, attractive property, and monitoring telephone charges. A recommendation related to insurance requirements for conference rentals was not implemented. Our audit resulted in five recommendations which management has agreed to implement.

We would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us during this audit.

Attachment

C: Claudia Puig, Chair, FIU Board of Trustees
   Gerald C. Grant Jr., Chair, FIU Board of Trustees Finance and Audit Committee
   FIU Board of Trustees Finance & Audit Committee Members
   Mark B. Rosenberg, University President
   Kenneth G. Furton, Provost and Executive Vice President
   Kenneth A. Jessell, Chief Financial Officer and Senior Vice President
   Javier I. Marques, Chief of Staff, Office of the President
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OBJECTIVES, SCOPE, AND METHODOLOGY

As part of the approved work plan for the fiscal year 2016-2017, we conducted a follow-up of an audit we conducted in 2010 of University Housing and Residential Life. The objective of this audit was to verify that management had effectively implemented the fourteen recommendations that resulted from that audit. In order to do so we tested transactions for the period July 1, 2015 through June 30, 2016. A complete copy of our previous audit report No. 10/11-06, issued November 2, 2010 may be found on our website in the directory: https://oia.fiu.edu/internal-audit-reports/.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and included tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances. Audit fieldwork was conducted from July to October 2016.

We reviewed University policies and procedures, and applicable Federal and State laws and regulations, observed current practices and processing techniques, interviewed responsible personnel, and tested selected transactions. Sample sizes and number of samples selected for testing were determined on a judgmental basis.

BACKGROUND

The Department of Housing and Residential Life (Housing) is within the Division of Student Affairs at Florida International University (the University). Housing is an auxiliary service enterprise that is owned and operated by the University. The Housing system first opened its doors in 1984 with a 547-bed apartment complex and has grown to seven residential complexes all located on the Modesto A. Maidique Campus (MMC). The number of bed spaces for Fall 2016 totaled 3,257. The table below depicts the number of bed spaces by complex.

<table>
<thead>
<tr>
<th>Complex</th>
<th>Bed Spaces</th>
<th>Year Built</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Apartments</td>
<td>547</td>
<td>1986</td>
<td>Shared and single bedrooms</td>
</tr>
<tr>
<td>Panther Hall</td>
<td>402</td>
<td>1996</td>
<td>Shared bedrooms</td>
</tr>
<tr>
<td>University Towers</td>
<td>493</td>
<td>2000</td>
<td>Single bedrooms</td>
</tr>
<tr>
<td>Everglades Hall</td>
<td>384</td>
<td>2002</td>
<td>Single bedrooms</td>
</tr>
<tr>
<td>Lakeview South</td>
<td>451</td>
<td>2006</td>
<td>Shared and single bedrooms</td>
</tr>
<tr>
<td>Lakeview North</td>
<td>369</td>
<td>2006</td>
<td>Shared and single bedrooms</td>
</tr>
<tr>
<td>Parkview Hall</td>
<td>611</td>
<td>2013</td>
<td>Single bedrooms</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,257</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In Fall 2016, a $60 million project brought 410 beds in 154 apartment units consisting of studios, two-bedroom/two-bathroom and four-bedroom/two-bathroom room styles to the Biscayne Bay Campus. The project was made possible through a public-private...
partnership with a privately owned company focused exclusively on student housing development and property management. The company will manage the property.

The Housing operations are accounted for as part of the University’s Auxiliary Trust Fund, which includes other auxiliary operations such as parking, student health services, and food services. Each auxiliary service enterprise, within the University's Auxiliary Trust Fund, is operated and accounted for as an individual self-supporting entity. The University financed the construction of the residence halls by the issuance and refinancing of series bonds in 2001, 2004 and 2012, through the Division of Bond Finance of the State of Florida. The bonds are secured by the housing revenues and are set to mature in 2025, 2034, and 2041, respectively.

