Florida Gulf Coast University Board of Trustees
April 16, 2013

SUBJECT: Materials & Supplies Fees and Certificate Programs Audit

PROPOSED BOARD ACTION
Accept the internal audit of Materials & Supplies Fees and Certificate Programs provided to President Wilson Bradshaw and Dr. Ronald Toll, Provost and Vice-President for Academic Affairs on September 18, 2012.

BACKGROUND INFORMATION
This report represents a limited scope audit of materials and supplies fees and certificate programs during fiscal year 2010 – 2011. The audit’s objective was to determine if materials and supplies fees and certificate programs are appropriately managed and operating with Florida Statutes and University guidelines.

The audit was part of the 2011 - 2012 internal audit work plan approved by the FGCU Board of Trustees at its June 21, 2011 meeting.


Prepared by: Director of Internal Audit Carol Slade

Legal Review by: Vice President and General Counsel Vee Leonard (July 15, 2012)

Submitted by: President Wilson G. Bradshaw
INTEROFFICE MEMORANDUM

To:     Dr. Ronald Toll, Provost & Vice President, Academic Affairs
        Jennifer Baker, Director, Academic Budgets & Management Services

Cc:     Dr. Wilson Bradshaw, President
        Susan Evans, Chief of Staff & University Spokesperson

From:   Deborah McEwan, CIA, Senior Auditor
        Carol Slade, CPA, CIA, Director, Internal Audit

Date:   September 18, 2012

Re:     Materials and Supplies Fees and Certificate Programs Audit (FINAL REPORT)

Please see the attached final report of the Materials and Supplies Fees and Certificate Programs Audit, which includes the management response. The report is dated August 16, 2012, which is the date Internal Audit received the management response from the Director of Academic Budgets & Management Services.

On September 17, 2012, Vee Leonard, General Counsel, completed a legal review of the audit report.

The audit was performed by Deborah McEwan, Senior Auditor and reviewed by Carol Slade, the Director of Internal Audit.
Florida Gulf Coast University
Materials and Supplies Fees and Certificate Programs Audit
Internal Audit
Report Date: August 16, 2012
MATERIALS AND SUPPLIES FEES AND CERTIFICATE PROGRAMS AUDIT

EXECUTIVE SUMMARY

This Report represents a limited-scope audit of materials and supplies fees and certificate programs during fiscal year 2010-2011.

Materials and Supplies Fees

University students are assessed fees for specific courses in which materials and supplies are consumed during the course. Fee assessments are based on the anticipated costs of the materials and supplies. This audit included an evaluation of how management calculates and monitors these fee assessments. Management has established a process with adequate controls to assess and monitor the related revenues and expenditures of these materials and supplies fees.

In our opinion, management oversight and materials and supplies fees procedures meet the requirements of the applicable University regulation and section of Florida Statutes. Management is encouraged to continue to refine the oversight process. One recommendation pertaining to consistent course documentation on supporting expenditure invoices is included on page 6 of this Report.

Certificate Programs

The University offers certificate programs that may include credit or non-credit coursework to enhance the knowledge and skills of its students. This Report includes a review of three certificate programs. Our audit disclosed that these programs had minimal financial activity.

OBJECTIVE

To determine if materials and supplies fees and certificate programs are appropriately managed and operating within Florida Statutes and University guidelines.
This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observations and recommendations.

BACKGROUND

Materials and Supplies Fees

According to Florida Statute 1009.24 (14) (i), the University is authorized to establish:

“Materials and Supplies fees to offset the cost of materials or supplies that are consumed in the course of the student’s instructional activities, excluding the cost of equipment replacement, repairs, and maintenance.”

Florida Gulf Coast University Regulation FGCU-PR7.003 entitled Special Fees, which was last modified and effective July 5, 2011, provides Board of Trustees approval of a course-related fee at “cost” for materials and supplies consumed during instructional activities.

SCOPE - End of Fieldwork was July 18, 2012

MATERIALS AND SUPPLIES FEES

Population: The population consisted of approximately twenty-five materials and supplies fee indices that capture the related revenues and expenditures of various courses.

