



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL

## STATE OF FLORIDA

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March 3, 2008

Mr. John Delaney, President  
University of North Florida  
4567 St. Johns Bluff Road South  
Jacksonville, Florida 32224-2648

Dear President Delaney:

Enclosed is a list of preliminary and tentative findings and recommendations that may be included in a report to be prepared on our operational audit of the:

University of North Florida  
For the Fiscal Year Ended June 30, 2007

Pursuant to Section 11.45(4)(d), Florida Statutes, you are required to submit to me within thirty (30) days after receipt of this list a written statement of explanation concerning all of the findings, including therein your actual or proposed corrective actions. If within the 30-day period you have questions or desire further discussion on any of the proposed findings and recommendations, please contact this Office.

Your written statement of explanation should be submitted electronically in source format (e.g., Word or WordPerfect) and include your digitized signature. For quality reproduction purposes, if you are not submitting your response in source format, please convert your response to PDF and not scan to PDF. If technical issues make an electronic response not possible, then a hard copy (paper) response will be acceptable.

Please e-mail this Office at [flaudgen\\_audrpt@aud.state.fl.us](mailto:flaudgen_audrpt@aud.state.fl.us) to indicate receipt of the preliminary and tentative findings. Absent such receipt, delivery of the enclosed list of findings is presumed, by law, to be made when it is delivered to your office.

Sincerely,

David W. Martin

DWM/gg

Enclosures

cc: Board Members

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# PRELIMINARY AND TENTATIVE FINDINGS

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## UNIVERSITY OF NORTH FLORIDA

For the Fiscal Year Ended June 30, 2007

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### SUMMARY

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Our operational audit disclosed the following:

**Finding No. 1:** University records documenting employee attendance and leave usage needed improvement.

**Finding No. 2:** University Faculty Activity Reports for the Fall 2006 semester were not timely approved, or were not, of record, approved at all.

**Finding No. 3:** The University's competitive procurement threshold exceeded the limit established by Board of Governors Regulations.

**Finding No. 4:** The University's monitoring controls over its purchasing card program needed improvement.

**Finding No. 5:** The University did not require employees who were issued cell phones to document the differentiation between business related and personal calls. As such, the University was required to, but did not, report to the Internal Revenue Service the value of cell phone services as income of these employees.

**Finding No. 6:** The University did not provide for a timely postaudit of payments to a construction management entity for a guaranteed maximum price construction project. Also, the University needed to enhance its procedures to ensure that final certificates of occupancy are timely obtained and, where applicable, that temporary certificates are kept current until final certificates are obtained.

**Finding No. 7:** Several Board of Trustees members did not file, or did not timely file, appropriate statement of financial interests forms with the Florida Commission on Ethics upon appointment to or termination from the Board.

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### FINDINGS AND RECOMMENDATIONS

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#### **Finding No. 1: Payroll Certifications**

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Supervisor or department head payroll certifications serve to document the monitoring of employee attendance (at work or on assigned duties) and leave usage. Effective January 1, 2005, the University implemented new human resources and payroll processes, and departmental payroll certification forms were discontinued.

University procedures provided for the use of bi-weekly electronic timesheets that, when completed, were automatically routed to supervisory personnel for review and approval. However, Administrative and Professional (A&P) employees and Faculty members only submitted the timesheets for pay periods in which they intended to report leave usage. As a result, unless leave was reported on a timesheet, there was no documented evidence of efforts by supervisory personnel to monitor employee attendance and leave usage.

Without routine certifications or approved timesheets to support each payroll for all employees, there is an increased risk that employees may not perform the duties for which they are paid, or that leave used may not be reported, resulting in employees being compensated for hours not worked without a corresponding reduction in leave balances.

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**Recommendation:** The University should implement procedures to provide for documented supervisory approval of each payroll for all employees.