Housing uses Residential Management System and the University’s PantherSoft software to account for its revenues and expenditures. Each residence hall operation is managed as an individual self-supporting activity and is accounted for as such. Housing fees provide the main source of revenues, while bond debt, personnel, and maintenance are the major operating expenditures. According to the University’s records, revenues generated by Housing system for the fiscal year ending June 30, 2016, totaled $29.8 million. For the same fiscal year, $18.8 million were expended in operating expenses. Budgeted revenues, expenses and fund balance for the 2016-2017 fiscal year are depicted in the table below.

<table>
<thead>
<tr>
<th>Budget FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance, beginning balance</td>
</tr>
<tr>
<td>Net Operating Revenues</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
</tr>
<tr>
<td>Revenues over Expenditures</td>
</tr>
<tr>
<td>Debt Service</td>
</tr>
<tr>
<td>Net Transfers (Facilities - Projects)</td>
</tr>
<tr>
<td>Change in net assets</td>
</tr>
<tr>
<td>Fund Balance, ending balance</td>
</tr>
</tbody>
</table>
FINDINGS AND RECOMMENDATIONS

Overall, our audit disclosed that Housing fully implemented 10 of the prior 14 audit recommendations. Based on current testing, three recommendations are partially being followed and one recommendation is not being followed. Those partially implemented recommendations relate to fire alarm reports, attractive property and the monitoring of telephone changes. A recommendation related to insurance requirements for conference rentals was not implemented.

The following is a summary of the previous audit recommendations issued during our last audit report by area, followed by the status of each recommendation.

<table>
<thead>
<tr>
<th>Previous Audit Recommendation No.</th>
<th>Area of Concern</th>
<th>Implementation Date Reported by Management</th>
<th>Actual Status Per Current Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Safety Inspections</td>
<td>12/31/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>1.2</td>
<td>Fire Alarm Reports</td>
<td>1/31/2011</td>
<td>Partially Implemented</td>
</tr>
<tr>
<td>1.3</td>
<td>Employee Background Checks</td>
<td>4/11/2011</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.1</td>
<td>Property Items – Negative Values</td>
<td>11/02/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.2</td>
<td>Physical Inventory</td>
<td>5/31/2011</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.3</td>
<td>Off-Campus Property</td>
<td>12/31/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.4</td>
<td>Stolen Property</td>
<td>11/02/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.5</td>
<td>Attractive Property</td>
<td>1/31/2011</td>
<td>Partially Implemented</td>
</tr>
<tr>
<td>3.1</td>
<td>Housing Fees Assessment and Collection</td>
<td>12/31/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>3.2</td>
<td>Florida Sales Tax on Temporary Housing Rental</td>
<td>2/28/2011</td>
<td>Implemented</td>
</tr>
<tr>
<td>3.3</td>
<td>Refund Calculation for Guest Housing</td>
<td>11/02/2010</td>
<td>Implemented</td>
</tr>
<tr>
<td>3.4</td>
<td>Insurance Requirements for Housing Summer Conference Rental</td>
<td>9/19/2011</td>
<td>Not Implemented</td>
</tr>
<tr>
<td>4.1</td>
<td>University Credit Card Administration</td>
<td>1/31/2011</td>
<td>Implemented</td>
</tr>
<tr>
<td>4.2</td>
<td>Monitoring Telephone Charges</td>
<td>12/31/2010</td>
<td>Partially Implemented</td>
</tr>
</tbody>
</table>

Each original audit recommendation is included below along with management’s original response/action plan followed by the current audit’s procedures and observations.
1. **Controls Over Safety**

   a) **Safety Inspections**

      **Original Recommendation Number 1.1 (Fully Implemented):**

      Promptly correct outstanding violations contained in the State Fire Marshal reports for the fiscal years 2008-2009 and 2009-2010.

      **Original Management Response/Action Plan:**

      Housing has inspected and corrected all outstanding violations contained in the State Fire Marshal’s reports for the fiscal years 2008-2009 and 2009-2010 except for signage.

