

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-081
December 2016

UNIVERSITY OF WEST FLORIDA



Sherrill F. Norman, CPA
Auditor General

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^a Faculty Senate Chair.

^b Student Body President. Position vacant from 4-1-15 to 4-9-15.

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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UNIVERSITY OF WEST FLORIDA

SUMMARY

This operational audit of the University of West Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-092. Our operational audit disclosed the following:

Finding 1: The University did not always perform level 2 background screenings for certain individuals in positions of special trust or responsibility.

Finding 2: The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.

Finding 3: University purchasing card program controls need improvement to better prevent and detect purchasing card misuse.

Finding 4: University textbook affordability procedures could be enhanced.

Finding 5: Certain University information technology (IT) access controls need improvement.

Finding 6: University security controls related to IT user authentication continue to need improvement.

BACKGROUND

The University of West 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 (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 Chair 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. 2014-092. 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 law¹ provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening² is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. Also, State law³ specifies that individuals who volunteer on an intermittent basis for less than 10 hours per month in summer camps are not required to obtain background screenings as long as the volunteers are always within the line of sight of a person who meets the screening requirement.

University policy⁴ requires that a level 1 background screening⁵ be conducted for prospective employees as a condition of employment. This policy also requires a level 2 background screening for certain individuals based on the responsibilities of the position, such as positions with work responsibilities that include contact with vulnerable populations and minors, and individuals with these responsibilities who volunteer 10 hours or more per month. For individuals with these responsibilities who volunteer less than 10 hours per month, screenings are not required, but the Human Resources (HR) Department has provided guidance on the University's Web site instructing department supervisors to ensure these volunteers are always in the line of sight of an individual who meets the level 2 background screening requirement.

As part of our audit procedures, we requested that the University provide us listings of the individuals who were required by the University to obtain a level 2 background screening as of May 2016. In response to our request, the University provided us with listings of 1,344 individuals, including, for example, Educational Research Center for Child Development employees who had direct contact with minors and Housing Department employees who had access to University facilities. However, our examination indicated that these listings did not include employees in other positions of special trust or responsibility, such as HR, Information Technology (IT), and Financial Services Department employees. In response to our inquiries, University personnel indicated that some of the employees in these Departments are in positions of special trust or responsibility as they had the ability to access nonpublic information such as student or employee social security numbers or cash.

Subsequent to our inquiries, in September 2016, enhanced University procedures were developed to require a level 2 background screening for all existing and future employees in positions of special trust

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 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 Section 409.175(2)(i), Florida Statutes.

⁴ University Policy HR-20.02-09/15.

⁵ A level 1 background screening includes employment history checks and Statewide criminal correspondence checks through the FDLE, a check of the Dru Sjodin National Sex Offender Public Web site, and may include local criminal records checks through local law enforcement agencies.

or responsibility, including those employees in the HR, IT, and Financial Services Departments. When individuals who work in positions of special trust or responsibility are not required to have level 2 background screenings, there is an increased risk that the individuals may have backgrounds that are not suitable for their respective positions.

Recommendation: The University should continue efforts to require and ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility. Such positions include those with direct contact with vulnerable populations and minors, responsibilities for safeguarding cash, or access to nonpublic information.

Finding 2: Payroll Processing – Time Records

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 exempt employees (i.e., Technical, Executive, and Administrative employees and Faculty) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll actions to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period. According to University personnel, exempt employees document their leave using leave request forms that supervisory personnel review and approve but the employees are not required to, and do not, prepare time sheets or other records to document their time worked.

During the period April 2015 through March 2016, the University reported salary costs of \$77 million for exempt employees. In response to our inquiries, University personnel indicated that the Fair Labor Standards Act timekeeping and overtime provisions do not apply to exempt employees as the employees are not paid on an hourly basis and, therefore, the United States Department of Labor and the University do not require timekeeping of the exempt employees' actual hours worked. Notwithstanding this response, without records documenting exempt employees' time worked and supervisory review and approval of the records, there is limited assurance that exempt employee services were provided consistent with Board expectations. In addition, without records documenting exempt employees' time worked and supervisory review and approval of the records, there is an increased risk that exempt employees may be incorrectly compensated and their leave balances may not be accurate.

Recommendation: The University should establish a mechanism for exempt employees to report time worked and implement procedures requiring supervisors to document the review and approval of such time.

