

**RESEARCH & SPONSORED PROGRAMS:
BILLING AND COLLECTIONS**

UWF-08/09-02

**FOR THE PERIOD JULY 1, 2007- JUNE 30, 2008 WITH SELECTED
TRANSACTIONS THROUGH SEPTEMBER 30, 2008**



JANUARY 29, 2009

**A REPORT TO THE UWF BOARD OF TRUSTEES
AND UWF MANAGEMENT**

BY UWF INTERNAL AUDITING & MANAGEMENT CONSULTING

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BACKGROUND

The Office of Research & Sponsored Programs (RSP) is a service unit dedicated to furthering the University's mission of creating new knowledge through research and assists faculty and staff in identifying, acquiring, and managing external research and training resources. In so doing, RSP serves as a tool for professional development and University advancement.

The professional staff at RSP provides a wide range of training activities designed to better acquaint the University community with the tools and resources available to identify opportunities and write winning proposals. RSP staff often serves as general editors of draft proposals, in addition to being the University approval authority for proposals and awards.

The administration of externally funded projects is commonly categorized according to the stage of the proposal or award. The term "Billings and Collections" encompasses all aspects of invoicing and receipt. The billings and collections procedure includes the process by which RSP invoices the awarding agency based on contractual terms and determines that all receipts due the University are collected in a timely manner. Depending on the type of award, certain agencies advance part or the entire award amount, while others reimburse as expenditures are incurred or as certain events occur or deliverables are met.

USE OF REPORT

Internal Auditing & Management Consulting (IAMC) is a department of the University of West Florida. This report is intended solely for the internal use of the University and the UWF Board of Trustees and is not 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.

SCOPE & OBJECTIVES

We conducted a financial, compliance and operational audit related to the UWF Office of Research and Sponsored Programs—Billings & Collections. Our audit period was July 1, 2007, through June 30, 2008, with selected transactions through September 30, 2008.

Our objectives for this audit were to:

1. Review and assess the internal control structure related to billings and collections for RSP.
2. Determine compliance with federal, state and institutional policies and procedures for billing and collection of research/sponsored programs receivables.
3. Ascertain if contracts and grants are timely and properly billed and that collections are timely collected and recorded in the University's financial records.
4. Communicate the results of the audit to appropriate management.

This audit's objectives are consistent with the University's 2007-2012 strategic priority to *provide excellent educational, student, and administrative support services and facilities*. Audit field work began on December 17, 2007 and ended December 19, 2008. The audit was conducted in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and generally accepted auditing standards.

METHODOLOGY

To accomplish the audit objectives, the audit team collected and analyzed data from diverse sources to ensure a comprehensive and complete audit. Accordingly, we:

- interviewed selected UWF personnel;
- reviewed applicable Florida Statutes, Florida Administrative Code, UWF policies and procedures, and UWF Foundation policies;
- reviewed prior external audit finding(s) and subsequent corrective action(s);
- tested billings and traced them to subsequent collections and/or write off; and
- conducted research via articles and reports regarding university research billings and collections.

Our examination included, but was not limited to, reviewing sponsored agreement files and interviews with RSP financial grant managers, as well as other University personnel, as considered necessary under the circumstances. Areas reviewed included, but were not limited to, the receivables log, copies of invoices, grantor guidelines, online reports, and departmental ledgers for the period from July 1, 2007 through September 30, 2008. We selected **13 projects** for testing with a total of **\$515,669** in billing and collections for the audit period.

RESULTS OF AUDIT

EXTERNAL AUDIT REPORTS

The audit team reviewed all internal and external audit reports for the past three years. The Florida Auditor General issued "State of Florida Federal Funds" reports for the fiscal years ended June 30, 2005, 2006, and 2007. We found no audit coverage or comments pertaining to the scope and objectives of this audit. We also reviewed the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS SUBMITTED IN ACCORDANCE WITH OMB CIRCULAR A-133 FOR THE FISCAL YEARS ENDED JUNE 30, 2005, 2006, and 2007** (The 2008 has not been released as of January 29, 2009). Again, there were no findings related to Research & Sponsored Programs billings and collections. Therefore, no report on prior audit recommendations is necessary.

REPORT ON INTERNAL CONTROLS

Management is responsible for establishing and maintaining a system of internal controls. Effective internal controls help ensure that management's goals and objectives will be achieved and assets are safeguarded against unauthorized access or use. Fundamental managerial goals and objectives are to protect University resources, allow for sound decision making, promote efficient and effective operations, comply with applicable laws, rules and regulations, and maintain and report timely, accurate, complete, and reliable information on the University's operations.

For this report, the audit team classified the significant management controls as those controls in effect for the period July 1, 2007 through September 30, 2008. A review of the departmental policies and procedures were conducted as part of this internal control review. Testing of transactions occurred throughout the audit to ascertain if proper internal controls were in place for approving, processing, and usage of state monies. Workflow was evaluated, as part of the various transactions testing, to ensure an adequate separation of duties. Interviews were conducted as part of the fieldwork to ensure that management's goals and objectives were being met.

The audit team determined that with respect to the operation of the Office of Research & Sponsored Programs the following internal control mechanisms were in place:

- ethical management attitude;
- clear organizational structure;
- competent personnel; and
- incorporation of data processing considerations to improve workflow.

FINDING

Formal written and approved procedures are needed.

Billings and collections represent a significant portion of RSP's activities and play a vital role in the management of the University's cash flow. Accordingly, we recommend that formalized, approved procedures be developed over billings and collections.

Finding

Upon inquiry, we were informed that no formal written policies or procedures existed over the area of billings and collections. However, informal procedures existed. Employees had notes and screenshots; however, these had not been adequately formalized and reviewed by the Director for Research and Sponsored Programs. Formalized policies and procedures could standardize current practices and ensure consistent treatment. It also would serve as a valuable training tool in case of employee turnover. Lack of policies and procedures can result in material internal control weaknesses, inefficient operations, and non-compliance with federal, state, system and University regulations, as well as, the increased likelihood that policies would be inconsistently applied or, in the event of employee turnover, result in a lack of business continuity.

Written and approved policies and procedures are also an integral part of a strong internal control framework. RSP should develop and maintain formal written and approved policies and procedures for its operations.

RECOMMENDATION

Written and approved policies and procedures should be in place to document activities, procedures, functions, responsibilities and flow of information within its organization to guide in the daily operations and activities. These procedures should be reviewed and approved by the RSP senior management with scheduled periodic updates to ensure the most up-to-date information is available.

MANAGEMENT'S PLANNED ACTION

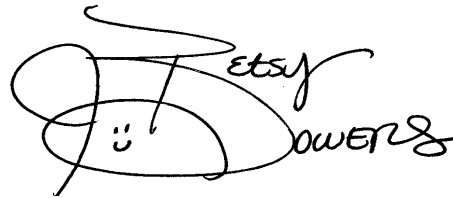
Research and Sponsored Programs have begun to formalize written procedures for the handling of billings and collections. The expected completion date is June 30, 2009.

CONCLUSION

Overall, the audit resulted in one finding. There were some management issues identified during our fieldwork; each was promptly addressed prior to the conclusion of audit work to minimize the internal control risks.

We appreciate the cooperation, professionalism, and responsiveness of the personnel within Research & Sponsored Programs during the review. This report is intended to provide information to assist the UWF Board of Trustees and UWF management in enhancing procedures relating to billing and collection of research and sponsored programs receivables.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Betsy Bowers". The signature is stylized with a large, looping initial "B" and a flourish that extends to the right.

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