      **Auditor’s Follow-up Procedures and Observations:**

      We reviewed the Fire Inspection Safety Reports for the 2014-2015 cycle and noted that the Safety Reports covered all housing buildings. The Safety Reports identified 171 violations. All the outstanding violations identified in the 2014-2015 cycle were corrected and marked as complete by management.

   b) **Fire Alarm Compliance**

      **Original Recommendation Number 1.2 (Partially Implemented):**

      Ensure that fire alarm reports are timely completed and signed by appropriate Housing staff. Maintain reports to support that fire drills are conducted every semester at all of the residence halls.

      **Original Management Response/Action Plan:**

      Housing will work with the University Fire Prevention Officer to improve the documentation process to ensure that records are updated in a consistent and timely manner. Housing has verified that student housing facilities have routinely performed successful building evacuations every semester both planned and unplanned. Housing and Residential Life are working in collaboration with General Counsel’s Office and the University Fire Prevention Officer to update and revise the fire drill reporting and documentation process to ensure compliance with State and Federal statutes.
Auditor’s Follow-up Procedures and Observations:

We examined all fire alarm reports for two years from Fall 2014 through Spring 2016 and found that fire alarm reports were timely completed signed by appropriate staff for each building during the period, except for the Fall 2015 and Spring 2016 semesters, where a single report was completed for all 10 University Apartment buildings during each semester. Management reassured us that a drill was conducted in each building but the results were compiled into the one report.

The one report reflected for Fall 2015 was dated September 2, 2015 at 5:00 p.m. with 200 individuals evacuated and taking 1 hour to evacuate. The one report for Spring 2016 was dated January 12, 2016 at 3:00 p.m. with 200 individuals evacuated taking 1 hour and 48 minutes to evacuate. As such, management was unable to demonstrate that a fire drill was conducted in each building or provide the individual results. In discussion with management, they explained that the building supervisor ran the drills as one unit and completed the appropriate form for the complex noting there were no problems reported. However, as each of the 10 buildings is a separate “incident” where the pull station is activated individually and with its own residents to evacuate, the compiled report does not properly reflect the actual results of each of the individual drills. An evacuation time of 1 hour and 1 hour and 48 minutes as seen in these two incidents would be unacceptable for the evacuation of these University Apartment structures. The reported combined amounts would be irrelevant to any one building’s evacuation.

In addition, we found two of the fire alarm reports provided the cause for the alarm as “Smoke Detector/Pull Station”, rather than “Drill”. Management was able to provide the schedule of fire drills that is prepared in advance and blamed the discrepancy on a training issue.

c) Employee Background Checks

Effective March 31, 2009, University Policy No. 1710.257 requires the performance of criminal history checks on all newly hired employees. The policy also requires more in-depth criminal history checks including fingerprinting, through the Florida Department of Law Enforcement for new employees (or employees recently promoted) in sensitive positions. Included in this category of employees are individuals handling cash or managing cash transactions, individuals who have unrestricted access to master keys, and those working in the Housing’s residential halls.
Original Recommendation Number 1.3 (Implemented):

Work with Human Resources to ensure that criminal background checks including fingerprinting are conducted for all applicable positions.

Original Management Response/Action Plan:

Since the University’s Pre-Employment Policy (No. 1710.257) was implemented in March 2009, Housing and Residential Life has hired 131 new employees, of which 111 (85%), of these were students. Housing and Residential Life began conversations with Human Resources in July of 2009 regarding the pre-employment requirement policy for ensuring the safety of the student body in residence halls and the protocol that currently exists for preventing theft and exposure to student possession. Based on these measures, HR agreed that Desk Assistants will not be subject to the pre-employment requirement. Subsequently, the University has been reviewing its process for background screening of student positions in general. Effective immediately, the Housing and Residential Life Office will work together with HR to ensure that criminal background checks, including fingerprinting are conducted for applicable positions.

Auditor’s Follow-up Procedures and Observations:

We obtained a list of all new hires and employees transferred to Housing from June 30, 2015 to July 1, 2016, selected a sample that included both permanent staff (23) and temporary employees (20), and verified that their background checks had been completed prior to employment.

