

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-130
March 2018

UNIVERSITY OF NORTH FLORIDA



Sherrill F. Norman, CPA
Auditor General

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The team leader was Lenia Blades and the audit was supervised by Randy R. Arend, CPA.

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UNIVERSITY OF NORTH FLORIDA

SUMMARY

This operational audit of the University of North Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2015-136. Our operational audit disclosed the following:

Finding 1: As similarly noted in our report No. 2015-136, University procedures could be improved by requiring supervisors to document the review and approval of all exempt employee time worked.

Finding 2: University textbook affordability procedures need enhancement to promote compliance with State law.

Finding 3: Contrary to State law, the University assessed distance learning course fees for courses not listed in the Statewide Internet-based catalog of distance learning courses.

Finding 4: Although required by State law, the University did not always promptly record and make available for public inspection the written minutes of certain committee meetings participating in the decision-making function.

Finding 5: University records supporting University property, facilities, and personal services provided to the University direct-support organizations could be improved.

Finding 6: University information technology (IT) security controls related to user authentication continue to need improvement.

Finding 7: Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

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 (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 Association President and Student Body President are also members.

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

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2015-136. The results of our financial audit of the University for the fiscal year ended June 30, 2017, 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, 2017, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Payroll Processing – Time Records

Effective internal controls require that time records document the time worked and leave used by employees and also require supervisory approval of such time to ensure that compensation payments are appropriate and leave balances are accurate. The University pays exempt employees (i.e., Administrative and Professional, Faculty, and Executive employees) 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.

The University payroll-by-exception process required supervisory personnel to review and approve exempt employee electronic time reports only when an employee reported leave on the time report. In addition, according to University personnel, supervisors of exempt employees receive an e-mail on the Monday before each biweekly pay date that lists their subordinates' scheduled work hours, along with instructions for the supervisors to contact the Human Resources Department (HR) to address any scheduled work hour concerns. University personnel also indicated that, if the scheduled work hours were accurate, no action was required of the supervisor or, if scheduled work hour concerns were identified, supervisors were to verbally contact HR to investigate and resolve the concerns. However, University procedures did not require nor were records maintained to document the supervisory review and approval of exempt employee time worked during a pay period the employee did not report leave.

During the 2016 calendar year, the University reported salary costs of \$94.1 million for 1,876 exempt employees (excluding the President). In response to our inquiries, University personnel indicated that procedures were designed to focus on identifying errors and preventing overpayments, and that the payroll process was revised effective July 1, 2017, to implement a Payroll Certification Issues and Resolution Log to document reported work hour concerns and the steps taken to resolve the concerns.

Notwithstanding this response, without procedures requiring documented supervisory review and approval of exempt employee time worked, there is limited assurance that exempt employee services were provided consistent with University expectations. In addition, without records documenting supervisory review and approval of exempt employee time worked, there is an increased risk that exempt employees may be incorrectly compensated, employee leave balances may not be accurate, and University records may not be sufficiently detailed in the event of a salary or leave dispute. Although our examination of selected exempt employee compensation payments did not disclose any instances of incorrect payments, our procedures do not substitute for management's responsibility to implement adequate controls to document supervisory review and approval of exempt employee time worked. A similar finding was noted in our report No. 2015-136.

Recommendation: The University should implement procedures requiring supervisors to document the review and approval of exempt employee time worked.

Finding 2: Textbook Affordability

State law¹ requires universities to post prominently in the course registration system and on its Web site, as early as 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. In addition, State law² requires universities to report to the Chancellor of the State University System (SUS) no later than September 30, 2016, the number of courses and course sections that were not able to meet the textbook and instructional materials posting deadline for the previous fiscal year.³ Effective procedures to ensure postings are timely and records support SUS Chancellor reports could include documented, supervisory review and approval of the postings and records.

The University established procedures to post hyperlinks to lists of required and recommended textbook and instructional material information for the upcoming term and submitted a report to the Chancellor of the SUS by the required deadline. However, University procedures did not require supervisory review and approval of the postings and records supporting the report. Our audit procedures disclosed that:

- The University contracted with a vendor to manage and operate the University Bookstore, as well as to compile and post adopted textbooks and instructional materials in the course registration system and on the University Bookstore Web site. Table 1 shows, for the Fall 2016 and Spring 2017 Semesters, the posted status of course sections and the percentage of course sections timely posted.

