



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

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Board of Trustees
Florida Agricultural and Mechanical (A&M) University

We have examined Florida A&M University's ("FAMU" or the "University") compliance with the laws, regulations, contract agreements, and internal regulations identified below for the hiring incentive payments made during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016 to five employees (Provost, Vice President (VP) Finance and Administration, Athletic Director, Director Academic and Support Services, and Assistant VP for Alumni Affairs). Collectively these laws, regulations, contract agreement and internal regulations are referred to as "employee hiring incentive regulations":

- Board Of Trustees (BOT) Operating Procedures (2.3)
- BOT Policy 2005-19 (3)
- Florida Statute Section 215.425 (1), (2)(a), and (3)
- Florida Statute Section 1012.976 (3)
- University Regulation 1.021 (c)
- University Regulation 10.102 (14)
- University Regulation 10.105 (3)(a)(2), (3)(a)(3), and (3)(b)(a)

We also have examined the University's compliance with the following laws, regulations, contract agreements, and internal regulations related to payments for renovations to the University owned residence from December 1, 2013 to March 9, 2016. Collectively these laws, regulations, contract agreements and internal regulations are referred to as "University owned residence renovation regulations":

- BOT Policy 2005-06
- BOT Policy 2005-07A (III) and (IV)
- *FAMU Facilities Planning & Construction Professional Services Guide*, "Section 4 Selection of Professional Services"
- Florida Statute Section 287.055 (2)(g)
- Florida Statute Section 287.017
- The University President's Employment Agreement, dated April 1, 2014, section 6.2

Management is responsible for the University's compliance with the employee hiring incentive regulations and University owned residence renovation regulations. Our responsibility is to express an opinion on the University's compliance based on our examination.

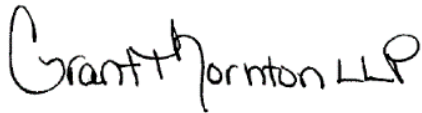
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about University's compliance with the employee hiring incentive regulations and the University owned residence renovation regulations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on University's compliance with specified requirements.

As described in Appendix A, our examination disclosed material noncompliance related to three employee hiring incentive payments made during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016.

Also, as described in Appendix B, our examination disclosed material noncompliance related to one University owned residence renovation project during the period from December 1, 2013 to March 9, 2016.

In our opinion, because of the effect of the noncompliance described in Appendix A, the University has not complied with the aforementioned employee hiring incentive regulations during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016. Further, in our opinion, because of the effect of the noncompliance described in Appendix B, the University has not complied with the aforementioned University owned residence renovation regulations during the period from December 1, 2013 to March 9, 2016.

This report is intended solely for the information and use of University management and BOT and is not intended to be, and should not be, used by anyone other than these specified parties.



Alexandria, VA
March 9, 2016

Appendix A: Material noncompliance with employee hiring incentive regulations

Condition

The University President used her BOT delegated authority to negotiate and execute certain employment agreements. The University incurred the following employee hiring incentive costs during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016.

	Title of position to whom payment was made	Date of Employment Agreement	Amount of hiring incentive	Date of payment from FAMU to employee	Date of reimbursement from FAMU Foundation
1	Director, Academic Support Services	7/8/2014	\$5,000	10/30/2014	11/25/2014
2	VP Finance and Administration	8/27/2014	\$15,000	11/13/2014	11/25/2014
3	Provost and VP of Academic Affairs	11/18/2014	\$15,000	2/11/2015	12/17/2015
4	Assistant VP for Alumni Affairs	4/9/2015	\$5,000	5/28/2015	12/17/2015
5	Director of Intercollegiate Athletics	6/19/2015	\$25,000	8/20/2015	12/17/2015

Table 1: Employee hiring incentive payments

We identified three hiring incentive payments where the University did not comply with Florida Statute Sections 215.425 and 1012.976. Particularly, two of the five hiring incentives (Table 1, Numbers 1 and 3) were wholly paid with Education and General (E&G) or state appropriated funds, and the other hiring incentive (Table 1, Number 5) was paid with restricted trust funds. The dollar amount of the three payments totaled \$45,000. Additionally, none of the five employment agreements were reviewed and approved by the BOT. We determined that all five payments were subsequently reimbursed by the FAMU Foundation.

Criteria

Florida Statute Section 215.425 – (Extra compensation claims prohibited; bonuses; severance pay) states:

“(1) No extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made; nor shall any money be appropriated or paid on any claim the subject matter of which has not been provided for by preexisting laws, unless such compensation or claim is allowed by a law enacted by two-thirds of the members elected to each house of the Legislature. However, when adopting salary schedules for a fiscal year, a district school board or

community college district board of trustees may apply the schedule for payment of all services rendered subsequent to July 1 of that fiscal year.