We found that of the 23 administrative employees and graduate assistants selected for testing, a background search had been conducted on all. In addition, of 20 randomly selected student assistants, 1 had been previously hired by Housing in September 2011 and was terminated in May 2015, prior to being re-hired by Housing in August 2015. Human Resources explained that employees previously hired to a position requiring background checks are not re-screened if they are rehired one year or less from the previous date of termination. Although that was the case with the employee in question, Human Resources was unable to provide evidence of the employee’s original background check as it was performed by a previous vendor providing the service and documentation was no longer available. The employee subsequently was terminated in February 2016. As this appears to be an isolated incident, one created by changes in providers by HR, we conclude that the recommendation is fully implemented.
**Recommendation**

| 1.1 | The Department of Housing and Residential Life should ensure the fire alarm reports are completed on each individual building activation. |

**Management Response/Action Plan:**

1.1 The Department agrees with the recommendation. The Department implemented a new fire alarm report and instituted review by Housing Facilities and Residential Life Management. A management review of Fall 2016 fire alarm reports show all drills completed with the correct documentation.

Implementation date: Immediately
2. **Asset Management/Property Accounting**

The threshold for accountable property was changed by the Florida Legislature since the last audit from $1,000 to $5,000. Thus, many items are no longer part of the yearly inventory by Asset Management. However, management must still determine which items are considered attractive property items and tangible, movable, personal property of a non-consumable, non-expendable nature, with a value of less than $5,000 and which has a normal expected life of one year or more.

According to Florida Board of Governors' Regulation 9.003 Property Inventory, each custodian shall ensure that a complete physical inventory of all property is taken at least once each fiscal year unless otherwise provided by the university board of trustees. Each custodian shall ensure that a complete physical inventory of all property under the control of the custodian or property manager is taken whenever there is a change of property manager.

a) **Property Items with Negative Values**

**Original Recommendation Number 2.1 (Fully Implemented):**

Investigate property items with negative values.

**Original Management Response/Action Plan:**

Property items with negative values were investigated and it was determined that the items had appropriate documentation indicating that they were previously disposed. A PantherTrack work order is in place to research why previously disposed items continue to depreciate in the system. This is a PantherSoft Asset Management system issue.

**Auditor's Follow-up Procedures and Observations:**

Negative property value items are no longer found in the Asset Management system. Negative values were created when the system attempted to depreciate the negative amount to reduce depreciation expense that had previously been charged. According to Asset Management personnel, all assets that the system carried with a negative net book value have been retired and new assets with the correct amounts have been set up. A review of Housing's property records found no negative value items.
b) Physical Property Inventory

Original Recommendation Number 2.2 (Fully Implemented):

Work with Asset Management to:

a. complete a physical property inventory;
b. investigate any missing items;
c. tag those items where FIU tags are missing; and
d. adjust property item locations as necessary. Investigate property items with negative values.

Original Management Response/Action Plan:

a. Asset Management began its inventory of blind scanning for Housing in September 2010. Asset Management will return to scan items not located during blind scan. This is ongoing with Asset Management as Housing is on the list of departments to return to over the next few months.

b. Housing staff is in the process of locating all items documented as missing.

c. Asset Management was contacted on October 5, 2010 for duplicate property tags for the six items where tags were missing. Asset Management staff has placed the tags on the six items.

d. The Property Control Transfer Form will be completed for thirteen items that have changed location. Five items are maintenance/custodial equipment. This equipment is shared between the residence halls. The Facilities staff will develop a system for logging equipment movement and locations.

Auditor’s Follow-up Procedures and Observations:

As noted earlier, since the last audit, accountable property had been redefined to include items valued at $5,000 or more, up from the previous $1,000 threshold level. Housing’s current property records reflected 149 items, valued at $1,167,144. We examined the list of physical property inventory and found that all items on the physical property inventory list were scanned, except for three items identified as lampposts. Asset Management personnel verified that these items are related to infrastructure, and are not tracked by departments.
c) Off-campus Use of Inventory Items

Original Recommendation Number 2.3 (Fully Implemented):

Complete and submit an Off Campus form to Asset Management when property items are used off campus.