Follow-Up to Management's Response

Management stated in the written response that the University has appropriate mechanisms in place and describes various practices to document efforts to monitor exempt employees work efforts and leave usage. University management also asserted that additional layering of reporting requirements represents a significant obligation of time and resources that comes at a considerable cost yet offers little discernable benefit. Notwithstanding management's response, given the University's responsibility to monitor exempt employee services and the significant costs (\$77 million for the audit period) associated with these services, records of attendance and time worked by exempt employees, reviewed and

approved by applicable supervisors, would provide crucial additional assurances regarding the accuracy of employee leave records and that the services provided by exempt employees were consistent with Board expectations, and also provide more reliable records in the event of a salary or leave dispute. Accordingly, we continue to recommend that the University require exempt employees to prepare time reports and also require supervisory personnel to certify the accuracy of the time reported as worked by exempt employees.

Finding 3: Purchasing Card Program

The University established a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. P-cards are designed to provide a cost effective, convenient, and decentralized method for individuals to make certain business purchases on behalf of the University.

The University has comprehensive, written P-card guidelines that address management controls over the issuance, use, and deactivation of P-cards. These guidelines indicate, in part, that:

- Each purchase must be approved by an assigned P-card manager, who may or may not be the cardholder's supervisor.
- To certify that P-card charges were supported by receipts, monthly reconciliations between the receipts and reports of P-card charges must be completed by an assigned P-card reconciler, who is not the cardholder, within 20 days after month-end.
- Monthly reconciliation reports must be reviewed, signed, and dated by the assigned P-card reconciler and the appropriate supervisor (i.e., Dean, Director, Chair, Vice-President, or President).
- The appropriate supervisor must notify the P-card administrator whenever a cardholder terminates employment with the University, and the P-card must be provided to the Procurement and Contracts Department.

During the period April 2015 through March 2016, University P-card expenditures totaled \$14.5 million and, at the end of that period, 453 University P-cards were assigned to employees. To determine whether University personnel appropriately used P-cards in accordance with the P-card guidelines, we examined University records for 30 selected P-card purchases totaling \$808,132 related to 16 cardholder accounts and identified various control deficiencies and noncompliance with the University P-card guidelines. For example:

- For 8 P-card purchases totaling \$399,813 for items such as software licenses and office furniture, neither the assigned P-card reconciler nor the appropriate supervisor signed and dated the monthly reconciliation reports to certify that charges were supported by receipts and that the receipts were timely reconciled to charges. Additionally, for 1 office furniture purchase costing \$152,209, the assigned P-card manager, who was also the cardholder's supervisor, did not document approval of the purchase. Further, 2 of the purchases totaling \$871 were only approved by the assigned P-card manager who was an office assistant and not the cardholder's supervisor, reducing the effectiveness of the approval function.
- For 6 other P-card purchases totaling \$303,209 for items such as software licenses and lab supplies, monthly reconciliation reports were not completed within 20 days after month-end and ranged from 11 to 202 days late.

In response to our inquiries, University personnel indicated that the lack of signed and dated monthly reconciliation reports, absence of documented supervisory review and approval of P-card charges, and untimely completion of reconciliation reports occurred because of oversights. Regarding P-card charges approved by office assistants or others who are not the cardholder's supervisor, University personnel indicated that supervisory review and approval of these charges are typically documented by supervisors upon approval of monthly reconciliation reports. Ineffective and undocumented P-card monitoring procedures increase the risk that errors or fraud, should they occur, may not be timely detected. Additionally, timely documented reconciliation reports would also help demonstrate whether receipts properly support charges or whether the University should dispute the charges.

We also examined University records for the 49 employees who had P-cards and separated from University employment to determine whether the former employees' P-cards were promptly canceled. We found that the P-cards for 5 former employees were not canceled until 12 to 323 days after the employees' separation dates, including the P-card for 1 former employee that was not canceled until after our inquiries.

Further discussions with University personnel indicated that the untimely P-card cancellations were due to delays in notifying the P-card administrator of the 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 5 former employees disclosed that no purchases were made after the individuals terminated 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.