(2) This section does not apply to:

(a) A bonus or severance pay that is paid wholly from nontax revenues and nonstate-appropriated funds, the payment and receipt of which does not otherwise violate part III of chapter 112, and which is paid to an officer, agent, employee, or contractor of a public hospital that is operated by a county or a special district; or... As stated above, Section 215,425, F.S. [Florida Statute], permits payment of bonuses wholly from nontax and non-state appropriated funds. Accordingly, payment of bonuses from appropriated funds is in violation of this statutes.”

Florida Statute Section 1012.976 – (Remuneration of state university administration employees; limitations) states:

(1)(c) “Remuneration’ means salary, bonuses, and cash-equivalent compensation paid to a state university administrative employee by his or her employer for work performed, excluding health insurance benefits and retirement benefits....Exception. – This section does not prohibit any party from providing cash or cash-equivalent compensation from funds that are not appropriated state funds to a state university administrative employee in excess of the limit in subsection (2). If a party is unable or unwilling to fulfill an obligation to provide cash or cash-equivalent compensation to a state university administrative employee as permitted under this subsection, appropriated state funds may not be used to fulfill such obligation. This section does not apply to university teaching faculty or medical school faculty or staff.”

Effect

The University did not materially comply with Florida Statute Sections 215.425 and 1012.976.

Cause

The University’s internal regulations were not sufficiently specific to indicate that such employment hiring incentive payments should not be made directly from University E&G funds and that payments should not be made until Foundation funding is available in the University’s general ledger cost center. Further, there was no formal agreement between the University and the FAMU Foundation in advance of these payments to indicate that such payments would be reimbursed by the FAMU Foundation.

Recommendations

Grant Thornton recommends that the University:

- Develop formalized rules, policies, guidelines and procedures to require compliance with Florida Statute Section 215.425 and 1012.976.
- Establish policies, procedures and guidelines that assist accounting and budget personnel in properly determining the source of funding to be used for such employee hiring incentive payments.

- Establish policies, procedures and guidelines that assist budget personnel in properly verifying that Foundation funds are available in the University's general ledger cost center prior to disbursement.
- Obtain BOT approval for all senior employment agreements prior to execution.
- BOT should periodically re-approve the delegation of authority and the period of such re-approval should not exceed 3 years. The BOT last reaffirmed the University President's delegated employment agreement authority during fiscal year 2006.

Appendix B: Material noncompliance with University owned residence renovation regulations

Condition

The University incurred the costs identified in the table below to renovate the residence.

	Payment amount	Date of payment approval	Date of payment	Purchase order (PO) number	Vendor	PO or change order	Date of PO/change order creation	Date of approval	PO/change order amount
1	\$284,983.04	6/12/2014	6/19/2014	123281		Original PO	2/12/2014	2/12/2014	\$165,201.00
						Change Order 1	3/7/2014	3/10/2014	\$103,206.00
2	\$15,000.11	1/15/2015	1/30/2015	123281 123281 123281 123281	LLT Building Corporation	Change Order 2	3/18/2014	3/18/2014	\$7,159.00
						Change Order 3	4/14/2014	4/15/2014	\$24,643.00
						Change Order 4	1/7/2015	1/7/2015	\$225.85
3	\$2,825.00	2/21/2014	2/27/2014	123291	Seven Hills Commercial Cleaning & Painting	Original PO	2/13/2014	2/13/2014	\$3,500.00
4	\$450.00	5/6/2014	5/12/2014			Change Order	2/20/2014	2/21/2014	\$750.00
5	\$975.00	3/25/2014	3/31/2014						
6	\$6,545.50	4/21/2014	4/25/2014	123852	Redwire	Original PO	2/25/2014	2/27/2014	\$6,545.50
7	\$3,265.36	4/14/2014	4/16/2014	123853	Lowe's	Original PO	2/28/2014	2/28/2014	\$3,265.36
8	\$245.56	4/14/2014	4/16/2014			Change Order 1	3/14/2014	3/14/2014	\$245.56
9	\$179.55	4/14/2014	4/16/2014			Change Order 2	3/24/2014	3/25/2014	\$179.55
10	\$36.07	8/7/2014	8/11/2014			Change Order 3	3/28/2014	4/4/2014	\$36.07
11	\$141.55	8/7/2014	8/11/2014			Change Order 4	4/17/2014	4/17/2014	\$141.55
12	\$12,325.00	5/12/2014	5/29/2014	124086	Lewis + Whitlock Architects, PA	Original PO	2/20/2014	2/21/2014	\$12,325.00
13	\$7,581.60	4/14/2014	4/15/2014	124325	Data Set Ready (DSR)	Original PO	3/18/2014	3/18/2014	\$7,581.60
14	\$395.00	4/4/2014	4/8/2014	124352	Apogee (1 Hour Signs, Inc.)	Original PO	3/18/2014	3/18/2014	\$395.00
15	\$4,678.00	4/9/2014	4/15/2014	124365	Scenic Landscaping and Maintenance	Original PO	3/19/2014	3/20/2014	\$4,678.00
16	\$6,386.66	7/21/2014	7/28/2014	124367	A. West Enterprise	Original PO	3/12/2014	3/19/2014	\$6,386.66