Original Management Response/Action Plan:

Administrative staff with computers at home or staff who may carry laptops home from work will complete the Off Campus Property Forms. Residential Life has established procedures for the Residence Hall Association’s use of the organization’s laptop. The laptop remains in the Association’s on-campus office but can be checked out for conferences and training purposes. The checkout form is maintained by the Association’s Advisor.

Auditor’s Follow-up Procedures and Observations:

We examined check-in/check-out forms for laptops and projectors used off-campus from April 17, 2015 to June 8, 2016 and confirmed that appropriate forms were completed when property items were used off campus. No other locations in Housing or Residential Life check out laptops and projectors for off-campus use.

d) Lost/Stolen Property Items

Original Recommendation Number 2.4 (Fully Implemented):

Notify the Police Department of any lost or stolen property in a timely manner.

Original Management Response/Action Plan:

Effective immediately, any property item lost or stolen will be reported to FIU Police in a timely manner and will be logged. Furthermore, it was determined that one of the property items in question during the audit had been stolen and a copy of the police report was provided to the auditor.

Auditor’s Follow-up Procedures and Observations:

Housing has not experienced or is aware of lost or stolen items in FY 2015-2016. This was confirmed by all items having been scanned by Asset Management.
e) Attractive Property Inventory

Original Recommendation Number 2.5 (Partially Implemented):

Establish procedures to track attractive property purchases and prepare an inventory list of items valued less than $1,000 [currently $5,000], which includes the type of property, cost and location. (Until a reliable system for tracking attractive property is implemented, Housing staff should be discontinued from picking up appliances directly from vendors. These items should be delivered to campus locations and be properly "received").

Original Management Response/Action Plan:

Housing will complete the Attractive Property Inventory and develop a process for the inventory of residence hall appliances.

Auditor's Follow-up Procedures and Observations:

We reviewed the list of attractive property inventory from Housing and transaction details from July 1, 2015 to June 30, 2016 for expense accounts that could potentially involve attractive property items. Out of 15 potential attractive property purchases, made up of 24 individual items, we found 2 items on the attractive property lists provided by Housing.

We performed the walk-through for the remaining items, discussed it with Housing personnel and noted the following:

a. Management identified 2 of the 22 remaining items as needing to be added to the attractive property list, while 3 other items purchased were determined to be student prizes, not for use by Housing.

b. Of the remaining 17 items, there were certain items, such as 10 all-in-one desktops that because of their location (private offices) management determined should not be classified as attractive property. In the case of 4-80” TV sets, because they were attached to the wall, and since there were security cameras throughout the area, management made the same determination, as well as for the 3 other items stored in IT offices.

c. The attractive property lists were not always updated when items were moved elsewhere or items should have been removed from the list according to Housing procedures, for example, when television sets went from being boxed to being attached to the wall.

d. There was an inconsistency when applying Housing's procedures as certain items were deemed attractive by Housing but were also in private offices, or
were in areas secured by security cameras, and in some cases, the items were attached to a wall.

One of the employees in the list of Facilities iPad holders is no longer an FIU employee. In addition, we confirmed with Housing personnel that all appliances are now being delivered to campus directly by the vendors.

Housing has not established their own procedures to keep track of attractive property. They rely on Asset Management’s generic procedures, which are not sufficiently specific to the different circumstances of each entity. While they allow departments needed flexibility their use alone results in inconsistent treatment as to which items may qualify. As a result, we found an inconsistency in the application of the definition as certain items were deemed attractive because of their location and others, situated in identical locations, were not deemed attractive property.

We also found that the attractive property lists were not updated when items were moved from one location to another or when items were no longer classified as attractive because of their revised placement. In addition, two items were determined to be attractive property but were not on the attractive property list. Finally, Asset Management requires that items deemed to be attractive “…should be marked as University property…” To that end, “Special property tags are available upon request from Property Control.” We found that Housing had not marked any of its attractive property as University property.

