



Item: AF: I-5a

**AUDIT AND FINANCE COMMITTEE**  
Wednesday, November 16, 2016

**SUBJECT: REVIEW OF AUDITS: FAU 15/16-5, AUDIT OF UNIVERSITY MEAL PLANS  
FOR THE FALL 2015 SEMESTER.**

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**PROPOSED COMMITTEE ACTION**

Information Only.

**BACKGROUND INFORMATION**

Primary objectives were to verify whether management had controls in place to ensure that students living in residence halls were enrolled in a meal plan, unless properly exempted; commuter students and those living in university apartments, as well as faculty and staff who chose voluntary participation in a meal plan were properly processed; and, adequate procedures existed to account for revenues and payments made to the university's food service vendor (Chartwells).

Four recommendations were made to improve customer contract documentation, accountability for check/money order collections, and timeliness of payments to Chartwells.

**IMPLEMENTATION PLAN/DATE**

All recommendations were scheduled to be implemented by 8/22/16.

**FISCAL IMPLICATIONS**

Not Applicable.

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**Supporting Documentation:** Audit Report FAU 15/16-5

**Presented by:** Mr. Morley Barnett, Inspector General

**Phone:** 561-297-3682

Report No. FAU 15/16-5  
Report Issue Date: August 22, 2016

FLORIDA ATLANTIC  
UNIVERSITY™

*Office of Inspector General*

Audit Report: University Meal Plans  
For the Fall 2015 Semester

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  
UNIVERSITY MEAL PLANS**

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**FAU**  
FLORIDA ATLANTIC  
UNIVERSITY

MEMORANDUM

TO: Dr. John Kelly  
President

FROM: Morley Barnett   
Inspector General

DATE: August 22, 2016

SUBJ: AUDIT OF UNIVERSITY MEAL PLANS

In accordance with the University's Internal Audit Plan for fiscal year 2015/16, we have conducted an audit of university meal plans for the fall 2015 semester. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made four recommendations to address our findings. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of our recommendations by management.

Please call me if you have any questions.

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

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## Executive Summary

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In accordance with the University's Internal Audit Plan for fiscal year 2015/16, we have conducted an audit of university meal plans for the fall 2015 semester.

The primary objectives of this audit were to determine whether:

- Students living in the university residence halls enrolled in, and paid for, an appropriate campus meal plan unless otherwise exempted;
- Campus meal plan exemptions/cancellations were properly supported, approved, and processed in accordance with established policy;
- Faculty/staff members, commuter students, and resident students living in university apartments who elected to enroll in approved meal plans signed an appropriate contract and paid for their plans;
- Adequate procedures were in place to record, safeguard, deposit, and reconcile all campus and profiler meal plan fee monies collected by the university; and,
- Periodic billings for meal plans by the university's food services contractor were properly supported, verified for accuracy, approved by management, and paid timely.

Audit procedures included, but were not limited to, a review of written operating policies and procedures; inquiries of Business Services employees; an evaluation of key internal controls; compliance testing of manual/computerized records for samples of meal plan transactions; a review of samples of money collection records for meal plan purchases; and, a test of a sample of meal plan invoices submitted by the university's food services contractor.

Based on the results of the tests performed, it is our opinion that the audited university meal plan operations were being conducted in general compliance with applicable laws, rules, regulations, policies and procedures, and sound business practices. Moreover, our testwork indicated no instances where non-exempt students living in the residence halls during the fall 2015 semester had not enrolled in a requisite campus meal plan. Notwithstanding this assessment, we did identify opportunities for improvement in the areas of:

- Meal plan contract documentation and disclosures;
- Accountability for check/money order collections; and,
- Timeliness of payment of vendor invoices.

The details of all findings, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.



August 22, 2016

Dr. John Kelly  
President  
Florida Atlantic University  
Boca Raton, Florida

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University's Internal Audit Plan for fiscal year 2015/16, we have conducted an audit of university meal plans for the fall 2015 semester.

The primary objectives of this audit were to determine whether:

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Audit procedures included, but were not limited to, a review of written operating policies and procedures; inquiries of Business Services employees; an evaluation of key internal controls; compliance testing of manual/computerized records for samples of meal plan transactions; a review of samples of money collection records for meal plan purchases; and, a test of a sample of meal plan invoices submitted by the university's food services contractor.

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Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures, was based on reviews of pertinent supporting documentation for judgmentally selected samples of meal plan purchases, money collections, and billings from the university's food services contractor. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit risk, the availability of pertinent university records, and other factors including auditor judgement.

