

# UNIVERSITY OF NORTH FLORIDA

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## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

A. Hugh Greene, Vice Chair to 1-7-14, Chair from 1-8-14  
Joy G. Korman, Vice Chair from 1-8-14  
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Dr. Gordon F. M. Rakita (2)  
E. Lanny Russell  
Joseph Turner from 4-1-14 (1)  
Sharon Wamble-King

Mr. John A. Delaney, President

Notes: (1) Student body president.  
(2) Faculty association president (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

The audit team leader was Lenia Blades, and the audit was supervised by Randy R. Arend, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

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UNIVERSITY OF NORTH FLORIDA

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The University's Office of Internal Auditing, contrary to its charter and professional standards, did not provide for a required external quality assurance review.

Finding No. 2: The University did not require documentation of background screenings for all camp instructors and volunteers that have direct contact with children.

Finding No. 3: The University needed to strengthen its procedures to ensure that potential conflicts of interest are identified and evaluated.

STUDENT TUITION AND FEES

Finding No. 4: The University needed to enhance its procedures for classifying students as Florida residents for tuition purposes.

PERSONNEL AND PAYROLL

Finding No. 5: Certain employment agreements included severance pay provisions that appeared to be contrary to Section 215.425(4)(a), Florida Statutes.

Finding No. 6: The University's remuneration to some administrative employees exceeded the limitation contained in Section 1012.976(2), Florida Statutes.

Finding No. 7: The University needed to implement procedures to ensure documented supervisory review and approval of exempt employees' work time.

Finding No. 8: The University needed to enhance its procedures for reporting the taxable value for personal use of University-provided vehicles in employees' gross income in accordance with Internal Revenue Service guidelines, and to ensure that vehicles provided on a full-time basis for business and personal use are properly authorized.

DIRECT-SUPPORT ORGANIZATION

Finding No. 9: The University provided cash resources to one of its direct-support organizations without specific legal authority.

CONSTRUCTION ADMINISTRATION

Finding No. 10: The University needed to improve its construction administration procedures.

INFORMATION TECHNOLOGY

Finding No. 11: Some inappropriate or unnecessary information technology (IT) access privileges existed indicating a need for an improved review process of access privileges.

Finding No. 12: University IT security controls related to user authentication needed improvement.

BACKGROUND

The University of North Florida (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. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty association president and student body president also are members.

The Board of Governors 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 Board of Governors' Regulations. The University President is selected by the Trustees and confirmed by the Board of Governors. 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.

The results of our financial audit of the University for the fiscal year ended June 30, 2014, 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, 2014, will be presented in a separate report.

## FINDINGS AND RECOMMENDATIONS

### Administrative Management and Board Policies

#### Finding No. 1: Internal Audit Function

An internal audit function can provide additional assurance that management and internal controls are adequately designed and functioning effectively, and can promote compliance with Board-approved policies and procedures, as well as with State and Federal laws, regulations, and guidelines. The University's Office of Internal Auditing (OIA) maintains an institution-wide compliance and audit function. The Board established OIA's Charter, which sets forth its duties and responsibilities, and provides that OIA report administratively to the University President, and functionally to the Board's Finance and Audit Committee. OIA's Charter requires that audit and compliance activities be performed in accordance with *International Standards for the Professional Practice of Internal Auditing (Standards)* published by the Institute of Internal Auditors (IIA). OIA completed and issued 13 reports during the period July 1, 2009, through June 30, 2014.

IIA *Standards* require the Chief Audit Executive to establish and maintain a quality assurance and improvement program to provide management with reasonable assurance that the internal audit activity operates in conformity with applicable auditing standards. According to the *Standards*, a quality assurance and improvement program should include ongoing monitoring of the performance of internal audit activity, as well as periodic reviews performed through self-assessment, and an external assessment review, at least once every five years, by a qualified independent reviewer from outside the organization to determine the adequacy of the quality assurance and improvement program. Our review disclosed that an external quality assurance review, or peer review, of OIA had not been performed in the last eight years. In response to our inquiry, University personnel indicated that, although the OIA had performed ongoing monitoring and self-assessments of the internal audit activity, the external quality assurance review was not performed. University personnel also indicated that an external quality assurance review is to be conducted in the spring 2015.

An adequate quality assurance review process for its internal audit function would provide the University reasonable assurance that the internal audit function operates in conformity with applicable auditing standards and in accordance with the Board's directives.

**Recommendation:** The Board should ensure that its Office of Internal Auditing undergoes a timely external quality assurance review of its internal audit function in accordance with IIA *Standards*.

**Finding No. 2: Background Screenings**

Although not specific to universities, Florida Statutes provide for criminal history checks, including fingerprinting, for employees in positions of special trust or of a sensitive nature. For example, Section 409.175, Florida Statutes, requires owners, operators, employees, and volunteers working in summer camps providing care for children to undergo a Level 2 background screening as prescribed in Chapter 435, Florida Statutes. A Level 2 background screening as prescribed by Section 435.04, Florida Statutes, includes fingerprinting for statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation. Section 110.1127, Florida Statutes, requires that persons occupying certain State employment positions, because of special trust or responsibility or sensitive location of those positions, be subject to a security background check, including fingerprinting, as a condition of employment. Section 1012.32(2)(a), Florida Statutes, requires personnel hired to fill positions requiring direct contact with students in any district school system or university lab school to undergo a Level 2 background screening, as required by Section 1012.465, Florida Statutes, or Section 1012.56, Florida Statutes.

Board of Trustees Regulation 6.0170R, *Camps and Similar Other Programs Involving Minors*, provides guidance for operating camps or other similar programs involving children on and off campus. This Regulation addresses University sponsored camps, affiliate camps (operated by University employees), and third-party camps (operated by organizations or individuals external to the University) and requires that applications and all required documents be submitted to the University's Office of Environmental Health and Safety (OEHS) for review of compliance with University regulations and logistics coordination and approval by the Vice President of Administration and Finance prior to the start of camp. Documentation required for sponsored and affiliate camps included providing a list of the employees and volunteers cleared to work or volunteer with children by the Florida Department of Children and Families (DCF); however, operators of third-party camps were not required to provide a list of employees and volunteers cleared by the DCF.

The University had established procedures for performing background screenings for all new hires and employees and contractors in positions of trust, and the University provided a list of 21 camps that operated during the 2013-14 fiscal year. In response to our inquiry regarding the list, University personnel indicated it was compiled from communications with various departments and from applications on file with the OEHS, and that all the camps listed were either University sponsored camps or affiliate camps operated by University employees (none were third-party camps). Our review subsequently disclosed two camps that were not included on the list, of which one was a University sponsored camp and the other was a third-party camp. In response to our inquiry, University personnel indicated that the University had only recently begun to centralize the camp application and approval process and, therefore, was unable to provide a complete listing of all camps for the 2013-14 fiscal year.

University records evidenced background checks were performed for the University sponsored camp. The third-party camp was an on-campus summer reading program for children operated by three employees of the camp provider. The written agreement with the third-party camp provider required a Level 2 background screening for each instructor; however, the University did not request or obtain evidence of the required background screening for the summer reading camp instructors. In response to our inquiry, University personnel indicated they relied on the camp provider to obtain the background screenings for the summer reading camp instructors, and that procedures were being revised to identify all University approved camps involving children and require a centralized application and approval process.

When University contractors who have direct contact with children are not properly monitored regarding criminal background screenings, there is an increased risk that individuals with unsuitable backgrounds may have access to children.

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**Recommendation:** The University should require documentation of background screenings, including fingerprinting, for all employees, contractors, and volunteers that have direct contact with children.

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**Finding No. 3: Purchasing Procedures**

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Pursuant to Section 112.313(3), Florida Statutes, no University employee acting in his or her official capacity as a purchasing agent, or public officer acting in his or her official capacity, may either directly or indirectly purchase, rent, or lease any realty, goods, or services for the University from any business entity in which the officer or employee or the officer's or employee's spouse or child is an officer, partner, director, or proprietor, or in which such officer or employee or the officer's or employee's spouse or child, or any combination of them, has a material interest. Pursuant to Section 112.313(7)(a), Florida Statutes, no University officer or employee may have or hold any employment or contractual relationship with any business entity or agency that is subject to the regulation of, or is doing business with, the University. This Section further prohibits a University officer or employee from having or holding any employment or contractual relationship that will create a continuing or frequently recurring conflict between his or her public duties, or that would impede the full and faithful discharge of his or her duties. Additionally, Board members were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes.

Board of Trustees Regulation 4.0170R, *Conflicts of Interest and Outside Employment/Activity*, establishes guidelines for University employees pertaining to conflicts of interest and outside employment or activity. This Regulation required, in part, that full-time employees notify the University Human Resources Department (HR Department) of outside activity and financial interest annually. The HR Department developed the Disclosure of Outside Activity and Financial Interest Form (Disclosure Form) for employees to provide this required notification.

During the 2013-14 fiscal year, University employees submitted 137 Disclosure Forms to the HR Department. However, the Disclosure Forms were not provided to Purchasing Department personnel for their use in determining if there were potential conflicts that should be considered when entering into procurement transactions or contractual obligations. Additionally, required statements of financial interests filed by Board members were not provided to Purchasing Department personnel for review. In response to our inquiry, University personnel indicated they had certain procedures to reduce the risk of conflicts of interest, including requiring supervisory review and approval of the Disclosure Forms and requiring vendors and bidders to disclose potential conflicts. However, although our tests did not disclose any significant conflicts of interest, providing for routine review of required Disclosure Forms and Board member statements of financial interests by Purchasing Department personnel would enhance the University's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

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**Recommendation:** The University should strengthen its procedures to provide for routine review of Disclosure Forms and statements of financial interests by its Purchasing Department for consideration in making procurement decisions.

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<b>Student Tuition and Fees</b>
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**Finding No. 4: Florida Residency**

Section 1009.21, Florida Statutes, states, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. Section 1009.21(6)(a), Florida Statutes, states, in part, that for tuition purposes, a person who is classified as a nonresident may become eligible for reclassification as a resident if that person or his or her parent (if that person is a dependent child) presents clear and convincing documentation that supports permanent legal residency in this State for at least 12 consecutive months rather than temporary residency for the purpose of pursuing an education. Such documentation may include evidence of full-time permanent employment for the prior 12 months or the purchase of a home in Florida, and residence therein, for the prior 12 months while not enrolled in an institution of higher education. Section 1009.21(10)(e), Florida Statutes, provides that students from Latin America and Caribbean countries who receive scholarships from the Federal or State government may be classified as Florida residents for tuition purposes.

The University collected \$72.3 million in tuition and fees during the 2013-14 fiscal year. The University undergraduate rate for each semester hour for non-Florida residents was \$654 and for Florida resident was \$174, during the 2013-14 fiscal year. The graduate rate for each semester hour for non-Florida residents was \$1,043 and for Florida residents was \$492, during the 2013-14 fiscal year.

Our test of 26 students classified as Florida residents, including 16 students who were reclassified from non-Florida residents to Florida residents for tuition purposes during the 2013-14 fiscal year, disclosed the following:

- Ten students who were residents of a Latin American or Caribbean country were assessed Florida resident tuition rates. In response to our inquiry, University personnel indicated that these students were eligible for Florida residency status under Section 1009.21(10)(e), Florida Statutes, because each received, at a minimum, a \$300 Latin American and Caribbean country (LAC) scholarship from University funds. However, University records did not evidence that the students received scholarships from the Federal or State government, as required by law. We extended our review to all students who received University LAC scholarships and determined there were 88 additional LAC scholarship recipients classified as Florida residents for tuition purposes for the 2013-14 fiscal year; however, University records did not evidence that these students received scholarships from the Federal or State government.
- University personnel indicated that the funds used for the scholarships were from funds appropriated by the Legislature, and therefore considered State scholarships as contemplated by Section 1009.21(10)(e), Florida Statutes. However, State scholarships as used in Section 1009.21(10)(e), Florida Statutes, appear to be referring to scholarships from the State of Florida government such as those set forth in Part III of Chapter 1009, Florida Statutes, and not to scholarships paid from University funds. The classification of these 98 students as Florida residents for tuition purposes resulted in a loss of \$1.2 million of nonresident student fee revenue to the University.
- Two graduate students attending the University were classified as nonresidents (out-of-state students) and were subsequently reclassified as Florida residents for tuition purposes. In response to our request for the University's documentation obtained to support changing the residency status, University personnel provided documentation that the students resided in Florida during the prior year. However, absent documentation of full-time permanent employment for the prior 12 months while not enrolled in an institution of higher education, or the purchase of a home in Florida, and residence therein, for the prior 12 months while not enrolled in an institution of higher education, residing in Florida during the prior 12 months while enrolled in an institution of higher education would not qualify these students for reclassification as a Florida resident for tuition purposes. In response to our inquiry, University personnel indicated that the lack of documentation to support the residency reclassification as Florida residents resulted from oversights. The classification of

these students as Florida residents for tuition purposes resulted in a loss of \$11,622 of nonresident student fee revenue to the University.

**Recommendation:** If it is the University’s intent to continue classifying students who are residents of a Latin American or Caribbean country as Florida residents for tuition purposes because such students were awarded scholarships from University funds, the Board should seek guidance from the Florida Board of Governors as to whether this practice is allowable under Section 1009.21(10)(e), Florida Statutes. In addition, the University should enhance its procedures to ensure that proper documentation is obtained to support the reclassification of students from non-Florida residents to Florida residents for tuition purposes.

**Personnel and Payroll**

**Finding No. 5: Severance Pay Provisions**

Section 215.425(4)(a), Florida Statutes, provides that on or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay must include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Section 215.425(4)(d), Florida Statutes, provides that severance pay is the actual or constructive compensation for employment services yet to be rendered that is provided to an employee who has recently been or is about to be terminated. Section 1001.706(6)(d), Florida Statutes (2011), provided that universities may not enter into an employment agreement that authorized severance pay in excess of one year’s annual salary.

The University entered into multiple year employment agreements, on or after July 1, 2011, with its athletic director and four coaches. The employment agreements for three of these employees provided that if the employee was terminated without cause the employee shall be paid liquidated damages (severance pay) of one year of base salary. The other two agreements provided that the employee shall be paid his or her base salary for the remaining period of the four-year agreement. These provisions are contrary to Sections 215.425(4)(a), Florida Statutes, in that they allow for these employees to receive severance pay in excess of 20 weeks of compensation.

In response to our inquiry, University personnel indicated that the severance pay limitations contained in Section 215.425(4)(a), Florida Statutes, became effective on July 1, 2012, when the Legislature changed Section 1001.706(6)(d), Florida Statutes, and explicitly applied Section 215.425(4)(a), Florida Statutes, to universities and that the five employment agreements were entered into prior to July 1, 2012. However, the provisions of Sections 1001.706(6)(d) and 215.425, Florida Statutes (2011), were not in conflict because the provisions of both laws could have been easily complied with by applying the more restrictive provisions set forth in Section 215.425, Florida Statutes. Accordingly, the 2012 amendment to Section 1001.706(6)(d), Florida Statutes, was merely a clarification of existing law. As Section 215.425(4)(a), Florida Statutes (2011), was applicable to all units of government, it applied to the University at the time the University entered into the five employment agreements.

**Recommendation:** The University should ensure that future employment agreements contain provisions for severance pay that are in accordance with Section 215.425(4)(a), Florida Statutes.

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**Finding No. 6: Remuneration of Administrative Employees**


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Section 1012.976(2), Florida Statutes, stipulates that a State university administrative employee may not receive more than \$200,000 in annual remuneration<sup>1</sup> from appropriated State funds. This limitation does not apply to university teaching faculty, or medical school faculty or staff, pursuant to Section 1012.976(3), Florida Statutes.

Our review of the remuneration paid to eight employees, totaling \$2,345,445, disclosed three employees whose total remuneration paid from appropriated State funds during the 2013-14 fiscal year collectively exceeded the remuneration limitation by a total of \$169,199, in amounts ranging from \$25,951 to \$88,445, as follows:

- Dean of the Coggin College of Business (College) – Responsible for providing day-to-day leadership for the College in accomplishing its mission and serve as a liaison between the University and College and the external community. Excess remuneration paid from appropriated State funds totaled \$88,445.
- Dean of the College of Computing, Engineering, and Construction (CCEC) – Responsible for advancing the mission of the CCEC by: enhancing the strength of the CCEC's programs; promoting synergy among the programs within the CCEC and between CCEC and other colleges within the University; mentoring CCEC faculty in their roles as teachers and researchers; and representing the CCEC to the external community. Excess remuneration paid from appropriated State funds totaled \$54,803.
- Associate Provost of Academic Affairs – Responsible for assisting the Provost and Vice President of Academic Affairs in enhancing the integration of strategic planning, budgeting, and program development by: providing guidance to deans and chairs in the development and management of Academic Affairs budgets; supervising the Academic Affairs Director for Budgets and Personnel and the Academic Support Specialist; representing Academic Affairs on a variety of committees; engaging in scholarly activity to maintain academic qualifications; and performing teaching assignments as appropriate. Excess remuneration paid from appropriated State funds totaled \$25,951.

Based on our review of the three employees' actual responsibilities, none of the employees served as teaching faculty or as medical school faculty or staff at any time during the 2013-14 fiscal year. In response to our inquiry, University personnel indicated that the employees were tenured faculty members and, therefore, considered faculty employees excluded from the remuneration limitation. However, with the exception of the CCEC Dean for which University records indicate taught one class for one term that represented approximately 4 percent of the Dean's workload for the 2013-14 fiscal year, University records did not evidence that these individuals served as teachers, faculty, or medical school staff, nor did University records indicate that these individuals were acting in other than an administrative capacity. University personnel also provided documentation from a Florida Board of Governors 2011-12 Allocation Document that did not identify the Deans or Associate Provost positions as administrative positions. However, this Allocation Document was for purpose of budget preparation and not for the specific purpose of identifying positions that would qualify as teaching faculty or medical school staff. Accordingly, it is not clear on what basis these employees would be exempt from the remuneration limitation applicable to administrative employees as provided in Section 1012.976(2), Florida Statutes.

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**Recommendation:** The University should seek guidance from the Florida Board of Governors regarding its interpretation of this law and, if appropriate based on such guidance, should restore the amount of remuneration paid in excess of the amounts allowed by Statute to its appropriated State funds from other University resources.

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<sup>1</sup> Remuneration means salary, bonuses, and cash-equivalent compensation paid to a State administrative employee for work performed, excluding health insurance and retirement benefits.

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**Finding No. 7: Payroll Processing – Time Records**


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Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The University pays employees classified as “exempt” (Executive, Administrative, and Faculty) on a payroll by exception basis (i.e., the employee is paid the same salary each pay period unless there is an exception). The University’s payroll by exception process only required supervisory personnel to review and approve electronic time reports when the employee reported leave on the time report. However, the payroll by exception process did not require supervisory personnel to review and approve time reports of exempt employees to certify the time worked by such employees. In response to our inquiry, University personnel indicated that the University does not equate work effort with biweekly pay certifications for exempt employees; that exempt administrative and professional employees are expected to work 40 hours per week unless indicated by leave; and that work effort (recording the assignment of duties, entry of publications, presentations and other scholarly activities) of faculty members is documented in the University’s Faculty Academic Information Reporting system. However, without time reports prepared by employees and approved by appropriate supervisory personnel, University records did not document such monitoring efforts. Under these conditions, there is an increased risk that exempt employees may be incorrectly compensated and employee leave balances may not be accurate.

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**Recommendation:** The University should implement procedures to document supervisory review and approval of exempt employees’ work time.

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**Finding No. 8: Personal Use of University Vehicles**


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United States Treasury Regulation 1.61-21(a) provides that an employee’s gross income includes the fair market value of any fringe benefits not specifically excluded from gross income by another provision of the Internal Revenue Code. The personal use of an employer-provided vehicle (i.e., driving the vehicle to and from the employee’s residence) is a fringe benefit that must be included in the employee’s gross income as compensation for services, unless otherwise excluded.

The University was required to calculate the amount to include in an employee’s gross income by using the fair market value (FMV) of employer-provided vehicles to establish the annual lease value (ALV) as set forth in United States Treasury Regulation 1.61-21(d). This Regulation provides, in part, that once an ALV is determined it shall remain in effect for a four-year period; the ALV does not include the value of fuel provided by the employer; and that the value of the fuel must be included in the employee’s wages separately and can be determined by several methods, including using the FMV of the fuel provided or 5.5 cents per mile for all miles driven. However, business use may be excluded from gross income if substantiated by an account book, diary, log, statement of expense, trip sheet, or similar record maintained by the employee that documents the date, mileage, and purpose of each business use of the vehicle.

The University provided vehicles on a full-time (24-hour) basis to seven employees during the 2013 calendar year. The University used an allowable special annual reporting period of November 1 through October 31 for determining gross income attributable to the personal use of University-provided vehicles. Our review of the University’s forms for determining the taxable vehicle fringe benefits for the annual period ending October 31, 2013, for the seven employees provided vehicles on a full-time (24-hour) basis disclosed the following:

- For two of the employees, the University did not maintain records to substantiate the business use of the University-provided vehicles for the taxable fringe benefit amounts excluded from the employees’ gross

income for the 2013 calendar year. Both employees provided estimates of their personal use of the vehicles and any use that was not reported as personal use was assumed to be business use for reducing the reportable taxable benefit. However, United States Treasury Regulation Section 1.132-5(c)(2) requires that the substantiation requirements of Internal Revenue Code Section 274(d), as implemented by United States Treasury Regulation Section 1.274-5T(e)(2), be satisfied by adequate records or sufficient evidence corroborating the employee's own statement to exclude business use from gross income. Thus, the claimed business use for ALV and fuel of \$11,387 for one employee and ALV of \$1,444 for the other employee was not substantiated, contrary to the Internal Revenue Code. In addition, University personnel calculated the ALV for these employees' vehicles on a basis other than the FMV of the vehicles, contrary to Treasury Regulation 1.61-21(d). As a result, the taxable fringe benefit amount for each of these two employees was underreported.

- For four of the employees, the University did not calculate and report a taxable fringe benefit in the employees' gross income for the 2013 calendar year. The vehicles for these employees were made available to the University pursuant to marketing agreements with two local automobile dealerships, wherein four "courtesy cars" were provided in exchange for tickets to athletic events, club memberships, and advertising exposure through facility signage, radio, internet, and print. As a result, the taxable fringe benefit amount for each of these four employees was not reported.
- One of these employees was provided a vehicle on a full-time (24-hour) basis, for business and personal use, contrary to University Policy 14.0050P, *Motor Vehicle Use Policy for State Owned Vehicles*, which provides, in part, that each University department is responsible for operating and maintaining vehicles and ensuring that assigned vehicles are used solely for official business. Although we were provided with an e-mail from the Vice President of Administration and Finance notifying the payroll department that the vehicle was being provided to this employee on a full-time basis, neither the e-mail nor other University records evidenced the specific authority relied upon in providing a vehicle to this employee. Absent specific authority in Board regulation, policy, or employment agreement, it was not apparent under what authority this employee was provided a vehicle.

In response to our inquiry, University personnel indicated that the unreported and misreported taxable fringe benefits for the University-provided vehicles resulted from oversights. When employer-provided vehicles are not administered in accordance with Board policies and taxable fringe benefits are not correctly calculated or supported, University records do not evidence that such benefits are properly reported in the employees' gross income.

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**Recommendation:** The University should ensure the proper reporting of the taxable value for employee's personal use of University-provided vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code. Additionally, the University should consult with the Internal Revenue Service to determine what action, if any, should be taken regarding the value of the personal use of vehicles that was not reported. The University should also ensure that University-provided vehicles are provided only to employees authorized by the Board.

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<b>Direct-Support Organization</b>
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**Finding No. 9: Line of Credit and Cash Payments**

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Section 1004.28(1)(a)2., Florida Statutes, provides that a direct-support organization is organized and operated exclusively to receive, hold, invest, administer property, and make expenditures to and for the benefit of a university. Section 1004.28(2), Florida Statutes, in part, provides that each State university board of trustees is authorized to permit use of property, facilities, and personal services at any State university by any university direct-support organization subject to the provision of this section, which include references to rules and guidelines of the Board of Governors.

**Line of Credit.** In previous audit reports, most recently in our report No. 2014-155, we noted that on April 16, 2009, the Board of Trustees (Board) authorized the University to enter into a revolving line of credit with the Museum of Contemporary Art Jacksonville, Inc. (MOCA), a University direct-support organization, whereby the University could loan MOCA up to \$500,000 to help cover operational costs. The agreement provided that the loan could be repaid in whole or in part at any time without interest or penalty, except upon an event of default, and that if MOCA was dissolved, works of art may be sold to repay the debt. As of June 30, 2011, the University had advanced \$500,000 from its auxiliary funds to MOCA.

In our report No. 2014-155, we noted that University personnel provided draft minutes from a MOCA Finance and Audit Committee meeting held on January 23, 2014, indicating that MOCA planned to repay the University \$25,000 in the 2013-14 fiscal year, and make payments of \$50,000 each fiscal year thereafter until the amount advanced was repaid. As of January 20, 2015, the University had received \$75,000 in planned repayments from MOCA (\$25,000 for the 2013-14 fiscal year and \$50,000 for the 2014-15 fiscal year), leaving an advance receivable of \$425,000; however, the repayment plan had not been submitted to the University's Board for its review and approval. A Board-approved formal repayment plan would provide a clear understanding to both parties on repayment of the advance and ensure that the repayment plan is consistent with the Board's intent to recover these funds.

**Cash Payments.** In our report No. 2014-155, we noted that the University had made three payments to MOCA totaling \$481,049, reported as operating expenses, to pay for salaries and benefits for certain MOCA personnel incurred during the 2011-12, 2012-13, and 2013-14 fiscal years. Although Section 1004.28(2), Florida Statutes, in part, provides that each State university board of trustees is authorized to permit the use of personal services (i.e., use of University personnel), there is no specific authority for the University to pay the salaries and benefits of employees working for a direct-support organization.

In response to a prior audit finding regarding the University providing line of credit advances to a direct-support organization, University personnel indicated that "Specific statutory authority is not a condition to a university board's permission to act." In response to our inquiry regarding the cash payments to MOCA, University personnel indicated they consider the cash payments covering the cost of MOCA salaries to be consistent with the University's practice of providing personal services to its direct-support organizations. In response to our inquiry regarding the University recovering the \$481,049 previously paid to MOCA for salary and benefit costs, University personnel indicated they did not intend to seek reimbursement from MOCA. However, the University possesses only the authority granted to it by statute or implied by its statutory authority. Although Section 1004.28(2), Florida Statutes, authorizes the University to permit use of property, facilities, and personal services to its direct-support organizations, we are unaware of any specific authority in Florida Statutes or Board of Governors regulations permitting the University to make loans or cash payments to MOCA.

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**Recommendation:** The University should submit to the Board, for review and approval, the repayment schedule for the line of credit owed by MOCA. In determining its actions to resolve this audit finding, the University should also seek guidance from the Florida Board of Governors regarding its authority to make loans or cash payments to its direct-support organization and, if appropriate based on such guidance, should also seek to recover the \$481,049 in questioned cash transfers to MOCA.

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<b>Construction Administration</b>
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**Finding No. 10: Construction Contract Management**

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Pursuant to 1013.45(1), Florida Statutes, on February 26, 2013, the University entered into a contract with a construction management entity (CME) in connection with the Osprey Clubhouse and Pool Facility construction project. The project was funded with \$6.9 million from the student housing auxiliary fund to provide housing amenities to the resident student population. Board of Governors Regulation 14.007, *Competitive Negotiation*, requires that a contract be negotiated to provide for preconstruction fees based on hourly rates; construction related services to include CME profit, overhead, and direct managements costs; and a guaranteed maximum price (GMP). This Regulation also provides that, should the University be unable to negotiate a satisfactory contract with the CME considered the most qualified, at a fair, competitive and reasonable price (i.e., GMP), negotiations shall be terminated and then undertaken with the next most qualified firm. Under the CME process, the contracted firm is responsible for scheduling and coordinating both the design and construction phases, and is generally responsible for the successful, timely, and economical completion of the construction project. The GMP for this contract provided for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the University.

Our review of the University's contracts and procedures for negotiating and contracting with the CME disclosed the following:

- The University entered into two partial GMP amendments, the first for \$1,501,101 on April 26, 2013, for site work, utilities, and chiller replacement, and the second for \$5,330,567 on August 2, 2013, for construction of the project. The GMP based on the two amendments totaled \$6,831,668. The performance and payment bond was initially based upon the first GMP amendment and increased for the final GMP amendment. When a GMP for the entire project is not established before construction begins and a performance and payment bond executed for the full GMP amount, the University is at risk for the portion of the project not bonded in the event of CME default.
- Each GMP amendment included a separate provision for general conditions costs (reimbursable expenses of the CME) totaling \$586,485. General conditions include such items as direct and indirect salary costs of project staff; costs of jobsite office space, furniture, equipment, and supplies; and communication and utility costs. The general conditions costs were estimated by the CME, reviewed by University personnel, and converted to a fixed lump-sum amount for billing purposes. Upon inquiry regarding the University's methodology for reviewing and negotiating the detailed support for general conditions proposals, we were advised that the methodology was based on 36 years of experience in negotiation with contractors, to determine what is legal, fair and equitable for the University, and recent negotiations with other builders. However, although University personnel provided documentation evidencing certain general conditions costs were reviewed and questioned, documentation of the methodology applied and factors considered during the negotiation process for each cost item was not provided and, absent such documentation, University records did not evidence that amounts paid for general conditions were reasonable and appropriate.

A similar finding was noted in our report No. 2012-064.

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**Recommendation:** The University should evaluate and revise, as appropriate, its procedures for contracting with CMEs to ensure that a performance and payment bond is executed for the entire GMP amount. The University should also establish written policies and procedures addressing general conditions negotiation and documentation of the methodology used and application of various factors considered in evaluating the reasonableness of such costs.

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Information Technology
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**Finding No. 11: Access Privileges**

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Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their areas of responsibility.

Our review of selected access privileges to the University's Enterprise Resource Planning system, including finance and human resources applications, disclosed some access privileges that were unnecessary or that permitted certain University employees to perform incompatible duties. Specifically, the Controller, Accounts Payable Manager, University Budgets Coordinator, Student Financial Services Manager, Project Management Office Director, a Project Manager, Financial Systems Analyst, Senior Accounts Payable Representative, two Accounting Coordinators, two Student Financial Services Coordinators, and an Accounting Associate had the ability to update critical transactions within the finance application, including adding and changing vendor information, creating invoices for payment, and processing payments. This access was granted through a combination of University-developed security classes and was contrary to an appropriate separation of duties. The existence of these unnecessary and inappropriate access privileges increases the risk that unauthorized disclosure, modification, or destruction of University data and IT resources may occur. A similar finding was noted in our report No. 2012-064.

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**Recommendation:** The University should strengthen controls to ensure access privileges assigned to employees are necessary and enforce an appropriate separation of duties.

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**Finding No. 12: Security Controls – User Authentication**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain University security controls related to user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of University data and IT resources may be compromised. A similar finding related to user authentication was communicated to University management in connection with our report No. 2012-064.

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**Recommendation:** The University should improve IT security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

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**PRIOR AUDIT FOLLOW-UP**

The University had taken corrective actions for findings included in our report Nos. 2014-155 and 2012-064, except as shown in the following table:

Current Fiscal Year Finding Numbers	Preceding Fiscal Year Audit Report and Finding Numbers	Second Preceding Fiscal Year Audit Report and Finding Numbers
9	2014-155, Finding No. 1	2013-139, Finding No. 2
10	2012-064, Finding No. 1	NA
11	2012-064, Finding No. 2	NA
12	2012-064, Finding No. 3	NA

NA – Not Applicable

**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 June 2014 to January 2015 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.
- Determine whether management had taken corrective actions for findings included in our report Nos. 2014-155 and 2012-064.
- 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.

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.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2013-14 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of 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 University management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

**AUTHORITY**

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.



David W. Martin, CPA  
Auditor General

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the University’s written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed the procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the University’s Enterprise Resource Planning finance and human resources applications to determine the appropriateness and necessity based on employees’ job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the application to determine whether these accounts had been appropriately assigned and managed.
IT logging and monitoring.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT data loss prevention.	Reviewed the University’s written security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT risk management and assessment.	Reviewed the University’s risk management and assessment process and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT security awareness training.	Determined whether employees acknowledge their understanding of University security policy.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees’ access to electronic data files. Reviewed access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT security incident response.	Determined whether the University had developed an adequate security incident response plan.
IT physical access controls.	Reviewed the data center’s physical access controls to determine whether vulnerabilities existed.
Internal audit function (inspector general).	Reviewed the internal audit function to determine whether the University followed professional requirements and provided for peer review of reports issued.
Textbook affordability.	Examined supporting documentation to determine whether the University’s procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Fund equity controls.	Determined whether the unencumbered available balance in the education and general fund of the University Board of Trustees' approved operating budget was below five percent of the total available fund balance at June 30, 2014, and if so, whether the University notified the Board of Governors (BOG) as required by Section 1011.40(2), Florida Statutes, and BOG Regulation 9.007(3)(a)2. Performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available balance in the education and general fund.
Qualified public depositories.	Determined whether the University filed the required public depositor annual report with Florida's Chief Financial Officer, and included all University public depositories in the report.
Student receivables.	Determined whether student receivables were properly authorized, documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectable accounts written-off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.
Florida residency determination and tuition.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and BOG Regulation 7.005.
Tuition differential fees.	Reviewed payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Distance learning fees.	Determined whether distance learning fees were assessed and collected in accordance with Section 1009.24(17), Florida Statutes.
Auxiliary operations contract compliance.	Examined selected auxiliary operations contracts to determine whether the University was properly monitoring compliance with the contract terms regarding fees, insurance, and other provisions. Also, performed analytical procedures to determine whether the University's auxiliary services were self-supporting.
Personnel and payroll.	For selected employees determined the accuracy of the rate of pay, validity of employment contracts, accuracy of leave records, and certifications by supervisory personnel of employee time reports.
Terminal pay.	Reviewed the University's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the University was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.
President's compensation.	Determined whether the President's compensation was in accordance with Florida law, BOG Regulations, and University policy.
Background screenings.	Reviewed the University's policies and procedures for obtaining background screenings for personnel and contractors. Determined whether employees and contractors in sensitive positions, such as positions in direct contact with children, had undergone the appropriate background screenings.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid University purposes. Also, determined whether such payments were for employees doing business with the University, contrary to Section 112.313, Florida Statutes.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Electronic funds transfers and payments.	Reviewed University policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested travel expenses to determine whether the travel expenses were in compliance with laws and regulations, and were reasonable, adequately supported, and for a valid University purpose.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, and that contract terms were adequately supported.
Construction administration.	For a major construction project, tested payments and supporting documentation to determine compliance with University policies and procedures and provisions of laws and rules.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Motor vehicle utilization.	Determined whether the College identified and reported taxable fringe benefits attributable to the personal use of employer provided vehicles.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources.
Related-party transactions.	Reviewed University policies and procedures related to identifying potential conflicts of interest. For selected University officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and University records to identify any potential relationships that represent a conflict of interest with vendors used by the University.
Direct-support organizations.	Tested payments, transfers, and loans between the University and its direct-support organizations to determine the legal authority of such payments, transfers, and loans.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



ADMINISTRATION & FINANCE  
Office of the Vice President

UNIVERSITY *of*  
NORTH FLORIDA

March 11, 2015

Mr. David W. Martin  
Auditor General  
State of Florida  
111 West Madison Street  
Claude Pepper Building, Suite G-74  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

In connection with the University of North Florida Operational Audit for the fiscal year ending June 30, 2014, enclosed is the University's response to the Preliminary and Tentative audit findings dated February 12, 2015.

Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Shari Shuman  
Vice President, Administration & Finance

Enclosure

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Responses to Florida Auditor General's Preliminary and Tentative Findings dated  
February 12, 2015**

**Finding No. 1: The University's Office of Internal Auditing, contrary to its charter and professional standards, did not provide for a required external quality assurance review.**

**Recommendation: The Board should ensure that its Office of Internal Auditing undergoes a timely external quality assurance review of its internal audit function in accordance with IIA *Standards*.**

**University Response:**

We concur with the recommendation and have a review scheduled for the spring of 2015. The decision to postpone the review was a conscious decision due to extended staffing issues within the Office and the desire to have a more meaningful review done with a fully staffed and functioning Office.

**Finding No. 2: The University did not require documentation of background screenings for all camp instructors and volunteers that have direct contact with children.**

**Recommendation: The University should require documentation of background screenings, including fingerprinting, for all employees, contractors, and volunteers that have direct contact with children.**

**University Response:**

We concur with the recommendation that background checks for all University camps should be required and documented. As noted, the process was new and both camps mentioned did in fact have the required background checks even though they were not included in our listing or formal process. We will continue to refine our process and education of these requirements. We are also in the process of evaluating our Policy to see how and if it should be amended to be more inclusive of all situations that result in potential contact with children.

**Finding No. 3: The University needed to strengthen its procedures to ensure that potential conflicts of interest are identified and evaluated.**

**Recommendation: The University should strengthen its procedures to provide for routine review of Disclosure Forms and statements of financial interests by its Purchasing Department for consideration in making procurement decisions.**

**University Response:**

We concur with the recommendation and we will re-evaluate our processes to require a review by the Purchasing Department of all relevant forms and statements.

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Finding No. 4: The University needed to enhance its procedures for classifying students as Florida residents for tuition purposes.**

**Recommendation: If it is the University's intent to continue classifying students who are residents of a Latin American or Caribbean country as Florida residents for tuition purposes because such students were awarded scholarships from University funds, the Board should seek guidance from the Florida Board of Governors as to whether this practice is allowable under Section 1009.21(10)(e), Florida Statutes. In addition, the University should enhance its procedures to ensure that proper documentation is obtained to support the reclassification of students from non-Florida residents to Florida residents for tuition purposes.**

**University Response:** While we maintain that the following statutory authority supports its current practice for awarding scholarships to residents of a Latin American or Caribbean country, we will seek further guidance from the Florida Board of Governors.

Additionally, our processes have been examined and strengthened to ensure all required support has been obtained for residency classifications.

**Finding No. 5: Certain employment agreements included severance pay provisions that appeared to be contrary to Section 215.425(4)(a), Florida Statutes.**

**Recommendation: The University should ensure that future employment agreements contain provisions for severance pay that are in accordance with Section 215.425(4)(a), Florida Statutes.**

**University Response:** While the University disagrees that these contracts were not in compliance at the time they were executed, we do agree and will ensure that any future executed or amended employment agreements will contain provisions for severance pay in accordance with Section 215.425(4)(a), Florida Statutes.

**Finding No. 6: The University's remuneration to some administrative employees exceeded the limitation contained in Section 1012.976(2), Florida Statutes.**

**Recommendation: The University should seek guidance from the Florida Board of Governors regarding its interpretation of this law and, if appropriate based on such guidance, should restore the amount of remuneration paid in excess of the amounts allowed by Statute to its appropriated State funds from other University resources.**

**University Response:** The University maintains that the individuals at issue herein who are classified as faculty are exempt from this Statute. The University has previously coordinated its position with the BOG, but will seek further guidance and respond accordingly.

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Finding No. 7: The University needed to implement procedures to ensure documented supervisory review and approval of exempt employees' work time.**

**Recommendation: The University should implement procedures to document supervisory review and approval of exempt employees' work time.**

**University Response:** While we are consistent in our beliefs that having exempt employees complete a time sheet does not provide a sufficient control and/or significant benefit to the payroll process, we are examining our processes to determine if there are additional and/or compensating controls by having departments certify their employees' bi-weekly time.

**Finding No. 8: The University needed to enhance its procedures for reporting the taxable value for personal use of University-provided vehicles in employees' gross income in accordance with Internal Revenue Service guidelines, and to ensure that vehicles provided on a full-time basis for business and personal use are properly authorized.**

**Recommendation: The University should ensure the proper reporting of the taxable value for employee's personal use of University-provided vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code. Additionally, the University should consult with the Internal Revenue Service to determine what action, if any, should be taken regarding the value of personal use of vehicles that was not reported. The University should also ensure that University-provided vehicles are provided only to employees authorized by the Board.**

**Response:** We concur and have since strengthened our processes to ensure the proper reporting and substantiation requirements are maintained. We have also gone back and adjusted the respective W2's for the prior years as appropriate. Finally, we have amended our policy regarding University-provided vehicles to better reflect our practice and the necessary controls.

**Finding No. 9: The University provided cash resources to one of its direct-support organizations without specific legal authority.**

**Recommendation: The University should submit to the Board, for review and approval, the repayment schedule for the line of credit owed by MOCA. In determining its actions to resolve this audit finding, the University should also seek guidance from the Florida Board of Governors regarding its authority to make loans or cash payments to its direct-support organization and, if appropriate based on such guidance, should also seek to recover the \$481,049 in questioned cash transfers to MOCA.**

**Response:** We will work on a repayment schedule that will be submitted to the Board for review and approval. We will also seek guidance from the BOG regarding our authority to provide such support and then respond accordingly.

**EXHIBIT B (CONTINUED)  
MANAGEMENT'S RESPONSE**

**Finding No. 10 – The University needed to improve its construction administration procedures.**

**Recommendation:** The University should evaluate and revise, as appropriate, its procedures for contracting with CMEs to ensure that a performance and payment bond is executed for the entire GMP amount. The University should also establish written policies and procedures addressing general conditions negotiation and documentation of the methodology used and application of various factors considered in evaluating the reasonableness of such costs.

**Response:** We concur with the findings and will work on our procedures to both document and address these issues.

**Finding No. 11 – Some inappropriate or unnecessary information technology (IT) access privileges existed indicating a need for an improved review process of access privileges.**

**Recommendation:** The University should strengthen controls to ensure access privileges assigned to employees are necessary and enforce an appropriate separation of duties.

**Response:** The University takes access controls very seriously and has numerous controls in place to control and mitigate any improper access. We will continue to refine our controls and processes to address those items noted here. As of this date, accesses for all noted employees have been adjusted in accordance with their job duties.

**Finding No. 12 – University IT security controls related to user authentication needed improvement.**

**Recommendation:** The University should improve IT security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

**Response:** The University takes all IT security controls very seriously and will continue to refine our controls and processes to address the specific issues noted here.