**Recommendations**

<table>
<thead>
<tr>
<th>The Department of Housing and Residential Life should:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Ensure that attractive property items are treated consistently and lists are complete and updated on a timely basis.</td>
</tr>
<tr>
<td>2.2 Consider using Asset Management’s special property tags on its attractive property items.</td>
</tr>
</tbody>
</table>

**Management Responses/Action Plan:**

2.1 The Department agrees with the recommendation. The Department has hired a new employee to track IT attractive property. The Department will institute a new attractive property procedure that will treat items consistently, better track item locations, and clearly determine which items should be on the list.

Implementation date: December 30, 2016
2.2 The Department agrees with the recommendation. The Department has hired a new employee to track IT attractive property. The Department will begin to use Asset Management’s special property tags for attractive property.

Implementation date: December 30, 2016
3. Controls Over Revenues

a) Housing Fees Assessment and Collection

Housing procedures state that students may be assessed checkout fees ranging from $25 to $100 for various miscellaneous charges related to room damages, improper checkouts, and lost keys. Housing procedures also state that before a student can check into the residence halls, the student must make a full payment of all housing fees, submit a payment deferral form and have it approved by Housing staff, or enter into a payment plan.

The payment plan requires the student to pay $800 due the date of the plan execution. New students are also assessed an additional $100 processing fee (the processing fee has been changed from $50 to $100 since the last audit, while the payment plan processing fee has been eliminated), while residents returning to on-campus housing the following year are not charged the processing fee. The balance due is then divided into three or four payments with established due dates given to the student. If the payments are not received on or before the due dates, a $50 late fee is assessed (the late payment fee has been changed from $25 to $50 since the last audit).

Original Recommendation Number 3.1 (Fully Implemented):

Establish procedures to ensure that all housing fees are properly assessed, collected, and recorded.

Original Management Response/Action Plan:

Procedures are in place to ensure that all housing fees are properly assessed, collected, and recorded. To improve efficiency, accuracy, and reduction of human error, ImageNow was implemented in the fall of 2009. Additional training of staff along with the scanning of documents will reinforce the processes.

Auditor’s Follow-up Procedures and Observations:

We obtained a list of Housing students on Accounts Receivable with payment plans and cancellations for Summer 2015, Fall 2015, and Spring 2016. Based on the information obtained, we selected a sample to ensure that signed housing agreements were completed, housing fees were properly assessed, and payments were made in accordance with payment plans, including the $100 processing fee, the $50 late payment fee and cancellation fees, when applicable.

According to the payment plan agreements, if a student does not make a payment by the due date, a $50 late fee may be assessed, per occurrence. Our review of five housing student invoices disclosed that out of five students, three made late payments more than once, with one of the three being assessed the $50 late
payment fee. The Director of Housing stated that the late payment fee was raised to $50 knowing it would be used as a collection tool, and he will be raising it to $100 beginning in Fall 2017. The plan he states, “... is to only charge it for those students who are not working on some kind of plan with us and are non-responsive.”

We determined that management’s policy for assessing, collecting and recording housing fees was reasonable and no exceptions were noted.

b) Florida Sales Tax on Temporary Housing Rental

According to Florida Sales Tax Rule 12A-1.061, sales tax applies to rental charges or room paid for the right to use or occupy living or sleeping accommodations (transient accommodations) unless they are specifically exempt. Examples of the exempt transactions are:

- Rental charges or room rates paid by a person who signed a bona fide written lease for a continuous residence longer than six months.

- Rental charges or room rates paid by a full-time student enrolled in an institution offering postsecondary education. A written statement from an official of the student’s institution, documenting that the student attends the institution full time, is proof of the student’s full-time enrollment.

Original Recommendation Number 3.2 (Fully Implemented):

Establish procedures to ensure that sales & use taxes are assessed, collected, and remitted for non-exempt temporary housing and conference rentals.

