STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-086
January 2017

FLORIDA STATE UNIVERSITY

Sherrill F. Norman, CPA
Auditor General

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[a] Faculty Senate President (equivalent to Faculty Senate Chair referred to in Section 1001.71(1), Florida Statutes).
[b] Student Body President.

The team leader was Leslee W. Walker, CPA, and the audit was supervised by Karen L. Revell, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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FLORIDA STATE UNIVERSITY

SUMMARY

This operational audit of Florida State University (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2015-082. Our operational audit disclosed the following:

Finding 1: Level 2 background screenings were not always performed and documented for individuals in positions of special trust or responsibility.

Finding 2: The University did not competitively select, in accordance with State law, construction management entity, architectural, and engineering firms for the renovations and repairs to the Civic Center and Strozier Library Projects with costs totaling $16.1 million and $2.8 million, respectively.

Finding 3: University procedures for canceling purchasing card privileges could be enhanced.

BACKGROUND

Florida State University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate President and Student Body President also are members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG Regulations. The University President is selected by the Trustees and confirmed by the BOG. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2015-082. The results of our financial audit of the University for the fiscal year ended June 30, 2016, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Background Screenings

Although not specific to universities, State law[1] provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening[2] is required for owners, operators, employees, and volunteers working in summer camps providing care for individuals under age 18; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions.

University policy,[3] in effect through July 31, 2015, required level 2 background screenings be conducted as part of the pre-employment screening process for certain individuals such as employees in positions of special trust, employees working with minors, volunteers working with minors in summer camps, and employees with access to sensitive, secure, and confidential personal information. The policy also required that, if designated by Vice Presidents, Deans, Directors, or Department Heads, level 1 background screenings[4] be conducted as part of the pre-employment screening process. Effective August 1, 2015, the University implemented a new policy[5] that requires a standard criminal history background check[6] to be conducted as part of the pre-employment screening process for all employees and a level 2 background screening only when required by law.

To determine whether employees in positions of special trust or responsibility had undergone level 2 background screenings, we requested for examination University records related to the 314 employees in positions of special trust or responsibility, excluding summer 2015 camp workers and volunteers, who were hired during the period April 2015 through March 2016. We also requested for examination University records for 10 workers and volunteers from the population of 974 summer 2015 camp workers and volunteers who had direct contact with persons under age 18. However, although we requested, University personnel could not provide records to evidence level 2 background screenings for one summer camp volunteer and 129 employees[7] who had direct contact with persons under age 18 or access to cash or nonpublic information, such as social security numbers, bank account information, or health records.

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[1] Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

[2] A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement (FDLE), national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

[3] University Policy 4-OP-C-7-G12, *Employee Background Checks*.

[4] A level 1 background screening includes employment history checks and Statewide criminal correspondence checks through the FDLE, a check of the national sex offender public Web site, and may include local criminal checks through local law enforcement agencies.

[5] University Policy 4-OP-C-7-B11, *Criminal History Background Checks*.

[6] According to University personnel, a standard criminal history background check is a more comprehensive level 1 background screening and includes a 7-year county criminal history search, an FDLE Statewide search, a national criminal database search, a Federal criminal search, and a national sex offender search. However, the background check does not include fingerprinting in the criminal history records checks.

[7] The 129 employees included, for example, 39 information technology employees, 26 University Health Services employees, 15 Office of Financial Aid employees, and 10 Controller employees.

In response to our inquiry, University personnel indicated that level 2 background screenings were not performed because the screenings were not required by law. Therefore, in accordance with University policy, either a standard criminal history background check or level 1 background screening was performed for these employees. Notwithstanding the assurances provided by these University-required screening procedures, standard background checks and level 1 background screenings are not as extensive as level 2 background screenings as level 1 screenings do not include national criminal history records checks and standard background checks do not include fingerprinting.

Level 2 background screenings provide greater assurance as to the suitability of the backgrounds of individuals and are essential given the risks associated with the responsibilities of individuals in positions of special trust or responsibility. Absent level 2 background screenings, there is an increased risk that individuals in positions of special trust or responsibility may have backgrounds that are not suitable for their respective positions.