In January 2016, the University Internal Auditing and Compliance (IAC) Department became aware of certain questionable P-card activities involving a University employee. Subsequently, the IAC Department investigation identified \$10,983 in questionable P-card purchases, dating back to September 2011, made by this employee. In March 2016, the University terminated the individual's employment and deducted \$2,548 from the employee's final pay as partial restitution. The University also notified local law enforcement regarding the questionable purchases and, in September 2016, the former employee was arrested and charged with grand theft of \$10,000 or more but less than \$20,000.

Recommendation: The University should enhance P-card procedures to ensure that:

- **Monthly P-card reconciliation reports are signed and dated by the assigned P-card reconciler and supervisor and completed within 20 days after month-end to certify that charges are supported by receipts and that the receipts are timely reconciled to charges.**
- **Supervisory review and approval of P-card charges are appropriately documented by the cardholder's supervisor.**
- **P-card privileges are timely canceled upon a cardholder's separation from University employment.**

We also recommend that the University continue efforts to recover amounts associated with unauthorized purchases made by the former employee.

Finding 4: Textbook Affordability

State law⁶ required universities to post on their Web sites, as early as feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, Board of Governors (BOG) regulations⁷ require universities to adopt a regulation that establishes textbook adoption procedures to minimize the costs of textbooks for students while maintaining the quality of education and academic freedom. The regulation should establish procedures to document the intent of the course instructors to use all items ordered; determine the extent to which a new textbook edition differs significantly and substantively from earlier versions and the value of changing to a new edition; and post, no later than 30 days prior to the first day of classes, on the universities' Web sites a list of each required textbook for each course offering for the upcoming term. The posted list must include the International Standard Book Number for each required textbook or other identifying information, which must include the title, all authors listed, publishers, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

The University established the BOG-required textbook adoption regulation and procedures and adopted 818 textbooks for the Summer 2015 term, 1,638 textbooks for the Fall 2015 term, and 1,584 textbooks for the Spring 2016 term. Our review of the listings of adopted textbooks, University procedures, and related University records disclosed that:

- UWF Business Enterprises, Inc., a University direct-support organization, contracted with a vendor to manage and operate the University Bookstore, as well as to compile and post lists of adopted textbooks on the University Bookstore Web site. Although we requested, University records could not be provided to document the dates the required textbook information was posted to the University Bookstore Web site. In response to our inquiries, University personnel indicated that the bookstore vendor did not maintain records to document the textbook posting dates.

The timely posting of required textbook information on the University Bookstore Web site is necessary for students to understand course textbook requirements and have sufficient time to consider textbook purchase options and limit their textbook costs. Without evidence of the timely posting of textbook information on the University Bookstore Web site, the University cannot demonstrate compliance with State law. Effective July 1, 2016, State law⁸ was revised to require each university to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the university during the upcoming term.

- Our review of textbook prices for 30 courses during the Spring 2016 term disclosed that new or used textbook prices for the same course varied by as much as \$238 for new and \$179 for used textbooks. Table 1 provides the price differences that exceeded \$50 for both new and used textbooks used in the same course:

⁶ Section 1004.085(3), Florida Statutes (2015).

⁷ BOG Regulation No. 8.003, *Textbook Adoption*.

⁸ Section 1004.085(6), Florida Statutes (2016).

Table 1
Textbook Prices
Spring 2016

Course	Cost of New Textbooks			Cost of Used Textbooks		
	High	Low	Difference	High	Low	Difference
AMH 2020	\$227	\$140	\$87	\$171	\$106	\$65
REL 1300	219	110	109	164	82	82
ACG 2071	585	442	143	439	332	107
ADV 3213	220	60	160	165	45	120
ARH 1000	233	81	152	168	61	107
CCJ 3024	340	235	105	255	176	79
CLP 3144	242	73	169	181	55	126
COP 2334	407	169	238	306	127	179
DEP 2004	297	124	173	223	93	130
ECO 2013	333	136	197	250	102	148
MAN 3240	342	104	238	203	78	125

Source: University records.

In response to our inquiry, University personnel indicated that although the University has implemented several initiatives to lower textbook costs, University procedures generally allow faculty members who teach the same courses to independently select course textbooks, resulting in different textbooks being used for the same course. When different textbooks are used for the same course, instructional costs paid by students may not be fair and equitable.

Recommendation: The University should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks are timely posted in accordance with State law. In addition, the University should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

Finding 5: Information Technology – Access Controls

Access controls are intended to protect University data and 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 assigned responsibilities. Effective periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities.