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

## BACKGROUND

In an effort to provide outstanding service to its students, faculty, and staff, both FAU's Boca Raton and Jupiter campuses provide resident, commuter, and employee meal plan programs, which include access to on-campus full-service dining halls with all-you-care-to-eat buffets. The Office of Business Services – a unit of the Division of Administrative Affairs – is primarily responsible for the administration of the university's meal plan and Owl Bucks programs. All students living in the Boca Raton residence halls are required to enroll in one of four campus meal plans which ranged in price from \$1,603.50 to \$1,950 for the fall 2015 semester. Jupiter campus residence halls students are required to enroll in one of two campus meal plans which were priced at \$1,879.50 and \$1,997.50 respectively for the fall 2015 semester. Residence hall students must enroll in a campus meal plan unless otherwise formally exempted for religious or medical reasons.

Campus meal plans are typically purchased on account by residence hall students at the time of their online Housing application, and are electronically added by an automated process to the students' Owl Card accounts. The plans are exempt from sales tax; run on a weekly basis starting on Sunday morning and ending on Saturday evening; are used or lost each week, and, do not roll over. Meal swipes (of the campus meal plan) via Owl Card may only be made at the dining halls. Select campus meal plans include Flex Bucks – extra money available for use at specified on-campus dining locations other than the full-service dining facilities. Unused Flex Bucks do not carry from semester to semester. Campus meal plans are available for voluntary purchase by students living in on-campus apartments, as well as commuter students. These students have the option of purchasing the plans on account – provided they have sufficient financial aid – or by check/money order at the Business Services office.

Students who commute to school or live in the student apartments, as well as employees, have the option of purchasing profiler meal plans and/or Owl Bucks. These plans are electronically added by Business Services to the Owl Card accounts of purchasers. Meal swipes (of the profiler meal plan) via Owl Card may only be made at the dining halls. Unlike campus meal plans, profiler meal plans are subject to sales tax at the time of purchase and unused balances roll over from week-to-week. During the fall 2015 semester, profiler meal plans ranged in price from \$330 to \$656. Purchasers have the option of adding Owl Bucks - extra money available for use at the dining halls and other select on-campus restaurants/convenience stores, as well as the FAU Pharmacy and Bookstore - to their Owl Card accounts. Customers purchase profiler meal plans/Owl Bucks online at the department's TouchNet Marketplace uStore site, on account (students with financial aid), via payroll deduction (employees), or by check/money order at the Business Services office.

On a periodic basis, Chartwells – the university’s food services contractor – will bill Business Services for the cost of the meal plans and Owl/Flex Bucks purchased by students and employees. Campus meal plans are billed based on a daily contractual rate per participating student for the six types of available meal plans. Profiler meal plans are billed based on the number of plans purchased during a specified period of time and the contractual per plan cost. Owl and Flex Bucks are billed based on the dollar value of the units purchased over a defined time period.

Our review of the appropriate financial records indicated that during the first six months of the 2015/16 fiscal year (7/1 – 12/31/15), the university booked estimated gross revenue of approximately \$5.07 million from the sale of campus meal plans, and \$250K from the sale of profiler meal plans. According to internal departmental records, as of 12/11/15 there were 2,679 campus and 2,160 profiler meal plans outstanding. Business Services uses multiple computer information systems in its daily operations, including the Workday Finance, Banner Student, TouchNet Marketplace, CBORD Odyssey, and Housing Director systems. During the course of the audit, the department was staffed by five full-time employees, four of whom were actively involved in university meal plan operations.

## COMMENTS AND RECOMMENDATIONS

### Current Findings and Recommendations

#### *Incomplete Profiler Meal Plan Contractual Documentation*

Discussions with management, as well as compliance testing of available records for a judgmentally selected sample of 30 profiler meal plan/Owl Bucks purchases (five check/money order purchases, ten online purchases, ten Banner student account purchases, and five employee payroll deduction purchases) during the audit period; and a judgmentally selected sample of four profiler meal plan/Owl Bucks purchase cancellations for the fall 2015 semester, indicated the following exceptions:

- All 15 manual profiler meal plan/Owl Bucks application forms reviewed did not disclose, or provide a direct website link to, the terms and conditions of the purchase, and were not signed and dated by the student applicants. Although it was disclosed in writing to applicants that submittal of the (unsigned) application indicated agreement with the purchase terms and conditions, inclusion of the appropriate contractual disclosures, as well as the applicant’s signature on the form would formalize the purchase contract and mitigate potential disputes; and,
- For all four profiler meal plan/Owl Bucks purchase cancellations tested, the student purchasers were not assessed the published cancellation fee of \$30. In addition, for three of the four cancellations, the reasons for cancelling the profiler meal plans were not dismissal or separation from the university (employees/students) or withdrawal from the university (students), as required by the terms and conditions of the purchase contract.