Each index captures the revenues and expenditures related to numerous materials and supplies fees within a given academic area. Academic areas may include an entire college, a specific department, or a particular course (i.e. Colloquium).

I. Sample Selection: The sample was a judgmental selection of six of the twenty-five indices or 24% of the population. Sample selection was based on revenues, cash balance trends since fiscal year 2008-2009, and representations from different colleges.

1) Course Related Fees Business  
2) Course Related Fee Teach Ed  
3) Course Fee Physical Therapy

College of Business  
College of Education  
College of Health Professions

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4) Course Related Fee Colloquium  
5) Course Fee Resort and Hospitality Management  
6) Course Related Fees School of Engineering  

Meetings were held with the appropriate personnel in the Office of Academic Affairs and in each academic area to obtain an understanding of the administrative process pertaining to materials and supplies fees.

II. A test of 90 expenditures totaling $83,748 from all sample indices during fiscal year 2010-2011 was conducted to verify that the purchases were appropriate for usage by the students during the course.

III. Also, a limited test of fee waivers pertaining to the College of Business and the College of Education indices was conducted. The test was conducted to determine the percentage of waiver-related activity as compared to total fee revenue in fiscal year 2010-2011.

CERTIFICATE PROGRAMS

The following three programs were selected based on a review of all cash balances of certificate programs:

1) Executive MBA Program  
2) Human Resource Management Certificate Program  
3) Compliance Specialist Program

Due to the current status of the selected programs, the scope of the review was limited to discussion only. In-depth reviews of related revenues or expenditures were not performed.
GENERAL INFORMATION

Materials and Supplies Fees

Academic units establish materials and supplies (M&S) fees that are attached to specific courses for the purchase of needed materials and supplies for use by the students during the academic term. These fees are based on the cost of the required supplies. When students register for certain courses, M&S fees are assessed along with their regular tuition and fees.

The Director of Academic Budgets and Management Services requires the respective colleges to submit an official form entitled “Request to Change an Existing or Establish a Material and Supply Fee.” The Chair, the Dean and ultimately the Provost or his designee must provide an approval signature prior to fee implementation or any changes. Typically, fees are approved in the year prior to the term in which the student will incur an M&S fee assessment.

Annually, the Director of Budget and Management Services initiates a review of all M&S fees currently in effect. The review process requires personnel in the academic units to review all existing fees and make any adjustments, if necessary.

Fee Waivers

Under specific circumstances, University policies and Florida Statutes provide waivers of M&S fee assessments for some students. These waivers may include, but are not limited to: Graduate Studies Waivers and Senior Citizen Non-Degree Waivers.

Within the scope of this audit, fee waivers represented less than 1% of total materials and supplies fees revenues. Therefore, fee waivers had minimal impact on M&S fee revenue.

Certificate Programs

At the time of this review, the Executive MBA Program and Human Resource Management Certificate Program were inactive with limited financial activity. Also, the Compliance Specialist Program had limited activity and Fall 2012 will be the last planned semester the program is offered.
OBSERVATIONS AND RECOMMENDATIONS

Materials and Supplies (M&S) Fees

Expenditure Documentation

*Condition:* During the review of M&S fee expenditures made during fiscal year 2010-2011, the supporting documentation for some expenditures did not refer to a specific course and/or section. Subsequent interviews with personnel at the respective colleges revealed that the expenditures were correctly charged to the M&S index, but the supporting invoices did not contain any reference to the specific course.

*Criteria:* According to Florida Statutes, materials and supplies fees should only be used “to offset the cost of materials or supplies that are consumed in the course of the student’s instructional activities.”

*Recommendation*

All academic units are encouraged to consistently document all M&S invoices with specific course references. Consistent documentation on the supporting invoices will enhance accountability and accuracy in tracking expenditures related to a given fee.

*Management Response*

*The auditor recommendation is noted, and through training and an internal review of expenditures by the Academic Affairs Budget Office, the academic areas responsible for the material and supply fee purchases will comply with this recommendation.*

Provided by: Jennifer Baker, Director of Academic Budgets & Management Services

Performed by: Deborah McEwan, Senior Auditor
Reviewed by: Carol Slade, Director of Internal Audit

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