



Item: AF: I-2a

AUDIT AND FINANCE COMMITTEE

Wednesday, February 16, 2011

SUBJECT: REVIEW OF AUDITS: FAU 10/11-1, AUDIT OF REVENUE-GENERATING CONTRACTS FOR THE PERIOD JANUARY 1 THROUGH JUNE 30, 2010.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The focus of this audit was to determine whether contracts were being effectively monitored for compliance with key contract terms and provisions; and, internal controls over the contracts were adequate and effective.

There were no reportable audit comments.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 10/11-1.

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682

Report No. FAU 10/11-1
Report Issue Date: November 19, 2010

FLORIDA ATLANTIC
UNIVERSITY™

Office of Inspector General

Audit Report: Revenue-Generating Contracts
For the Period January 1 through June 30, 2010

Use of Report

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

**REPORT ON THE AUDIT OF
REVENUE-GENERATING CONTRACTS**


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MEMORANDUM

TO: Dr. Mary Jane Saunders
President

FROM: Morley Barnett 
Inspector General

DATE: November 19, 2010

SUBJ: AUDIT OF REVENUE-GENERATING CONTRACTS

In accordance with the University's Internal Audit Plan for fiscal year 2010-11, we have conducted an audit of the revenue-generating contract management function at Florida Atlantic University. The report contained herein presents our scope and objectives, and provides conclusions resulting from procedures performed. There were no reportable audit comments.

Please call me if you have any questions.

cc: University Provost
Senior Vice Presidents
Vice Presidents
Auditee
FAU BOT Audit and Finance Committee
Inspector General, Florida Board of Governors
Florida Auditor General

EXECUTIVE SUMMARY

In accordance with the University's Internal Audit Plan for fiscal year 2010-11, we have conducted an audit of the revenue-generating contract management function at Florida Atlantic University for the period January 1 through June 30, 2010. The audit addressed on-going revenue-generating contracts managed by the Business Services department of the Financial Affairs Division. Neither the University Meal Plan Program, nor event services contracts executed by the University Event Management Office of Business Services, were included within the scope of the audit. These other programs/contracts have been or will be covered by other audits or special reviews by the Office of Inspector General (OIG) and/or the Auditor General's Office.

Our audit objectives were to determine whether:

- Revenue-generating contracts were being effectively monitored for compliance with key contract terms and provisions; and,
- Internal controls over revenue-generating contracts, including determining the propriety of revenue recognition and commission calculations, were adequate and effective.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing of the six major revenue-generating contracts managed by Business Services, in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the revenue-generating contract monitoring process of Business Services was effective and adequate to facilitate contractor compliance with key contract terms and provisions. There were no reportable audit comments.

November 19, 2010

Dr. Mary Jane Saunders
President
Florida Atlantic University
Boca Raton, Florida

Dear President Saunders:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2010-11, we have conducted an audit of the revenue-generating contract management function at Florida Atlantic University for the period January 1 through June 30, 2010. The audit addressed on-going revenue-generating contracts managed by the Business Services department of the Financial Affairs Division. Neither the University Meal Plan Program, nor event services contracts executed by the University Event Management Office of Business Services, were included within the scope of the audit. These other programs/contracts have been or will be covered by other audits or special reviews by the Office of Inspector General (OIG) and/or the Auditor General's Office.

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We obtained an understanding of the revenue-generating contract monitoring function by reviewing written policies and procedures, interviewing key personnel, observing actual practices, conducting analytical reviews of contractor revenues and university commissions, and analyzing key internal controls. Our assessment of compliance with key contract terms and provisions, and management's established contract monitoring policies and procedures, was based on reviews of samples of pertinent supporting documentation for the six major revenue-generating contracts. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls and assessment of audit risk, the availability of pertinent University records, and other factors including auditor judgment.

Office of Inspector General • 777 Glades Road • Boca Raton, FL 33431

Tel: 561.297.3682 • Fax: 561.297.2479 • www.fau.edu/admin/oig

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We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

The Business Services department of the Financial Affairs Division is responsible for the management of the university's major revenue-generating contracts. Currently, Business Services provides oversight and monitoring of the food services, beverage vending/pouring rights, snack vending, bookstore, banking, and copy services contracts. Departmental duties include the receipt, recalculation, deposit, and recording of periodic commissions and other miscellaneous payments due under the terms and conditions of the contracts. Additional duties include ensuring that contractors comply with all other terms and conditions of the agreements, such as the provision of periodic audited financial statements, current certificates of liability insurance, and records of requisite non-cash support contributions to the university, as applicable.

To facilitate an effective contract management process, Business Services utilizes written contract monitoring policies and procedures; contract monitoring checklists to track the receipt of key deliverables, including periodic commission payments; pre-programmed electronic spreadsheets to recalculate periodic commissions; and, documented follow-up to obtain tardy contract deliverables.

Based on information provided by management, for the 2008/09 and 2009/10 fiscal years, commissions of \$1,695,311 and \$1,596,769 respectively were earned by the university from the six revenue-generating contracts managed by Business Services. Total contractor (net commissionable) revenues for these fiscal years were \$15,345,348 and \$15,335,286 respectively. The table below lists the commissions earned by the university based on (net commissionable) revenues generated by the contracts for the past two fiscal years:

<u>Contractor</u>	<u>FY 2008/09</u> <u>Revenues</u>	<u>FY 2008/09</u> <u>Commissions</u>	<u>FY 2009/10</u> <u>Revenues</u>	<u>FY 2009/10</u> <u>Commissions</u>
Chartwells (Food Service)	\$6,204,440	\$434,311	\$6,772,115	\$474,048
Diloreto & Sons/Pepsi (Beverage Vending/Pouring Rights)	\$388,580	\$190,762	\$323,635	\$158,718
Gilly Vending (Snack Vending)	\$245,267	\$145,000	\$237,209	\$98,240
Barnes & Noble (Bookstores)	\$8,063,817	\$760,582	\$7,547,680	\$699,909
BankAtlantic (Banking Services)	N/A*	\$75,000	N/A*	\$75,000
Toshiba Business Solutions (Copy Services)	\$443,244	\$89,656	\$454,647	\$90,854
Totals	\$15,345,348	\$1,695,311	\$15,335,286	\$1,596,769

*BankAtlantic pays the university a guaranteed net payment on a quarterly basis in addition to commissions based on the number of net new accounts opened each quarter.

COMMENTS AND RECOMMENDATIONS

Current Findings and Recommendations

There were no reportable audit comments.

Prior Audit Recommendations

Our examination generally includes a follow-up on findings and recommendations of prior internal audits, where the subjects of such findings are applicable to the scope of the current audit being performed.

Within the past three years, our office has not conducted any audits related to the university's revenue-generating contract management function. Accordingly, a follow-up on prior audit findings is not applicable.

CONCLUSION

Based on the results of the testwork performed, we are of the opinion that the revenue-generating contract monitoring process of Business Services was effective and adequate to facilitate contractor compliance with key contract terms and provisions.

We wish to thank the staff of Business Services for their cooperation and assistance which contributed to the successful completion of this audit.



Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CGAP, CBA, CFSA
Allaire Vroman