## **Recommendation No. 1**

We recommend management ensure, as best practice:

- The manual profiler meal plan/Owl Bucks application form includes the appropriate contractual disclosures, and is signed and dated by the applicant – as well as the applicant’s parents in the case of minors - to indicate written acknowledgement of the terms and conditions of the purchase. To facilitate compliance, the purchase terms and conditions (or a direct website link thereto), as well as signature and date fields could be added to the *Application Form*; and,
- The cancellation policy as stated on the profiler meal plan contract is consistent with the department’s business practice regarding cancellations.

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### **Management’s Response**

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#### **Action Plan:**

- We do believe that the proper disclosures were made to the applicants but have added the signature line and/or are ensuring that forms are signed. This is already implemented.
- A request to have the cancellation policy removed from the site to reflect consistency with our business practices has been made.

#### **Implementation Date:**

August 22, 2016.

#### **Responsible Auditees:**

Richard Hue, Executive Director – Business Services & Kasia Kielbasa, Business Manager – Business Services.

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#### **Incomplete Mandatory Campus Meal Plan Disclosures**

All students living in the residence halls (i.e., Glades Park Towers, Heritage Park Towers, Indian River Towers, Parliament Hall, and Algonquin Hall on the Boca Raton campus and Residence Halls I & II on the Jupiter campus) are required to have a campus meal plan unless otherwise exempted. For the fall 2015 semester, only first-time-in-college (FTIC)/transfer student housing applicants were required to enroll in a campus meal plan at the time of their online housing application as it was assumed they would be living in a residence hall. Returning student housing applicants were not required to choose a plan but did have the option to voluntarily enroll in a campus meal plan at the time of their online housing application as it was assumed they would be living in a student apartment. In order to ensure all residence hall students had enrolled in a campus meal plan, Business Services - prior to the start of the semester - reconciled a Housing Director system report of students living in the residence halls to a CBORD Odyssey system plan participation report of all

active campus meal plans to identify any students without meal plans.

Based on discussions with management, we noted that residence hall students who had been identified as not having enrolled in a campus meal plan were sent an email informing them that they would be assigned the *12 Plus Flex Meal Plan* if they did not select a plan prior to the start of the semester. Although the notified student was given the option of manually completing and signing a campus meal plan application/contract at the Business Services Office, the email did not include full disclosure of the plan contract terms and conditions for the benefit of students who elected to respond with their plan choice via email or did not respond at all.

#### Recommendation No. 2

To ensure all residence hall students identified as not having a campus meal plan are made fully aware of their contractual rights and obligations, and to mitigate potential disputes, we recommend the email communication from Business Services to the students includes disclosure of the plan contract terms and conditions. To facilitate compliance, a *Campus Meal Plan Application and Contract* could be electronically attached to the email sent to affected students.

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### **Management's Response**

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#### **Action Plan:**

It must be noted that there have been significant challenges in working with multiple systems including the Housing Director, Meal Plan systems and Banner (none of which communicate to each other). Further, the Housing Director system had several glitches whereby it was not appropriately selecting the applicable students (i.e. resident students only) for meal plan requirement.

We will clarify all future communications via email to applicable students.

#### **Implementation Date:**

August 22, 2016.

#### **Responsible Auditees:**

Richard Hue, Executive Director – Business Services & Kasia Kielbasa, Business Manager – Business Services.

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#### **Money Collections Control Weaknesses**

Business Services employees occasionally receive check/money orders payments in-person for the purchase of meal plans and Owl Bucks. For the fall 2015 semester, a total of \$59,635.27 (78 transactions) of checks/money orders were received by the department for the purchase of the aforementioned items, a nominal percentage (1.1%) of the estimated \$5.32 million gross revenue booked from the sale of campus and profiler meal plans during the first six months of the 2015/16

fiscal year. Check/money order deposits received by Business Services are delivered to the central cashier's office for posting to the appropriate Workday Finance accounting codes and subsequent transfer to Bank of America for processing and posting to FAU's clearing account.