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## PRELIMINARY AND TENTATIVE FINDINGS

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### Finding No. 2: Faculty Activity Reports

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University Faculty Activity Reports (FARs) constitute the official record of a faculty member's activities for each academic term. FARs also serve as the official record of faculty effort devoted to externally funded contracts and grants and provide a key source of documentation of how this effort is compensated. Each faculty member is required to prepare a FAR at the end of each semester to document the contact hours for instructional activities and equivalent contact hours for noninstructional activities. University procedures require the FAR to be completed, printed out from the online reporting system, and signed by the Chairperson no later than five weeks after the end of each term.

As similarly noted in our report No. 2006-064, our review of FARs for 20 faculty members from the Fall 2006 semester disclosed that the required Chairperson approval was not always documented or timely made, as follows:

- For 15 FARs, the Chairperson approved the FAR from 6 to 132 days beyond the due date.
- For 3 FARs, the University's records did not adequately document approval by the Chairperson. For example, these FARs were either missing the Chairperson's signature or were signed by the Chairperson but not dated.

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**Recommendation: The University should ensure that Faculty Activity Reports are timely approved, and retain evidence of such approvals.**

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### Finding No. 3: Competitive Procurement

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Pursuant to Section 1001.74(4), Florida Statutes, each university board of trustees may adopt rules to implement its powers, duties, and authority as granted by law. However, such rules must be consistent with State Board of Education Rules adopted by the Board

of Governors<sup>1</sup> (referred to as Board of Governors Regulations).

University of North Florida Rule 6C9-6.1001, Florida Administrative Code, requires competitive solicitation of all contracts for the purchase of commodities and services exceeding \$50,000. However, during the 2006-07 fiscal year, this Rule was in conflict with Board of Governors (BOG) Regulation 6C-18.045, which provided for a competitive solicitation threshold of \$25,000.

According to BOG staff, they have developed proposed regulations setting the competitive solicitation threshold at \$75,000, which are pending BOG approval.

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**Recommendation: The University should ensure that its procurement policies are consistent with BOG Regulations.**

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### Finding No. 4: Purchasing Cards

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The University administers a purchasing card (P-card) program in which credit cards are issued to personnel for procuring certain goods and services. The P-card provides the convenience of purchasing items without using the standard purchase order process. The University had 310 active P-card accounts for 69 departments as of June 2007, and P-card charges totaled \$2.7 million during the 2006-07 fiscal year.

The University had implemented procedures that placed transaction review and record retention at the departmental level, and provided for periodic postaudit reviews (postaudits) of departmental records and cardholder transactions by the University Controller's Accounts Payable Section. Any questionable or unsupported charges identified were to be reported to the P-card Administrator for follow up.

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<sup>1</sup> Pursuant to Section 1000.01(5)(a)2., Florida Statutes, all rules of the former Board of Regents became State Board of Education rules. Such rules were adopted by the Board of Governors by resolution on January 7, 2003.

## PRELIMINARY AND TENTATIVE FINDINGS

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Our review of 15 of the University's postaudits of cardholders' accounts completed during the period April through June 2007, encompassing 262 transactions, disclosed that the University's monitoring controls over its P-card program needed improvement (a similar finding was noted in our report No. 2006-064). Specifically, our review disclosed the following issues identified by University postaudits that had not, of record, been followed up on by the P-card Administrator prior to our inquiry:

- Although University procedures required monthly reconciliations of P-card charges shown on billing statements to the University's accounting records, such reconciliations had not been performed for two cardholders for P-card charges for the period December 2006 through March 2007. At the time of our inquiry, the P-card Administrator had not, of record, verified that the applicable reconciliations had been performed subsequent to the postaudits.
- For three cardholders, 35 transactions totaling \$5,859 were not supported by original vendor receipts. At the time of our inquiry, the P-card Administrator had not, of record, followed up on the status of original receipts or replacement receipt forms supporting the questioned charges. Subsequent to our inquiry, we were advised that replacement receipt forms were located for the charges.
- For one cardholder, State sales tax totaling \$97.30 was paid on 30 charges, although the University is exempt from paying this tax. At the time of our inquiry, the P-card Administrator had not, of record, reminded the cardholder of the University's State sales tax exemption.