University personnel perform periodic reviews of assigned IT access privileges to assess whether access privileges are appropriate. Our August 2016 test of selected IT access privileges to University finance and HR applications for 29 employees disclosed that the University Senior Associate Controller for Financial Services had update access to critical transactions within the HR application including adding and updating employee information, entering rates of pay and time adjustments, and initiating payroll processing. These IT access privileges permitted the employee to perform incompatible functions. In

response to our inquiry, University personnel indicated that the above noted IT access privileges for this employee were changed to inquiry only.

The University had implemented certain controls (e.g., timely independent bank reconciliations, monitoring expenses) to compensate, in part, for the inappropriate access privileges and our review did not disclose any misuse as a result of the deficiency. However, the existence of inappropriate or unnecessary IT access privileges increases the risk of unauthorized disclosure, modification, or destruction of University data or IT resources.

Recommendation: The University should ensure that IT access privileges granted are necessary and enforce an appropriate separation of duties, and remove any inappropriate or unnecessary IT access privileges detected.

Finding 6: IT Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of University data and IT resources. Our audit procedures 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 was noted in our report No. 2014-092.

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

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 6, the University had taken corrective actions for findings included in our report No. 2014-092.

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. 2014-092.
- 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 the transactions, as well as events and conditions, occurring during the audit period 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 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.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Trustees, committee, and advisory board minutes to determine whether 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.
- 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 examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Evaluated University procedures to determine whether the University had provided individuals with a written statement of the purpose for collecting their social security numbers.
- Determined whether the University had submitted a report for the calendar year 2015 to the President of the Florida Senate and the Speaker of the Florida House of Representatives regarding the implementation and operation of all components of the Complete Florida Plus Program and the Florida Academic Library Services Cooperative in accordance with Sections 1006.73(4) and 1006.735(5), Florida Statutes.
- Evaluated the appropriateness of the University's policies and procedures regarding electronic funds transfers.
- Examined University records supporting 2 payments totaling \$41,844 from the population of 15 payments totaling \$63,044, made during the audit period by the University to its direct-support organizations, to determine whether the payments were authorized by Section 1004.28(1)(a)2. and (2), Florida Statutes.
- 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.
- From the population of 16,001 students classified as Florida residents during the Summer 2015, Fall 2015, and Spring 2016 terms, reviewed University records for 20 selected students to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes.
- Determined whether the University had established procedures to record deferred fees as a receivable and cancel the registration of students who did not timely pay fees.
- From the population of 1,771 sections of distance learning courses offered during the Summer 2015, Fall 2015, and Spring 2016 terms, which generated distance learning fee revenues totaling \$1,185,146, examined University records for 33 selected sections of distance

learning courses with distance learning fee revenues totaling \$34,823 to determine whether the fees were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.

- Evaluated University policies and procedures regarding textbook affordability for compliance with Section 1004.085, Florida Statutes.
- Examined documentation for the textbooks added during the audit period to determine whether University policies and procedures for textbook affordability and textbook information postings complied with Section 1004.085, Florida Statutes.
- From the population of 4,178 employees compensated a total of \$95,904,196 during the audit period, examined records supporting compensation payments totaling \$80,705 to 31 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated the University's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and University policies. From the population of 167 employees who either separated from University employment or converted from a 12-month faculty position to a 9-month faculty position during the audit period, and were paid \$1,419,316 for terminal leave, we selected 8 employees paid a total of \$290,415 for terminal leave and examined the supporting records to evaluate the payments for compliance with State law and University policies.
- Examined University records for all 43 administrative employees (including the President) who received compensation totaling \$5,677,085 during the 2015-16 fiscal year 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 and others 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 Board policies. From the population of expenditures other than salaries and related benefits totaling \$83,918,775 for the audit period, we examined:
 - o Documentation relating to 30 selected general expenditures totaling \$66,719.
 - o Documentation relating to 28 selected contractual services expenditures totaling \$9,815,975.
- Examined University records supporting selected purchasing card (P-card) purchases to determine whether the P-card program was administered in accordance with University policies and procedures and purchases were not of a personal nature.
- Examined University P-card records for cardholders who separated from University employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- Evaluated the University's policies and procedures related to identifying potential conflicts of interest to determine whether identified conflicts of interest were provided to University procurement personnel for review and consideration in making procurement decisions. We also reviewed Department of State, Division of Corporations records and University records for the President, Board members, and selected University employees to identify any relationships that represented a potential conflict of interest with vendors used by the University.