Discussions with management, as well as compliance testing of available money collection records for all 18 check/money order payments for a judgmentally selected sample of five business days; a sample of nine online credit card payments for a judgmentally selected sample of nine business days; and, all five employee payroll-deducted payments requested by employees for a judgmentally selected sample of five business days for voluntary campus meal plans/profiler meal plans/Owl Bucks purchased during the fall 2015 semester, indicated that:

- The department's *Check Purchases* and *Faculty/Staff Payroll Deductions* logs were not signed/initialed and dated by a separate preparer and reviewing supervisor;
- The Business Services employee(s) responsible for posting the meal plan/Owl Bucks to the purchaser's Owl Card account on the CBORD Odyssey system was/were not always independent of money handling;
- All five *Departmental Deposit* forms reviewed were not signed/initialed and dated by a preparer, reviewing supervisor, and the departmental employee who delivered the money deposits to the central cashier's office;
- Ten of 18 check/money order payments tested were not delivered to the central cashier's office within three business days of receipt by Business Services as required by established university practice. The ten payments totaling \$6,033 were not remitted to the central cashier's office until approximately four to 65 business days after the collections were received by Business Services;
- We were unable to initially trace the money collections recorded on three of five reviewed *Departmental Deposit* forms - delivered to the central cashier's office on 11/18/15, 11/20/15, and 12/2/15 respectively - to the appropriate Workday Finance Trial Balance reports. Although the monies - totaling \$1,166 - should have been deposited by the central cashier's office to FAU's clearing account at Bank of America, Business Services was unable to reconcile these check/money order deposits to the Workday Finance Trial Balance Reports because the central cashier's office had not posted the deposits to the system as of the end of audit fieldwork, despite diligent follow-up efforts by Business Services. However, prior to the issuance of the audit report, we were able to verify that the Controller's Office had subsequently posted appropriate entries on Workday Finance to record the aforementioned money deposits;
- The reconciliations of the money collections recorded on two of five reviewed *Departmental Deposit* forms to the appropriate Workday Finance Trial Balance reports to verify the timely and accurate posting of the funds, were not documented; and,
- The state sales tax on the profiler meal plans sold via employee payroll deduction during the audit period – total sales of \$7,966 – and deducted over the course of two or more biweekly pay periods during eight consecutive biweekly pay periods (pay #23, 2015 – pay #4, 2016), was not calculated and posted to the appropriate Workday Finance sales tax payable fund.

### Recommendation No. 3

We recommend management ensure:

- The *Check Purchases* log indicates when the checks/money orders are received, the employee who initially receives the payments (i.e., the preparer), the employee who posts the plans/Owl Bucks to the purchasers' Owl Card accounts on the CBORD Odyssey system, and the reviewing supervisor who reconciles the money collections to the appropriate Workday Finance accounting activity reports. A minimum of two employees should be involved in the aforementioned business processes. To facilitate compliance, a revised *Check Purchases* log should be developed and implemented;
- The *Faculty/Staff Payroll Deductions* log indicates when employees submit their online payroll deduction requests, the employee who initially receives the requests (i.e., the preparer), the employee who posts the plans/Owl Bucks to the employees' Owl Card accounts on CBORD Odyssey, and the reviewing supervisor who reconciles the biweekly payroll deduction registers to the appropriate Workday Finance accounting activity reports. A minimum of two employees should be involved in the aforementioned business processes. To facilitate compliance, a new *Faculty/Staff Payroll Deductions* log should be developed and implemented;
- Segregation of the duties of posting the meal plan/Owl Bucks to the purchaser's Owl Card account on the CBORD Odyssey system, from the duties of money-handling;
- The *Departmental Deposit* form is signed/initialed and dated by a preparer, the employee delivering the deposit to the central cashier's office, and the reviewing supervisor. To facilitate compliance, appropriate fields could be added to the *Departmental Deposit* form;
- Check/money order deposits are delivered to the central cashier's office within three business days of receipt by the department as required by established university practice;
- The reconciliations of the money collections recorded on the *Departmental Deposit* forms to the appropriate Workday Finance accounting activity reports are documented. To facilitate compliance, the employees performing the reconciliations could initial/date a revised *Check Purchases* log; and,
- Business Services collaborates with the Controller's Office to ensure state sales tax is accurately calculated on the profiler meal plans sold via employee payroll deduction and timely posted to the Workday Finance Suspense – Sales Tax Collections fund as required by university policy.

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## Management's Response

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### **Action Plan:**

Management wishes to put this into context. The purchase of Campus Meal Plans, profiler meal plans and Owl bucks are done on line. We, on the rare occasion, will accept payment in the office simply to provide a level of customer service for those individuals who do not wish or are uncertain how to purchase on line. This finding relates to a total of \$59,635.27 of the \$5.32 million in revenue. The \$59,635.27 is the full amount collected in the office versus on line and accounts for 78 transactions or 1.12 percent of the total. While we recognize and certainly agree that processes should be maintained for all monies collected, it is important to emphasize that this relates only to 78 out of thousands (>5,000) transactions (estimated). Additionally, the audit period of Fall 2015 was the first semester where the universities new system Workday was used. This system took over all functions that we previously completed in Banner. As in the implementation of any new system, we were not only challenged by the Housing Director system but also the nuances of a new financial reporting and transaction system and a reliance on areas outside of the department to fulfill their obligations related to these and other transactions. We do; however, acknowledge that this audit was an opportunity to see limitations, challenges and necessary improvements can be made to the program. Lastly, based on the insignificant number of transactions related to the whole, we are moving to not accepting any payments in the office. We will be installing a kiosk in the office and direct students to place their orders on-line. We cannot guarantee that there will be *a minimum of two employees involved in every transaction* which also leads us to the decision to not accept payment in the office. We would have to hire additional staff to manage this separation of duties for 1% of our revenue. This is not smart business sense and is inefficient. Until that is phased out:

- We have implemented a revised check log. IMPLEMENTED
- We have developed and implemented a faculty/staff payroll deduction log. IMPLEMENTED
- It is not feasible for us to guarantee one hundred percent that we will always have a separation of duties related to this third item. We will make every attempt.
- We have revised the deposit log but this will become obsolete when we no longer accept payments in the office. IMPLEMENTED
- Checks/money orders are delivered in a timely manner to the cashier's office. IMPLEMENTED
- We have implemented a revised check log. IMPLEMENTED
- We have established a process whereby Business Services communicates to the Payroll Department on a biweekly basis, the portion of profiler meal plan sales monies collected via employee payroll deduction to be booked on Workday Finance as Business Services revenue. The Payroll Department will be responsible for calculating and posting the sales tax portion of the aforementioned biweekly employee payroll deductions to the Workday Finance Suspense – Sales Tax Collections fund. IMPLEMENTED

**Implementation Date:**

August 22, 2016.

**Responsible Auditees:**

Richard Hue, Executive Director – Business Services & Kasia Kielbasa, Business Manager – Business Services.

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**Untimely Payment of Vendor Invoices**

Testwork conducted for a judgmentally selected sample of 11 periodic meal plan/Owl Bucks/Flex Bucks invoices from Chartwells (FAU’s food services contractor) for the fall 2015 semester, indicated that six of 11 invoices were not paid by Accounts Payable (A/P) within 40 calendar days of receipt by Business Services as required by Accounts Payable Policies & Procedures. The untimely payments were attributable to delays by the department in electronically submitting the receiving reports (Receipts) for the invoices on the Workday Finance system. Management has indicated factors contributing to the delays as including miscommunication with A/P regarding the process for electronically submitting the vendor’s invoices needed by A/P to create the Supplier Invoices (electronic payment vouchers) on Workday Finance, as well as the availability of sufficient budgeted funds to pay the invoices. The cited invoices ranged between \$17,030.99 and \$144,295.35, and were not paid until 46 to 116 calendar days after receipt by Business Services.

**Recommendation No. 4**

In order to comply with university policies and procedures, and sound business practices, we recommend management ensure all required supporting documents for meal plan/Owl Bucks/Flex Bucks invoices from Chartwells are electronically submitted on the Workday Finance system in time for Accounts Payable to pay the invoices within 40 calendar days of receipt by Business Services.

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**Management’s Response**

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**Action Plan:**

It is noted that for the semester audited, management was utilizing a new financial reporting system Workday. Workday, as previously noted, is the universities new financial reporting and transaction system. Management explained that there were factors contributing to the delay which were remedied early in the Spring 2016 semester by collaboration with the Controller’s Office. No action plan is needed since this was remedied during the semester indicated.

**Implementation Date:**

August 22, 2016.

**Responsible Auditees:**

Richard Hue, Executive Director – Business Services & Kasia Kielbasa, Business Manager – Business Services.

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**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 fiscal years, our office has not conducted any audits related to university meal plans. Accordingly, a follow-up on prior audit findings is not applicable.

**CONCLUSION**

Based on the results of the tests performed, it is our opinion that the audited university meal plan operations were being conducted in general compliance with applicable laws, rules, regulations, policies and procedures, and sound business practices. Notwithstanding this assessment, we have made several recommendations to improve internal controls which we believe are cost-beneficial to implement, and will serve to enhance the department’s meal plan operations.

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



Morley Barnett, CPA, CFE  
Inspector General

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