	Payment amount	Date of payment approval	Date of payment	Purchase order (PO) number	Vendor	PO or change order	Date of PO/change order creation	Date of approval	PO/change order amount
17	\$7,514.00	4/21/2014	4/25/2014	124931	DSR	Original PO	3/26/2014	4/4/2014	\$7,514.00
18	\$675.00	4/28/2014	5/2/2014	124933	Seven Hills Commercial Cleaning & Painting	Original PO	4/7/2014	4/7/2014	\$675.00
19	\$3,490.00	6/11/2014	6/16/2014	124947	Everite Time & Equipment, LLC	Original PO	4/4/2014	4/9/2014	\$3,490.00
20	\$327.76	4/21/2014	4/21/2014	125054	Redwire	Original PO	4/15/2014	4/15/2014	\$327.76
21	\$551.76	4/17/2014	4/24/2014	125121	Tallahassee Lighting Fan & Blind	Original PO	4/9/2014	4/9/2014	\$551.76
22	\$6,000.00	5/1/2014	5/7/2014	125169	Evergreen Grassing	Original PO	4/7/2014	4/15/2014	\$6,000.00
23	\$675.00	4/28/2014	5/2/2014	125208	Seven Hills Commercial Cleaning & Painting	Original PO	4/10/2014	4/15/2014	\$675.00
24	\$4,385.35	5/22/2014	5/28/2014	125670	Turner's Fine Furniture	Original PO	5/2/2014	5/2/2014	\$4,385.35
25	\$350.00	5/1/2014	5/13/2014	125696	Seven Hills Commercial Cleaning & Painting	Original PO	4/29/2014	4/29/2014	\$350.00
26	\$6,018.91	7/3/2014	7/15/2014	126053	Haverty's Furniture	Original PO	5/12/2014	5/13/2014	\$6,018.91
27	\$5,900.00	6/10/2014	6/12/2014	126054	J & W Irrigation and Repair	Original PO	5/12/2014	5/13/2014	\$5,900.00
28	\$3,717.75	9/24/2014	9/25/2014	126512	Lewis + Whitlock	Original PO	5/15/2014	5/20/2014	\$4,957.00
29	\$1,239.25	12/8/2014	12/9/2014						
30	\$11,519.00	10/2/2014	10/9/2014	128201	LLT Building Corporation	Original PO	7/15/2014	7/15/2014	\$11,519.00
31	\$67,952.55	2/26/2015	2/27/2015	127726	LLT Building Corporation	Original PO	6/17/2014	6/17/2014	\$65,201.00
32	\$3,576.45	3/19/2015	3/26/2015	134853		Change Order	2/16/2015	2/16/2015	\$6,328.00
33	\$4,631.00	10/9/2014	10/15/2014	129818 (Not PO No.123281)	LLT Building Corporation	Original PO	8/27/2014	8/28/2014	\$4,631.00

Table 2: University owned residence renovation payments

The University established a separate garage project with an original budget of \$60,000.00 which was reviewed and approved on May 21, 2014. However, the original project, PO and subsequent change order were initiated after April 1, 2014 and in excess of \$10,000. The following details the transactions:

- Original PO No. 127726 was initiated and approved on June 17, 2014. This PO was in the amount of **\$65,201.00**. The PO was approved by the Project Manager and Associate Director.
- Change Order No. 1 was initiated and approved on February 16, 2015. This change order revised the PO number to No. 134853. This change order increased the PO amount by **\$6,328.00**. The change order was approved by the Project Manager and Associate Director.

The exception amount is the total project amount of \$71,529.00 because the total amount is in excess of \$10,000 and initiated after April 1, 2014 without BOT approval.

Criteria

The University President's Employment Agreement, which was effective April 1, 2014, Section 6.2 "Housing" offers the following provision relevant to this examination (page 3):

(The President) shall obtain prior approval from the Board (or its designee) for any capital improvements or repairs to the home or its grounds which have a project cost over \$10,000.

Effect

The University did not comply with the provisions of the President's Employment Agreement regarding the renovations to the University owned residence.

Cause

The results of a walkthrough meeting in March 2014 between the University's Interim VP of Administration and Financial Services and the BOT Facilities Planning Chairman was not formally documented. At that walkthrough meeting, the BOT member recommended that a garage be added to the University owned residence. This meeting was subsequently documented by the University's Director of Physical Plant in October 2015; however, no formal BOT approval of this project was documented.

University policies and procedures are insufficiently designed to require and monitor that University owned residence renovation projects greater than \$10,000 starting after April 1, 2014 are reviewed and approved by the BOT prior to execution.

Further, BOT policies and procedures are insufficiently designed to require and monitor that University owned residence renovation projects greater than \$10,000 are reviewed and approved by the BOT prior to execution.

Recommendations

Grant Thornton recommends:

- The Facilities Planning and Construction Department implement policies and procedures and communicate them to process owners to require and monitor that University owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution.
- The BOT update and implement policies and procedures and communicate them to process owners to require and monitor that University owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution.