



Excellence With Caring

Florida Agricultural and Mechanical University

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CASTELL VAUGHN BRYANT, INTERIM PRESIDENT

OFFICE OF THE PRESIDENT

March 21, 2005

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RECEIVED

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Division of Colleges
and Universities
Office of the Chancellor

Dr. Debra Austin, Chancellor
Florida Board of Governors
Division of Colleges and Universities
325 West Gaines Street, Suite 1614
Tallahassee, FL 32399

Dear Dr. Austin:

The enclosed documents provide an overview of the current financial status of Florida A&M University. As the Interim President, I see this as only the first step to improve, enhance and in some cases, totally change ways we manage our fiscal operations. Our efforts are ongoing and I am committed to developing a process and structure that will ensure long-term fiscal control. I am also on record as promising that we will end this fiscal year without deficits.

Please let me know if you think it would be appropriate for me to discuss the enclosed attachments with you, a Committee of the Board of Governors or the full Board of Governors. If needed, I am available.

Thank you so much for your support and cooperation.

Sincerely,

Castell Vaughn Bryant
Interim President

xc: Ms. Carolyn Roberts, Chair, Florida Board of Governors w/enclosures

Enclosures: An Executive Summary of Two Enclosed Documents (Attachment 1)
A High-Level Budget Control Assessment Report Performed by KPMG
(Attachment 2)
Response to the Auditor General's Report #'s 2004-175 and 2005-032
(Attachment 3)
A Comprehensive Work Plan for Corrective Actions (Attachment 4)

Florida Agricultural & Mechanical University Executive Summary

Florida Agricultural & Mechanical's approach to solving the Auditor General's 16 findings listed in Reports Number 2005-032 and 2004-175 begins with the discussion of the university as a whole as well as of the university's core fiscal processes. Many of these finding have similar elements, and the university's approach will have a common trend. A number of efforts have already started and been completed but unfortunately, many more have not been implemented. Some of these findings deal with systemic issues at the university, and the university is dealing with them in a comprehensive view that will correct them once and for all. The university's plan includes full implementation of university wide fiscal procedures by September 2005, which will be used in the final compilation process for the 2004-05 financial statements. The new procedures will also be used during October and November 2005 to start closing on a monthly basis for 2005-06 to meet a final objective of closing our monthly financial records within 60 days of month-end. By the end of the 2005-06 fiscal year, the university will move toward a 30-day monthly close process. Because of this, some of our detail planning steps are scheduled for completion in June 2006.

In the process of responding to these findings, the university has identified common issues that cross all of the findings. For example all of the findings discuss internal control and procedural issues. In this regard, the university has initiated a complete control assessment, which will begin in April 2005 to provide recommendations across all of our key processes related to internal controls. The university is also in the process of developing new procedures that meet our needs in a new PeopleSoft environment. Even though some procedures have been developed, more still need to be written and implemented. For example, the university needs to develop a comprehensive approach to monitoring both contracts and grants activities, which is in process and will take over a year to complete. Because of current workloads, the university will contract with third parties to address some of the specific issues and needs, such as year-end financial statements compilation, reconciling general ledger accounts, resolving contracts and grants and related cash items, stabilizing the Enterprise Resource Planning (ERP) system, and completing other day-to-day operational duties.

Finally, the university has created a number of internal task forces that are addressing these specific issues and are in the process of developing a comprehensive monthly reporting system, which tracks fiscal open task items. The university's goal is to implement the monthly reporting process by April 30, 2005. These reports will be submitted to the Vice President of Finance and Administration and to the President on a monthly basis. Once the fiscal tasks are completed, the university will maintain the monthly reporting process to help ensure the university fiscal system does not deteriorate. This university fiscal overview should be considered as each finding and detail project step is outlined below.

To address the systemic financial issues, the university's Interim President engaged a third party to perform a budget control assessment at the mid-year point of the 2004-05 fiscal year to determine the university's budget to actual position. The first step of the assessment was to determine if the general ledger was reliable and could be used to produce a budget to actual report. The university initiated the implementation of a new

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Enterprise Resource Planning (ERP), PeopleSoft system for fiscal year 2004-05 to improve its financial processes beginning July 2004. To determine the reliability of the general ledger as of December 31, 2004, the mid-point of the fiscal year, a general ledger was requested and provided for the period (report dated January 6, 2005). In the initial assessment of the general ledger, the following was noted:

- Some accounts with normal debit balances had credit and vice versa.
- The general ledger debits did not equal credits by \$72,382,092.
- Bank accounts were not reconciled from July to December 2004.
- The budget posted to the general ledger did not agree to the expenditure budget submitted to the Department of Education by over \$16 million.
- The budget submitted to the Florida Department of Education exceeded the board-approved revenue budget by over \$34 million. Approximately thirty million was attributed to adding beginning fund balance to the budget.
- Complete payroll amounts have not been recorded in the general ledger since July 2004.
- Cash per the general ledger cash accounts differed from an estimated book balance by over \$78 million.
- Based on a sample of cash receipts observed, cash receipts deposits did not agree with deposit journals or source documentation.
- All cash disbursements did not appear to have been recorded in the general ledger for the 2004-05 fiscal year.

Based on the assessment items highlighted above, the university has determined that the general ledger could not be relied upon to produce an accurate budget to actual report at that time. The work of reconciling the general ledger is an on-going process and some of these items may have been resolved subsequent to the assessment. To determine if a budget to actual position as of December 31, 2004 could be estimated, a high level analysis of cash in-flows and out-flows was performed.

In order to produce a high level analysis of cash in-flows and out-flows, bank activity was observed to determine physical cash receipts deposits into university bank accounts. Next, payroll records from the state payroll disbursement office were tabulated and an analysis of cash disbursement records was completed. Based on this analysis, cash receipts exceeded cash disbursements and payroll disbursements by approximately \$10 million, creating a positive change in cash (approximately \$59 million cash in-flows versus \$49 million cash out-flows). This analysis did not take into account the change in accounts receivables or payables, which could have a material affect on actual results based on an accrual basis of accounting.