- 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



Office of the President
11000 University Parkway
Pensacola, FL 32514-5750

December 14, 2016

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

Dear Ms. Norman:

This is the University of West Florida's acknowledgement of and response to the preliminary and tentative findings and recommendations, as transmitted by your correspondence of November 10, 2016. The responses relate to your operational audit on the

University of West Florida
For the Audit Period April 2015-March 2016.

Finding 1: The University did not always perform level 2 background screenings for certain individuals in positions of special trust or responsibility.

Recommendation: The University should continue efforts to require and ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility. Such positions include those with direct contact with vulnerable populations and minors, responsibilities for safeguarding cash, or access to nonpublic information.

UWF Response:

In September 2016, Human Resources revised the University of West Florida (UWF) Background Screening Procedures to require a level 2 background screening for all existing and future employees in positions of special trust (including Human Resources, ITS, and Financial Services). Completion of a successful level 2 background screening is a condition of continual employment for existing employees in positions of special trust. This revised procedure was communicated to UWF supervisors and employees.

In September 2016, the revised UWF Background Screening Procedures requires all new hires, reassignments, or reclassifications into a position of special trust to have a successful level 2 background screening on file prior to the offer of employment, reassignment, or reclassification.

Human Resources has collaborated with Procurement to establish a procedure that prior to an employee being able to receive a PCard, Procurement will verify with

Phone 850.474.2200 Fax 850.474.3131
Web uwf.edu
An Equal Opportunity/Equal Access Institution

Human Resources that the employee has a successful level 2 background screening on file. Procurement is in the process of revising its electronic routing process to include Human Resources verification of a successful level 2 background screening prior to issuing the PCard.

Finding 2: The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.

Recommendation: The University should establish a mechanism for exempt employees to report time worked and implement procedures requiring supervisors to document the review and approval of such time.

UWF Response:

The University has in place appropriate mechanisms for reporting time worked by exempt employees and documenting review and approval of such time by supervisors. The University requires that salaried employees be added to the payroll system via a Personnel Action Form. This document provides the salary to be paid to the employee, as well as the percent of effort required (FTE), and requires signature authorization by the hiring official, the Dean/Division Head, and the appropriate Vice President. Should an employee's salary or FTE change, another Personnel Action Form is required to document the transaction. Employees are required to submit leave reports, both for sick leave and for personal leave, through a leave request and approval process through Banner Web Time Entry. These reports are reviewed and approved by the employee's supervisor. In addition, each employee receives an extensive annual performance evaluation from his or her supervisor, which may be the basis for merit pay adjustments known as "pay for performance." These practices are widely accepted as best practices in human resources management in both the private and the public sector, and do in fact involve acceptable and appropriate documentation of hours worked and leave taken.

There is no legal requirement that mandates a particular leave reporting procedure. The Preamble to 29 CFR, Part 541 from "Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees; Final Rule [04/23/2004]" states:

"We agree that employers, without affecting their employees' exempt status, may take deductions from accrued leave accounts; may require exempt employees to record and track hours; may require exempt employees to work a specified schedule; and may implement across-the-board changes in schedule under certain circumstances."

The University believes this reference in the preamble was originally intended to show that an employer "may require exempt employees to record and track hours" as it relates to the administration of a bona fide leave program. The use of the word "may" shows that the Department of Labor (DOL) does not specifically prohibit an employer from

asking an exempt employee to record and track hours (of leave or hours of work) to assist with the administration of a bona fide leave program. However, DOL, in the preamble referenced above, does not specifically require that exempt employees record and track hours (including both hours of leave and hours of work) and states:

"For example, employers are not generally required to maintain any records of daily or weekly hours worked by exempt employees (see 29 CFR 516.3), nor are they required to perform a moment-by-moment examination of an exempt employee's specific duties to establish that an exemption is available."