**Table 1
Textbook and Instructional Material Postings**

Posted Status	Fall 2016 Course Sections	Spring 2017 Course Sections
At least 45 days before the first class	2,568	2,373
Not 45 days before first class	262	308
Not Posted	83	80
Totals	<u>2,913</u>	<u>2,761</u>
Percentage Timely Posted	<u>88%</u>	<u>86%</u>

Source: University records.

- As the University only timely posted the textbooks and instructional materials for 88 and 86 percent of the course sections during the Fall 2016 and Spring 2017 Semesters, respectively, the University did not comply with State law requiring that such information be timely posted for at least 95 percent of the course sections. Additionally, although we requested, University records

¹ Section 1004.085(6), Florida Statutes.

² Section 1004.085(8), Florida Statutes.

³ The Board of Governors (BOG) template instructions required universities to report courses and course sections for the Fall 2016 Semester.

were not provided to evidence documented, supervisory review to verify that the postings complied with State law.

- The University report to the Chancellor of the SUS for the Fall 2016 Semester indicated that textbook and instructional materials information for 4 percent of the course sections did not meet the posting deadline and, therefore, the University represented that 96 percent of course sections met the posting deadline. In response to our inquiries regarding the difference for the 96 percent represented and the 88 percent shown in Table 1, University personnel indicated that the report used to determine the course sections timely meeting the posting deadline was generated near the posting deadline but excluded certain course sections that were not posted until after the posting deadline. In addition, although we requested, University records were not provided to evidence documented, supervisory review of the accuracy and approval of the records supporting the SUS Chancellor report.

University personnel indicated that procedures were being implemented for the Spring 2018 Semester to require that textbook adoptions be submitted 2 weeks in advance of the 45-day deadline to reduce the number of untimely postings.

The timely posting of required and recommended textbook and instructional material information in the course registration system and on the University Bookstore's Web site is necessary for students to understand course textbook requirements, have sufficient time to consider textbook purchase options, and limit their textbook costs. In addition, it is important that accurate information be reported to the SUS Chancellor, given the Chancellor's responsibility to summarize and report the information by institution to the Board of Governors.

Recommendation: The University should continue efforts to ensure that 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 is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term. In addition, University procedures should ensure that the number of courses and course sections that did not meet the textbook and instructional materials posting deadline are accurately reported to the SUS Chancellor. To help promote the timeliness of textbooks and instructional materials postings and accuracy of information reported to the SUS Chancellor, University procedures should require supervisory review and approval of the postings and report.

Finding 3: Distance Learning Fees

State law⁴ provides, in part, that each university may assess a per credit hour distance learning course fee for a course listed in the Statewide Internet-based catalog of distance learning courses (Catalog). The University offered 876 distance learning courses that generated distance learning fee revenues totaling \$2.5 million for the 2016 calendar year.

We selected 30 distance learning courses with distance learning fee revenues totaling \$84,395 to determine whether the courses were listed in the Catalog. We found that 6 courses, with distance learning fee revenues totaling \$10,860, were not listed. In response to our inquiry, University personnel indicated that 5 courses were not listed in the Catalog because they were added to the University course schedule after the Catalog was prepared, and that the other course was not in the Statewide Course

⁴ Section 1009.24(17), Florida Statutes.

Numbering System and could not be listed in the Catalog. University personnel also indicated that listing a course in the Catalog is a manual process and there are frequent changes to the University course schedule prior to classes beginning each semester, resulting in University courses being excluded from the Catalog. We requested a listing of all courses added to the University course schedule subsequent to the University-scheduled Catalog update and found that 74 additional courses, which generated total distance learning fees of \$143,865, were added to the University's course schedule after the Catalog update and, therefore, were not included in the Catalog.

When distance learning courses are not listed in the Catalog, students may inappropriately be assessed fees and be misinformed of available distance learning opportunities. University personnel indicated that procedures were revised in May 2017 to perform two additional updates to the Catalog each term and a final review to ensure that all distance learning courses are listed in the Catalog.