Recommendation: The University should enhance procedures to ensure that level 2 background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including positions that have direct contact with persons under age 18, responsibilities for safeguarding cash, or access to nonpublic information.

Follow-Up to Management's Response

Management stated in the written response that "Florida State University recognizes its responsibility to provide level 2 background checks to those individuals specifically required by federal and state law, as well as those that the University determines to be in positions of special trust or responsibility." Management also stated that "under current policy, the University has not designated those with access to nonpublic information or those who handle cash as in positions of special trust or responsibility. Therefore, such individuals are not required by law or university policy to have a level 2 background screening." Notwithstanding this response, the point of our finding is that the University could further reduce the risks associated with cash and nonpublic information access by considering positions with responsibility for handling cash or with access to nonpublic information as positions of special trust or responsibility and obtaining level 2 background screenings for the individuals in those positions. Such screenings should be performed as a condition of employment and continued employment.

Finding 2: Construction Management Entity, Architect, and Engineering Firm Selection

The Legislature has recognized in State law[8] that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Pursuant to State law,[9] the University may contract with a construction management entity (CME) for renovation, maintenance, or repairs to existing facilities. State law[10] also prescribes the competitive selection process to be followed for each occasion when professional services, including architectural and engineering

[8] Section 287.001, Florida Statutes.

[9] Section 1013.45, Florida Statutes.

[10] Section 287.055, Florida Statutes.

services, must be purchased for a project in which the basic construction cost is estimated to exceed $325,000.

Pursuant to State law,[11] the University may enter into a continuing contract for a defined period with a CME or architectural or engineering firm using the process provided in State law for construction projects for which the estimated construction cost of each individual project under contract does not exceed $2 million. According to State law,[12] a project may include a grouping of minor or substantially similar construction, rehabilitation, or renovation activities.

In February and March 2013, the University advertised the need for CME, architectural, and engineering services for minor projects with individual construction costs of $2 million or less. The University competitively selected firms and in June 2013 entered into continuing service contracts with six CMEs, five architectural firms, and six engineering firms for future minor projects. These continuing contracts for CME, architectural, and engineering services for minor projects were subsequently renewed to include projects initiated by June 30, 2016. The CME continuing service contracts stated that the CME and University-negotiated guaranteed maximum price (GMP)[13] for each minor project was to be executed by purchase order and the purchase order was to be considered part of the contract documents.

As of April 2016, the University had contracts totaling $151.7 million with 14 CMEs for 132 new construction, renovation, maintenance, and repair projects, including 9 Civic Center projects totaling $10.3 million. We expanded our examination to include University records for the period April 2015 through June 2016 and identified 10 additional Civic Center project contracts totaling $5.8 million. To evaluate the propriety of the University CME, architectural, and engineering firm selection processes, we requested University records supporting 24 projects, including the 19 Civic Center projects. The projects selected for audit are listed in Table 1.

[11] Sections 255.103(4) and 287.055(2)(g), Florida Statutes.

[12] Section 287.055(2)(f), Florida Statutes.

[13] A GMP allows for the difference between the actual cost of a project and the GMP amount, or the net cost savings, to be returned to the University.

Table 1
Projects Selected for Audit

Project Description	Contract	CME Contract Date	CME Contract Amount	Total Payments Through June 2016
Asian Art Study Center	1	9/07/2012	$ 9,188,317	$ 9,105,148
University Housing Replacement – Phase 1	2	2/01/2013	48,212,313	48,020,200
Civic Center Catwalk Improvements	3	4/09/2015	511,963	511,963
Civic Center Electrical Switches Breakers	4	4/09/2015	29,858	29,858
Civic Center Door Hardware	5	12/18/2014	551,624	507,216
Civic Center Concession Stands/Fire Code Life Safety	6a	5/14/2015	59,566	-
	6b	6/17/2015	162,133	75,827
Civic Center Emergency and Exit Lighting	7	5/19/2015	553,077	479,315
Civic Center Fire Protection Renovation	8	6/01/2015	409,428	277,020
Civic Center Fire Alarm Upgrade	9	3/03/2015	876,374	637,454
Civic Center Sound System Replacement	10	6/16/2015	766,036	766,036
Civic Center Marquee Replacement	11a	6/17/2015	1,097,919	404,131
	11b	6/24/2015	628,375	-
Civic Center Auxiliary Locker Rooms and Storage Facility	12a	6/19/2015	21,582	21,582
	12b	9/11/2015	1,957,592	1,335,011
Civic Center Main Locker Room Renovation	13a	6/19/2015	21,582	21,582
	13b	2/18/2016	488,608	90,089
	13c	2/23/2016	1,827,389	278,025
Civic Center Exhibition Hall Improvements	14	6/24/2015	2,000,000	-
Civic Center Restroom Improvements	15	6/24/2015	1,672,085	282,808
Civic Center Acoustic Improvements	16	6/24/2015	800,000	-
Civic Center New Boiler – Boiler Loop	17	6/24/2015	634,706	189,095
Civic Center Smoke Control System	18	6/24/2015	575,000	-
Civic Center Main Concourse Flooring Replacement	19	6/24/2015	450,000	-
Civic Center Northside/Visitor Locker Room Renovation	20	7/24/2015	22,949	22,949
Civic Center Renovation	21	6/15/2016	25,809	-
Strozier Library Air Handler Replacement	22a	9/14/2015	1,397,774	1,397,774
	22b	4/05/2016	19,932	19,932
Strozier Library Annex HVAC Installation	23	11/6/2015	1,186,357	971,768
Strozier Library Annex Interiors	24	12/16/2015	226,635	126,246
Totals			**$76,374,983**	**$65,571,029**

Our examination of University records disclosed that the University complied with the required competitive selection processes for the first two projects listed in Table 1; however, it appeared that the University's process for selecting the CME, architectural, and engineering firms for the 19 Civic Center and 3 Strozier Library projects was not consistent with the requirements of State law. Specifically, given the similar project contract dates and service providers used, it appeared that University personnel divided the Civic Center and Strozier Library projects into smaller projects to keep the individual project costs below the $2 million required competitive selection process threshold. For example, our examination of University records disclosed that:

- Cumulatively, the project costs for the Civic Center totaled $16.1 million and the project costs for the Strozier Library totaled $2.8 million.
- Except for 5 CME contracts (contracts 5, 12b, 13b, 13c, and 21), the Civic Center CME contracts were all executed in a brief 5-month period, March through July 2015. Also, 3 of the 4 Strozier CME contracts (contracts 22a, 23, and 24) were executed in a brief 4-month period, September through December 2015.
- Pursuant to CME continuing contracts for minor projects, the University assigned each of the 19 Civic Center projects to the same CME and each of the 3 Strozier Library projects to the same CME.
- The University assigned each of the 19 Civic Center projects to the same architectural firm under various architectural service continuing contracts for minor projects with contract costs totaling $1.4 million. The University also assigned each of the 3 Strozier Library projects to the same engineering firm under various engineering service continuing contracts for minor projects with contract costs totaling $212,714.

Absent adherence to the competitive selection process specified in State law for selection of the CME and architectural firm for the Civic Center projects and the CME and engineering firm for the Strozier Library projects, University records do not demonstrate that the most highly qualified firms were selected for these projects and the benefits of the statutorily required competitive selection process for the CME and architectural and engineering firms were not realized.

In response to our inquiry, University personnel indicated numerous small repairs and maintenance projects were determined necessary when the University acquired the Civic Center in 2013, and all of the various individual and different projects happened to be located at the same facility and had to be bundled together using the same design and construction team to save overhead costs, get some economy of scale, and save staging space. In addition, according to University personnel, the scope of the Civic Center locker room renovation with an original estimated cost of $1 million was subsequently expanded, and the University had to fast track the project to work around basketball season and Civic Center events. University personnel further responded that the Strozier Library Annex Interiors project (contract 24) was necessary because repairs and upgrades were necessary for the Strozier Library Air Handler Replacement project (contracts 22a and 22b) and the projects were considered minor. According to University personnel, additional funding totaling $1.2 million was unexpectedly received for the Strozier Library Annex HVAC Installation project, allowing the Strozier Library work to continue without increased costs and construction time extensions that would have limited staff and student use of the library facilities.

Notwithstanding the University personnel responses, since the University entered into contracts with the same CME firm and architectural firm for the Civic Center projects and the same CME firm and engineering firm for the Strozier Library projects, and given that State law specifies that a project may include a grouping of minor or substantially similar construction, rehabilitation, or renovation activities, University records did not clearly support the University's explanations for not complying with the process prescribed by State law for selection of CMEs and architectural and engineering firms.

Recommendation: The University should ensure that CMEs, as well as architectural and engineering firms, are competitively selected using the process prescribed by State law.

Follow-Up to Management's Response

Management stated in the written response that "the University believes that the approaches used for both the Civic Center and Strozier Library were in conformance with appropriate state statutes and were the most efficient, most expedient, and least disruptive way to accomplish the required work." Management also stated that "we are not aware of any state law that would require [the projects] to be grouped into one project." Notwithstanding this response, given the similar contract dates and similar service providers for the Civic Center and Strozier Library projects and that State law specifies that a project may include a grouping of minor or substantially similar construction, rehabilitation, or renovation activities, University records do not clearly demonstrate how the University's selection of CMEs and architectural and engineering firms complied with the process prescribed in State law.[14]

Finding 3: Purchasing Cards

The University administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process and expedites low dollar purchases of goods and services.

The University's Purchasing Card User's Policy Manual requires that cardholders separating from University employment or transferring to another position at the University stop using the purchasing card at a minimum of 2 weeks prior to their last working date, and notify the University's Purchasing Card Administrator. In addition, the employee must return the card to their immediate Supervisor, Dean, Director or Department Head, who must complete a Cardholder Termination Form certifying that the card was returned, cut the card in half, and return the form with the card pieces to the Purchasing Card Administrator.

For the period April 2015 through March 2016, the University had P-card expenditures totaling $12.1 million. As of March 2016, the University had 824 active P-cards and, during the period April 2015 through March 2016, 60 employees who had been assigned P-cards separated from University employment. We examined University documentation to determine whether the P-cards had been timely canceled and found that the University had not timely canceled the P-cards assigned to 11 of the former employees. Specifically, although the P-cards for the 11 former employees were canceled prior to our inquiry, the P-cards were not canceled until 6 to 58 days (25 day average) after the employees' separation dates. University personnel attributed the untimely P-card cancellations to department delays in notifying the Purchasing Card Administrator of cardholder employment separations.

While the agreement between the University and the bank that administers the P-card program allows the University 60 days to dispute charges, and our examination of P-card activity for these 11 former employees disclosed that no purchases were made after the employees separated from employment, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the University's ability to satisfactorily resolve disputed charges. A similar finding was noted in our report No. 2015-082.

[14] Section 287.055, Florida Statutes.

Recommendation: The University should strengthen procedures to ensure that P-card privileges are timely canceled upon a cardholder's separation from University employment.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 3, the University had taken corrective actions for the findings included in our report No. 2015-082.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2016 to August 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2015-082.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those

charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of April 2015 through March 2016, and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed the University's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed University procedures for maintaining and reviewing access to IT resources. We examined access privileges over the database and finance and human resources applications during the audit period for 36 of the 226 total employees to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties.
- Evaluated the University's security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- Examined the University's Central Authentication System to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Examined the Trustees, committee, and advisory board minutes to determine whether the Trustees' approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records for the audit period to determine whether the University informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Reviewed the internal audit function during the audit period to determine whether the University followed professional requirements and provided for peer review of reports issued.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures, to provide guidance to employees for communicating known or suspected

fraud to appropriate individuals. Also, we determined whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.

- Examined University records supporting 35 payments totaling $17,080,129, selected from the population of 398 payments totaling $29,444,091 made during the audit period, by the University to its direct-support organizations (DSOs), to determine whether the payments were authorized by Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Examined University records for 30 selected student receivables totaling $16,150 from the population of 13,590 student accounts receivables totaling $9 million and recorded as of March 2016, to determine whether University collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent receivable accounts.
- Examined University records to determine whether uncollectible accounts written-off during the 2014-15 and 2015-16 fiscal years totaling $946,031 and $595,173, respectively, were properly approved.
- Reviewed payments from tuition differential fees collected during the Fall 2015 and Spring 2016 semesters to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- To determine whether the student fees totaling $379 million during the 2015-16 fiscal year were properly assessed, properly authorized, and correctly recorded in accordance with the Trustees' policies and Board of Governors regulations, examined University fee records for 30 selected students. We also determined whether the student status and residency determinations for the selected students complied with Section 1009.21, Florida Statutes.
- From the population of 564 distance learning courses which generated fee revenues totaling $17,351,965 during the audit period, examined University records for 30 selected distance learning courses with fee revenue totaling $14,261 to determine whether distance learning fees were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.
- From the population of 12 contracts for auxiliary operations, which generated revenue totaling $24,790,557 for the audit period, examined University records supporting 1 selected contract, which generated revenues totaling $6,785,274, to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the University's auxiliary services were self-supporting.
- Examined supporting documentation for all 18,613 textbooks added during the Summer 2015, Fall 2015, and Spring 2016 semesters to determine whether the University's policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.
- Examined University policies, procedures, and related records for supervisory review and approval of time worked and leave used by exempt employees (i.e., full-time faculty and administrative and professional employees) during the audit period to determine whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 20,227 employees compensated a total of $540,395,091 during the audit period, selected 30 payroll transactions totaling of $37,442 and examined payroll and personnel records for the applicable 30 employees to determine the accuracy of the rate of pay, the validity of employment contracts, whether performance evaluations were completed, and accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Reviewed University policies and procedures for accumulated annual and sick leave (terminal pay) to ensure consistency with State law. Specifically, from the population of 742 employees

paid $4.9 million for terminal leave during the audit period, we selected 30 employees with terminal payments totaling $487,112 and examined the supporting records to evaluate the payments for compliance with Section 110.122, Florida Statutes, and Trustees Policy 4-OP-C-7-E.

- Reviewed severance pay provisions in 5 of the 17 employee contracts that contained such provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes. From the population of 17 employees who received severance pay totaling $242,729 during the audit period, we examined University records for 5 selected employees paid severance pay totaling $122,144 to determine whether the severance payments complied with State laws and Trustees policies.
- From the population of 64 administrative employees (including the President) who received compensation totaling $38.3 million during the 2014-15 and 2015-16 fiscal years, examined University records for 12 selected employees (including the President) receiving compensation totaling $3.5 million to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Evaluated the University's policies and procedures for obtaining personnel background screenings to determine whether employees in positions of special trust or responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Examined University expenditure documentation to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and Trustees policies. We also examined University documentation to determine whether applicable vendors were properly selected and carried adequate insurance. From the population of expenditures totaling $275,568,507 for the audit period, we examined:
  - Documentation relating to 30 selected general expenditures totaling $46,237.
  - Documentation relating to 22 selected payments totaling $6,077,949 for contractual services.
  - Documentation relating to the competitive selection of 2 vendors with payments totaling $987,593.
- From the population of 54,957 purchasing card (P-card) transactions totaling $12,144,385 during the audit period, examined University records supporting 53 selected P-card transactions totaling $156,985 and relating to 30 cardholders to determine whether the P-card program was administered in accordance with University policies and procedures and transactions were not of a personal nature.
- Examined P-card records for the 60 cardholders who separated from University employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- From the population of 496 payments totaling $82,176 during the audit period and made to employees for other than travel and compensation, examined 18 selected payments totaling $15,353 to determine whether such payments were reasonable, adequately supported, for valid University purposes, and whether such payments were related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- From the population of 142 construction projects with contracts totaling $157.5 million that were in progress during the audit period, examined supporting documentation for 7 selected payments totaling $2.8 million related to 4 construction contracts totaling $61.7 million to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.

- From the population of 142 construction projects with contracts totaling $157.5 million that were in progress during the audit period, examined documentation related to 24 selected construction projects with construction contracts totaling $76.4 million to determine whether the University selected design professionals and construction managers in compliance with State law, adequately monitored the selection process of subcontractors, and design professionals provided evidence of required insurance in accordance with a Trustees-adopted policy establishing minimum insurance coverage requirements for design professionals;.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

FLORIDA STATE UNIVERSITY
OFFICE OF THE PRESIDENT

December 13, 2016

Ms. Sherrill Norman, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Florida State University's response to your findings and recommendations, for the Operational Audit of Florida State University for the fiscal year ended June 30, 2016, is attached.

We continue to appreciate the work of your staff and your audits, as they assist us in our ongoing efforts to improve our operations. If you have any questions about the responses, please contact Dr. Sam McCall, Chief Audit Officer, at 644-6031 or smmccall@fsu.edu.

Sincerely,

John E. Thrasher
President

Attachment

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Finding 1: Background Screenings

Auditor's Recommendation:
The University should enhance procedures to ensure that level 2 background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including positions that have direct contact with persons under age 18, responsibilities for safeguarding cash, or access to nonpublic information.

University's Response:
Florida State University recognizes its responsibility to provide level 2 background checks to those individuals specifically required by federal and state law, as well as those that the University determines to be in positions of special trust or responsibility. The University determines which positions should receive a level 2 background screening because they are of "special trust or responsibility" based on actual assigned responsibilities for the position, not just the department or job title. In addition, The Office of Human Resources requires questionnaires for Faculty, Staff, and OPS appointments to determine if the duties of the position require a Standard or level 2 background check. They continue to monitor, streamline, and enhance their processes to ensure checks are being done at the appropriate level outlined by law and the University's policy to further the safety and security of FSU's campus.

The University has had a policy regarding background screenings dating back many years, with the University strengthening each successive policy and providing for reduced discretion of department managers in determining which positions must be screened. University Policy OP-C-7-G12, *Employee Background Checks* (effective 01/14/13 – 07/31/15), required level 2 pre-employment background screenings for staff and volunteer positions of special trust or responsibility and as required by federal or state law. The policy also permitted background screenings (level 1 or 2) of certain other positions at the discretion of the Vice President, Dean, Director, or Department Head. The 2013-2015 policy required level 2 background screenings for employees in positions of special trust, employees working with minors, and volunteers working with minors in summer camps. However, the 2013-2015 policy did not require level 2 background screenings for employees with access to sensitive, secure, and confidential personal information. Instead, employees working with sensitive, secure, and confidential personal information were in the group of positions that could have received a background screening at the discretion of the Vice President, Dean, Director, or Department Head.

In June 2014, Florida State University's Office of Inspector General Services completed an audit regarding background checks, suggesting that the University further strengthen its background screening policy to capture more individuals and to further reduce discretion in determining which positions should receive background screenings. In response, the Office of Human Resources revised the University's background screening policy, implementing University Policy 4-OP-C-7-B11, *Criminal History Background Checks* (effective 08/01/15-present). Under the current policy, University staff, faculty, OPS employees, and volunteers are subject to a pre-employment "standard criminal history background check" which includes a seven-year criminal history search at the county level, an FDLE statewide search, a national criminal database search, a federal criminal search, and a National Sex Offender search. In addition to the standard screening, a level 2 background screening is also conducted for positions that require it under federal or state law, including for positions of special trust or responsibility. Thus, under the current policy, the University is conducting more pre-employment

screenings than ever before, including Standard checks for those handling nonpublic information, while continuing to comply with state law that requires level 2 screenings for those in positions of special trust or responsibility, as designated by the University.