Although a P-card program is useful for expediting small purchases and payment of travel costs in an efficient manner with a significant reduction in overhead, without effective monitoring and control, such a program places the University at a greater risk

that purchases will be undocumented or unauthorized, especially when charge documentation is being retained by the departments instead of in a centralized location. In such circumstances, it is important that monitoring and follow-up procedures be routinely performed to ensure that P-card purchases comply with University purchasing guidelines and are for authorized purposes.

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**Recommendation: The University should ensure that the results of its P-card postaudits are timely reviewed and any necessary corrective action is performed and documented.**

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### Finding No. 5: Cellular Telephones

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The University provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to University records, approximately 200 employees were assigned cell phones as of June 30, 2007, and costs associated with these cell phones totaled approximately \$133,000 during the 2006-07 fiscal year.

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

The University's cell phone policy in effect during the 2006-07 fiscal year provided that when plan minutes

## PRELIMINARY AND TENTATIVE FINDINGS

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were exceeded in a billing period, employees were required to pay for personal use up to the amount charged above the normal billing rate. The University's policy further provided that department heads were responsible for periodically monitoring cell phone usage to ensure that appropriate usage plans were in effect. However, the University's policy did not require employees to identify calls made as either business related or personal and provided that occasional personal use was permitted without reimbursement to the University when the personal usage involved minimal expense and did not overburden University resources. In the absence of demonstrated compliance with substantiation requirements prescribed by United States Treasury Regulations, the University is required to report to the Internal Revenue Service (IRS) the value of cell phone services provided to employees. The University did not, for employees provided cell phones, include the value of cell phone services in the income reported on the employees' W-2 forms for the 2006 calendar year.

Effective July 1, 2007, pursuant to Board Policy No. 6.0030P – Cell Phone and Associated Services Policy, the University implemented a system to provide employees whose job duties require the frequent need for a cell phone or data services equipment with taxable allowances for the use of individually owned equipment. Employees receiving such an allowance must annually recertify the business need for the allowance(s) at the beginning of the fiscal year through annual contracts, recertification forms, or other documentation. Under the new policy, University-provided cell phones may be issued by a department with approval by the respective divisional vice-president in lieu of providing a cell phone allowance to an employee. However, if a University cell phone is provided to an employee, the new policy provides that there shall be no personal use; the department must keep a record of each call and its business purpose; and any personal calls must be reimbursed in accordance with University procedures.

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**Recommendation:** The University should continue its efforts to ensure that employees issued cell phones document which calls are business related and which are for personal use.

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### Finding No. 6: Construction Administration

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Pursuant to Section 1013.45(1), Florida Statutes, a University may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP) contract. Under a GMP contract, the University may realize cost savings if the cost of the project is less than the GMP. As such, a GMP contract requires University personnel to closely monitor construction costs.

We reviewed the University's administration of two GMP contracts with the CME, the \$9.9 million Social Sciences Building project and the \$18.1 million Library Addition project. Our review disclosed the following:

- For the Social Sciences Building project, the University did not obtain detailed documentation of the actual expenses incurred by the CME for administering the project (e.g., subcontractor invoices, timesheets). In response to a similar finding in our report No. 2006-064, the University implemented a procedure to hire an independent contractor to perform a postaudit of payments to the CME for each GMP contract after project completion. Although the Social Sciences Building project was completed in October 2006 and final payment to the CME was made on January 24, 2007, the University had not engaged an independent contractor to perform a postaudit of payments to the CME

## PRELIMINARY AND TENTATIVE FINDINGS

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for the project as of September 6, 2007. Subsequent to our inquiry, the University hired an independent contractor in November 2007 to perform the postaudit. When detailed documentation is not timely reviewed, the University may be limited in its ability to verify the propriety and accuracy of the expenses paid or reimbursed to the CME.