As a matter of fact, requiring exempt employees to document hours worked as a condition of payment of salary appears contrary to both best practices and applicable law. According to Section 13(a)(1) of the Fair Labor Standards Act (FLSA), employees who meet the required exempt tests are defined as salaried employees (those receiving a pre-determined salary on a periodic basis where there is no requirement to submit hours worked). An exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. While already being required to report absences and utilize available leave, FLSA exempt personnel are required to fulfill their responsibilities without payroll consideration for hours worked beyond the full time schedule often extending many hours throughout the 24/7 weekly schedule. While simply providing additional information about the extended schedule of exempt personnel, the proposed additional reporting requirements cannot be correlated with additional compensation or the application of leave time (as such a direct application with periodic work schedule reporting would be inconsistent with the maintenance of FLSA exempt status). Instead existing procedures of reporting absences and application of leave time or payroll deduction would continue to also be in effect.

Exempt employees are not hourly employees, and it is not appropriate to evaluate their effort in terms of "hours worked." And, as pointed out above, they are already evaluated, documented, and certified by supervisors with regard to leave taken and with regard to satisfactory performance. It is unlikely that employees in this category could escape filing requirements with regard to entire days missed from the job. Further, it is inefficient and burdensome to require unnecessary negative certifications where appropriate positive certifications fulfill the purpose in ways that are widely accepted in personnel practice. The bona fide leave accrual plan offered by the University provides annual and sick leave allocations to non-teaching, exempt positions. Based upon the requirements of the Fair Labor Standards Act relative to deductions from pay, based upon the University's bona fide leave accrual plan, based upon the leave request and approval process through Banner Web Time Entry, and based upon the performance evaluation process, the need to reduce an employee's compensation is rare and is documented by written request to the Financial Services Office (Payroll Section). Effective systems of work time accountability currently exist and (although exception based) supervisory monitoring and sign-off as to the accuracy of leave reporting are effective measures to assure that minimum work time requirements are satisfied as a condition of authorizing payroll. Additional layering of reporting requirements, as recommended in the audit, represent a significant obligation of time and

resources on the part of the institutions and employees that comes at considerable cost yet offers little discernable benefit. Accordingly, the University strongly asserts that proper documentation already exists to meet the requirements noted in this recommendation.

Finding 3: University purchasing card controls need improvement to better prevent and detect purchasing card misuse.

Recommendation: The University should enhance PCard procedures to ensure that:

- Monthly PCard reconciliation reports are signed and dated by the assigned PCard reconciler and supervisor and completed within 20 days after month-end to certify that charges are supported by receipts and that the receipts are timely reconciled to the charges.
- Supervisory review and approval of PCard charges are appropriately documented by the cardholder's supervisor.
- PCard privileges are timely canceled upon a cardholder's separation from University employment.

We also recommend that the University continue efforts to recover amounts associated with unauthorized purchases made by the former employee.

UWF Response:

In response to the recommendation, the UWF PCard manual has been updated as follows:

Reconciliation

The monthly PCard reconciliation is mandatory and requires the following steps for compliance:

- Once a month all transaction documentation must be reconciled with two separate reports:
 - Report 1 - PCard Reconciliation Report (PROC000007) located in Information Navigator under P&C
 - Report 2 - monthly online SDOL statement with the Bank (see BANK STATEMENTS ONLINE for instructions) *Note: The Approver (Account/Business Manager) does not have access to the Cardholder's SDOL online statement. The statement can only be obtained by the Cardholder due to security parameters. Therefore, it is the Cardholder's responsibility to print out the SDOL bank statement and provide it to the Approver (Account/Business Manager) as well as provide all receipts and backup documentation for the PCard purchases.*
- Documentation of this reconciliation must be maintained in the department's PCard files for five (5) years and will be subject to audit.
- Each cardholder monthly Reconciliation Report must be reviewed, signed and dated by the Reconciler and the Dean/Director/Chair/VP/President to verify the reconciliation process has been completed satisfactorily and expenditures are appropriate.
- The reconciliation should be completed within 20 days of month-end.

Completion and review of the reconciliation within the 20 day time frame will be subject to audit. Failure to comply with the 20 day time frame will result in audit comment and will be reflected in assigned grade which will be communicated to senior management.

Regarding PCard charges approved by office assistants or others who are not the cardholder's supervisor, University personnel believe that supervisory review and approval of these charges are typically documented by supervisors upon approval of monthly reconciliation reports and that emphasis on the need to complete this review within 20 days of month end results in an adequate internal control.

Timely Cancellation of PCard Privileges

The cardholders whose privileges were not cancelled timely upon leaving the university were graduate students. The cardholders had given their cards back to their supervisors and the cards were locked in the departments' safe or file cabinet but were not returned to Procurement to close the accounts in Banner or the bank's system. Procurement will work with IT and HR to develop a report that can be run upon request and will identify all terminated university employees who had been assigned a PCard. Having a defined report will reduce the chance that a PCard holder who has been terminated will be overlooked.

Finding 4: University textbook affordability procedures could be enhanced.

Recommendation: The University should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks are timely posted in accordance with State law. In addition, the University should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

UWF Response:

Part I: Follett enters adoption information into their CourseTracks management system and that information integrates into the University's course search information on the website. Follett has a report that can capture the first date of adoption from Course Tracks. The report generated will show the date of first adoption as well as the other requested information such as the ISBN, title, all authors, publishers and other relevant information. This report can be generated for the current semester and also for previous semesters. Effective immediately, the University will request and file copies of this report from Follett each semester.

Part II: Pursuant to section 8 of Florida Statute 1004.085 entitled *Textbook and instructional materials affordability*, the University is required to submit an annual report to the Chancellor of the State University System by September 30. A required component of the annual report is a description of the textbook selection process for general education courses with wide cost variances. In the Fall 2016 annual report to the Chancellor, UWF explained that instructors can select textbooks individually based on the content/curriculum for the course. Based on the information received as a result of the annual report, departments that teach

multiple sections of the same general education course, but use different textbooks for the sections, will be required to provide a written justification for using different textbooks for multiple sections of the same general education course.

Section 4 of the statute also requires that "Courses that have a wide variance in costs among sections...shall be identified and a list of such courses sent to the appropriate academic department chair for review." To implement this provision of the statute, the University recently adopted measures that provide even greater oversight. In order to have assurance that the reasons for selecting general education textbooks that result in cost variances is valid, each college dean has appointed a textbook liaison who will oversee textbook ordering processes in their respective colleges. In addition, a Textbook Advisory group has been formed to provide a formal means of reviewing and addressing textbook affordability issues including cost variances for textbooks required for the same general education course. This advisory group will be required to submit an annual report of their activities and findings to the Provost at the conclusion of each academic year. These measures were also described in the recent Fall 2016 annual report to the Chancellor on textbook and instructional materials affordability.

Finding 5: Certain University information technology (IT) access controls need improvement.

Recommendation: The University should ensure that IT access privileges granted are necessary and enforce an appropriate separation of duties, and remove any inappropriate or unnecessary IT access privileges detected.

UWF Response:

The employee's access which caused this Finding has been addressed and reporting has been carried out to ensure that no other employees had a similar situation. The Banner system's security mechanism has been altered to ensure that employees in Finance cannot hold security access which would allow this to occur in the future.

The University has documented in their Security Manager guide's "Reviewing, Verifying and Affirming Banner Access privileges" procedure the following excerpt in order to ensure that managers maintain appropriate separation of duties.

It is the responsibility of Banner module security administrators (Security Manager) to periodically review Banner Security to ensure appropriate access is maintained as well as appropriate separation of duties. This is necessary to ensure that employees have Banner access appropriate to their job functions, and that this access is kept current as employee roles and job responsibilities change. It is also necessary that employees maintain a reasonable separation of duties to prevent situations which create a conflict of interest - for example to alter salaries and also disburse payroll.

Finding 6: University security controls related to IT user authentication continue to need improvement.

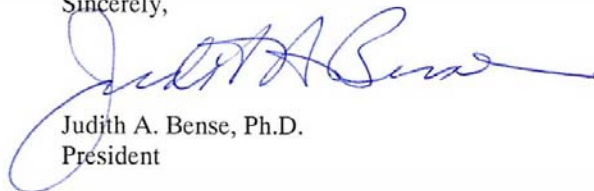
Recommendation: The University should improve its security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

UWF Response:

The University has determined that its current and planned future security controls are appropriate which successfully address the continued confidentiality, integrity and availability of University data and IT resources.

We continue to find the Auditor General provides constructive assistance to us, as we strive to maintain an acceptable level of accountability.

Sincerely,



Judith A. Bense, Ph.D.
President

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Mr. Dick Baker, UWF BOT Audit & Compliance Committee
Mr. Robert Jones, UWF BOT Audit & Compliance Committee
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