Original Management Response/Action Plan:

The Temporary Housing Agreement and invoice will include sales tax when applicable. Effective with the 2011 summer conference groups, a copy of the group’s Tax Exempt Certificate will be collected and taxes will be charged to non-exempt groups. The department has purchased conference software that will also assist with charging appropriate taxes. The Temporary Housing Agreement has been revised (as of September 27, 2010) and the contracts for summer conference groups will be revised for summer 2011 implementation.
Auditor’s Follow-up Procedures and Observations:

Our review of seven temporary housing/conference rental agreements disclosed that Housing assessed and collected sales tax for all transactions, except the two temporary housing agreements that involved students in the STAR program sponsored by the FIU Foundation and a conference rental agreement with a non-for-profit organization. In these three occasions, we determined the parties were exempt from sales taxes.

c) Refund Calculation for Guest Housing

During the previous audit, we noted that a temporary guest checked out of housing before the contracted date. As a result, Housing issued a refund to the affiliated department for the days that the guest did not occupy the unit. Our review of the refund documents showed that the incorrect billing rate was used. This resulted in the affiliated department (Controller’s Office) being over-refunded $2,140.

Original Recommendation Number 3.3 (Fully Implemented):

Request a refund for the $2,140 billing error from the Controller’s Office and ensure that all refunds are properly calculated and processed.

Original Management Response/Action Plan:

Housing was reimbursed $2,140 from the Controller’s Office through an ID Transfer, Journal ID #481435.

Auditor’s Follow-up Procedures and Observations:

We verified that the $2,140 billing error was corrected. Credit from the affiliated department (Controller’s Office) was received through PantherSoft. Management reported no other instances of guest housing refunds during the audit period.

d) Insurance Requirements for Housing Summer Conference Rental

The summer conference housing agreement requires the renter not affiliated with FIU to provide a liability insurance covering the renter and program participants for property damage, personal injury, and death in the amount not less than one million dollars for each claim, one million dollars for each occurrence, and one million dollars combined single limit.
Original Recommendation Number 3.4 (Not Implemented):

Ensure that non-affiliated renters have adequate insurance coverage before housing space is rented.

Original Management Response/Action Plan:

All insurance certificates for summer conference groups will have a two-tier review by two individuals within Housing to ensure that insurance requirements are met and to eliminate human error.

Auditor’s Follow-up Procedures and Observations:

During the course of testing revenues, we noted that two conference groups not affiliated with FIU provided certificates of liability with FIU as a certificate holder. The Premises Use Agreement requires commercial general liability insurance with minimum limits of $1,000,000 per occurrence [including damage to rented premises with a minimum of $100,000 each occurrence]. However, one of the two non-affiliated conference groups tested provided for a limit of $300,000 per occurrence of fire damage, without mention of any property damage coverage. Subsequently, management was informed that the policy covered property damage. However, management was unaware of this prior to the conference rental. The second conference group presented an insurance certificate that provided for only $100,000 coverage per occurrence plus $100,000 damage coverage to rented premises. Therefore, neither of the non-affiliated conference group certificates of liability provided to Housing at the time of the rental met Housing’s Premises Use Agreement’s minimum general liability insurance requirements.

Recommendation

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<td>The Department of Housing and Residential Life should ensure that non-affiliated renters have adequate insurance coverage before housing space is rented.</td>
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Management Response/Action Plan:

3.1 The Department agrees with the recommendation. The Department hired a full-time employee to oversee conference processes, instituted new conference software and created an internal check list that includes a review of insurance requirements. Management has reviewed the 2016 external agreements and concluded that all insurance requirements have been met.

Implementation date: Immediately
4. Controls Over Expenditures

a) University Credit Card Administration

Original Recommendation Number 4.1 (Fully Implemented):

Fully align commodity card procedures with University’s credit card policies and procedures.