- The University obtained a temporary certificate of occupancy (TCO) for the Library Addition project on June 15, 2005, for the 1st and 2nd floor additions and on September 30, 2005, for the remaining work on the project. However, these certificates expired on October 30, 2005, and no renewal applications to obtain current TCOs were made by the University until August 29, 2007. Subsequent to our inquiry, the University applied for and was issued another temporary certificate of occupancy on August 31, 2007, 670 days after the previous TCOs expired, and obtained a final certificate of occupancy on November 6, 2007.

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**Recommendation:** The University should ensure that temporary certificates are kept current and that final certificates of occupancy are timely obtained. The University should also ensure that postaudits of payments to the CME for each GMP contract are timely completed to provide concurrency with project close-outs.

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### **Finding No. 7: Statements of Financial Interests**

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Pursuant to Section 112.3145(2), Florida Statutes, each state officer must file a statement of financial interests no later than July 1 of each year with the Florida Commission on Ethics (Commission). In addition, newly appointed state officers must file a statement of financial interests within 30 days from the date of appointment, except that any person whose appointment is subject to confirmation by the Senate must file prior to confirmation hearings or within 30 days from the date of appointment, whichever comes

first. This section further provides that each state officer shall file a final statement of financial interests within 60 days after leaving his or her public position for the period between January 1 of the year in which the person leaves and the last day of office. According to the *Florida Commission on Ethics 2006 Guide to the Sunshine Amendment and Code of Ethics for Public Officers and Employees*, members of university boards of trustees are considered State officers.

Our audit disclosed the following instances of noncompliance with Section 112.3145(2), Florida Statutes:

- Five members of the University Board of Trustees (Board) did not file 2005 or 2006 calendar year statements of financial interests (statements) with the Commission within 30 days of the respective appointment dates, as follows:
  - One Board member appointed during the 2006 calendar year filed the required 2005 calendar year statement with the Commission 62 days after appointment (32 days late).
  - Two Board members appointed during the 2006 calendar year had not filed 2005 calendar year statements within 30 days of appointment. Subsequent to our inquiry, these members filed the required statements with the Commission 251 and 389 days after the due date.
  - Two Board members appointed during the 2007 calendar year had not filed 2006 calendar year statements within 30 days of appointment. Subsequent to our inquiry, these members filed the required statements with the Commission 10 and 14 days after the due date.
- One Board member did not timely file a final statement of financial interests (Form 1F). The former Board member filed the required

## PRELIMINARY AND TENTATIVE FINDINGS

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Form 1F with the Commission 107 days after the end of the Board member's term (47 days late).

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**Recommendation:** The University should ensure that Board members are advised of the statement of financial interests filing requirements and that all required forms are timely filed with the Florida Commission on Ethics.

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### PRIOR AUDIT FINDINGS

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As part of our current audit, we determined that the University had taken corrective actions for findings included in our report No. 2006-064, except as noted in finding Nos. 2, 4, and 6 of this report.

# PRELIMINARY AND TENTATIVE FINDINGS

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## APPENDIX – A UNIVERSITY OF NORTH FLORIDA’S BOARD OF TRUSTEES

Members of the University’s Board of Trustees who served during the 2006-07 fiscal year are listed below:

### Board Member

Dr. R. Bruce Taylor, Chair  
Wanyonyi J. Kendrick, Vice-Chair  
Dr. Edythe M. Abdullah  
Luther W. Coggin  
Toni Crawford  
Justin R. Damiano to 5-01-07 (1)  
Wilfredo J. Gonzalez  
A. Hugh Greene from 6-14-07 (3)  
Steven T. Halverson to 12-20-06 (3)  
Ann C. Hicks  
Dr. William F. Klostermeyer from 9-07-06 (2)  
Joan W. Newton  
Dr. Judith L. Solano to 9-06-06 (2)  
Carol C. Thompson  
Rachael Tutwiler from 5-02-07 (1)  
Kevin M. Twomey

Notes: (1) Student body president.  
(2) Faculty association president  
(equivalent to faculty senate chair  
referred to in Section 1001.71(1),  
Florida Statutes).  
(3) Position was vacant from  
December 21, 2006, to June 13,  
2007.

**END OF PRELIMINARY AND TENTATIVE FINDINGS**