With the exception of one employee (hired 10 days prior to the policy revision date), each of those identified under the finance and accounting category were hired after 8/1/15 therefore would not have required fingerprinting. Under current policy, the University has not designated those with access to nonpublic information or those who handle cash as in positions of special trust or responsibility. Therefore, such individuals are not required by law or university policy to have a level 2 background screening.

Responsible Auditee: Renisha Gibbs, Assistant VP for Human Resources

Finding 2: Construction Management Entity, Architect, and Engineering Firm Selection

Auditor's Recommendation:
The University should ensure that CMEs, as well as architectural and engineering firms, are competitively selected using the process prescribed by State law.

University's Response:
Florida State University competitively solicits construction management, architectural, and engineering services, as required by state law. The projects referenced in the audit report were all distinct in scope and had very different purposes. In addition, the projects were evolving as needs were identified. We are not aware of any state law that would require them to be grouped into one project. The contracts all complied with state law and that allowed each project to be delivered with the greatest efficiency. A further explanation for each facility is provided below.

> **Civic Center** - The State transferred ownership of the Tallahassee – Leon County Civic Center facility to the University in July 2012. The Civic Center, a large multiuse facility (approx. 330,000 gsf), for the most part, had no major repairs or deferred maintenance completed since it was initially built. The 2013 Legislature authorized the use of University carry forward funds for deferred maintenance. The work performed at the Civic Center was an ever-changing array of projects all of which were distinct, had different scopes, and were each under $2,000,000.
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> Further, the University believes by delivering these projects in this manner, disruption to the facility was minimized. This allowed for greater efficiency, less congestion, and greater familiarity with Civic Center personnel, systems, operations, and necessary utility interruptions.
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> **Strozier Library** - The Strozier Library Project began as an HVAC replacement for three units in the Strozier Annex that were installed as part of the original building. The ceiling had to be replaced to support the new code-required distribution system, and thus the lights also had to be replaced. During scheduling and finalizing the impact upon the Library operations, it was recognized that the entire floor needed to be closed for some time. It became obvious that while the floor was closed, it would be most efficient and in the students' best interest to complete as many building renovation as necessary. Thus, the University decided to perform some architectural upgrades while the floor was shut down.
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> In order to accommodate the staging and normal disruption that occurs with ongoing construction, the decision to keep the same construction manager on board as additional minor projects were identified, vetted, and prioritized made sense from not only an efficiency perspective, but from the perspective of having a single construction contact to minimize congestion and develop familiarity with Library personnel, systems, operations, and necessary utility interruptions.

The University believes that the approaches used for both the Civic Center and Strozier Library were in conformance with appropriate state statutes and were the most efficient, most expedient, and least disruptive way to accomplish the required work.

Responsible Auditee: Dennis Bailey, Senior Associate VP for Facilities

Finding 3: Purchasing Cards

Auditor's Recommendation:
The University should strengthen procedures to ensure that P-card privileges are timely canceled upon a cardholder's separation from University employment.

University's Response:
In addition to the Cardholder Responsibilities within the University's P-Card manual, P-Card Administrators, during Cardholder training, specifically state the requirement to turn in the P-Card two weeks prior to an employee terminating from the University. Cardholders are required to take this training prior to obtaining a P-Card and are also required to re-take the training before obtaining a renewal card. FSU's Human Resources has also added this requirement to the Employee Termination Checklist to remind employees and supervisors of this requirement as well.

Moving forward, Procurement Services and the Controller's Office have devised a process to more proactively manage the timely cancellation of P-Cards upon a cardholder's separation. The new process will automatically generate a report and notification to all P-Card Administrators every week to determine whether anyone has terminated from the University without turning in their P-Card. P-Card Administrators will then terminate P-Cards after verification for cases where the departments did not follow the proper procedure as set forth in the P-Card Manual, the employee Termination Checklist, and as outlined within P-Card specific training.

Responsible Auditee: Michael Williams, Associate VP for Finance & Administration