Original Management Response/Action Plan:

Housing now has the documentation for all eight purchases referenced within the report. Additional training sessions have been held to reiterate to commodity cardholders not to provide another staff member with their card information to make purchases. The department commodity cardholders do request increases in single limit transactions and monthly transactions. Measures will be taken to raise credit limits in order to address emergencies to accommodate resident student needs. On September 16, 2010, a Residence Life Coordinator candidate reimbursed FIU for $165.20 for a second plane ticket purchased for an interview (Journal ID # CS00481386). In providing FIU customer service, the amount the candidate reimbursed FIU was for the plane ticket only, $165.20. The department did not hold the candidate responsible for the $50 non-refundable Air Tran Lost Ticket Application.

To address the concern regarding the commodity card approver, the following plan will be implemented. The Associate Director will no longer be a commodity cardholder and become the back-up approver. The Senior Secretaries for the Housing Office and Facilities Office will become commodity cardholders. The Executive Director’s commodity card will be used only in emergencies such as hurricanes, fire, flood, etc. On these receipts, we will explore having the Vice President for Student Affairs sign-off on Executive Director’s receipts for these emergencies.

Auditor’s Follow-up Procedures and Observations:

Our review of credit card transactions for Housing and Residential Life for the period from July 1, 2015 through June 30, 2016 showed that out of 35 credit card transactions selected for testing, 5 expenditures were not properly classified, but were otherwise proper.

In addition, a credit card transaction for $4,223 related to the Dean’s List Gala covered expenses for 190 attendees, while only 158 guest signatures were reflected on the list of attendees. However, further investigation showed 198 guests initially signed up for the event.
As a result, all credit card transactions tested were determined to be aligned with the University’s credit card policies and procedures.

b) Monitoring Telephone Charges

According to University Policy No. 1950.010, each department is required to review its telephone charges on a monthly basis and any personal long distance calls made from University phones must be reimbursed.

Original Recommendation Number 4.2 (Partially Implemented):

Review telephone charges on a monthly basis, identify all personal long distance calls, and collect reimbursement from the employees if applicable.

Original Management Response/Action Plan:

The department will resume reviewing telephone charges on a monthly basis, identify all personal long distance calls, and collect reimbursement from employees if applicable.

Auditor’s Follow-up Procedures and Observations:

Our discussion of current procedures for reviewing telephone bills revealed that Housing management had instituted a process whereby emails are sent to the user with all the calls they are responsible for during a stated period. The user will review the calls and confirm whether the calls made during the period were personal or business related and reimbursement is then requested for any personal telephone calls identified. Total telephone charges for the year were $7,143.

We found that only one reimbursement had been received during the previous six months. We identified weaknesses in the system as two employees disclosed that calls are not reviewed individually. Management acknowledged that in fact, there are weaknesses but that the cost of correcting those weaknesses may not be worth the trouble involved, especially as the costs of the each call is minimal. In addition, during our review we also noted that local calls placed to area code 305 and 786 were being charged as toll calls. A total of $16.15 was charged during April 2016. It is most likely the result of employees dialing 8 + the number when placing a local call, rather than 9 + the number.

We concluded that even though management has instituted a review process, there are some weaknesses. We do however realize that the circumstances in Housing are a bit different from the remainder of the University, and that implementing a system whereby each user would receive a telephone list to review would not be effective or efficient, if even possible. In addition, we worked with
University Technology Services and they have agreed to block local calls using the 305 and 786 exchanges dialed using 8 + the number across the University.

**Recommendation**

| 4.1 | The Department of Housing and Residential Life should institute a monthly review of specific telephone calls over a certain number of minutes and frequent calls to the same number to identify possible personal long distance calls, and collect reimbursement from the employees, when applicable. |

**Management Response/Action Plan:**

4.1 The Department agrees with the recommendation. The Department has informed all employees that no long-distance personal calls should be made on University phone lines. The Department will perform the recommended test when records are received by the Division of Information Technology. The test will review calls with long distance charges over 10 minutes that occur more than once. The employee who made the calls will be contacted to confirm that the call was business related. Employees will be required to reimburse FIU for any personal calls.

Implementation date: Immediately