Recommendation: The University should continue efforts to comply with State law by ensuring that all University distance learning courses for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

Finding 4: Sunshine Law

State law⁵ requires that reasonable notice of public meetings be given and minutes of public meetings be promptly recorded and open for public inspection. Additionally, the Florida Supreme Court⁶ has held that meetings of certain advisory boards and fact-finding committees participating in the decision-making function of a State agency or authority are public meetings under the Sunshine Law.

University procedures provide for a procurement evaluation committee (committee) to assist in the evaluation and selection of vendors for certain procurements. Based on procurement proposals and presentations, the committee makes determinations of the vendors providing the best value to the University and submits a list of recommended vendors in ranked order to decision makers for awarding procurement contracts. Because the committee excludes some qualified vendors from decision-maker consideration and participates in the decision-making function, the committee is subject to the Sunshine Law. Based on our discussions with University personnel regarding the committee and our examination of University records for the 2016 calendar year, we found that the committee was responsible for solicitation activities associated with 16 procurements, provided public notice of the committee meetings, and conducted 44 meetings that were tape recorded; however, the committee did not prepare written minutes for 42 of the meetings.

Without promptly recorded minutes of meetings of committees participating in the decision-making function, information regarding actions taken at the meeting may not be readily available for public inspection.

Recommendation: The University should enhance procedures to ensure that all meeting minutes of committees that participate in the decision-making function are promptly recorded and made available for public inspection.

⁵ Section 286.011(1) and (2), Florida Statutes (Sunshine Law).

⁶ Wood v. Marston, 442 So.2d 934 (Fla. 1983).

Finding 5: Direct-Support Organizations

To promote accountability over University property, facility, and personal services use, it is important that public records prescribe the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. Such records help document authorization for the use, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law⁷ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a State university in Florida. State law⁸ requires the Board of Trustees (Trustees) to prescribe by rule conditions with which a university DSO must comply in order to use property, facilities, or personal services and such rules must provide for budget and audit review and oversight by the Trustees.

The Trustees approved the University of North Florida Foundation, Inc. (Foundation), the Museum of Contemporary Art Jacksonville, Inc. (MOCA), and the University of North Florida Training and Services Institute, Inc. (TSI) as DSOs and these organizations routinely implement and administer educational and training programs and receive and use charitable contributions for the benefit of the University. As a condition for using University property, facilities, and personal services, Trustee regulations⁹ require each DSO to submit:

- Operating budgets annually.
- Proposed changes to the approved budget that would require a commitment of University resources.
- Audited financial statements and management letters annually.
- Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form 990s (Form 990s) annually.

Although University records indicated that the Trustees reviewed the DSO annual operating budgets, audited financial statements and management letters, and Form 990s, as DSOs are already required to comply with the audited financial statements and Form 990 reporting requirements, the University regulations did not identify additional conditions that the DSOs must meet to use University property, facilities, or personal services. As shown in Table 2, 174 University employees provided DSO services and University records disclosed that University expenses for those services, after DSO reimbursements of \$4,129,167, totaled \$2,549,737.

⁷ Section 1004.28(1)(a), Florida Statutes.

⁸ Section 1004.28(2), Florida Statutes.

⁹ Regulation 3.0010R, *Certification of Direct Support Organizations*.

Table 2
University Expenses Related to
Personal Services Provided to DSOs
For the Fiscal Year Ended June 30, 2017

	Foundation	MOCA	TSI	Totals
DSO Fiscal Year Ended June 30, 2017:				
Number of University Employees Providing Personal Services to the DSO	53	76	45	174
Personal Services Expenses	\$2,483,040	\$1,277,854	\$ 2,918,010	\$ 6,678,904
Personal Services Expenses Reimbursed by DSO ^a	(447,011)	(863,842)	(2,818,314)	(4,129,167)
Net Personal Services Expenses	<u>\$2,036,029</u>	<u>\$ 414,012</u>	<u>\$ 99,696</u>	<u>\$ 2,549,737</u>

^a The Foundation, MOCA, and TSI reimbursed the University for certain personal services costs associated with DSO operations, such as accountants, museum store managers, development officers, executives, food service employees, and public relations staff.

Source: University records and DSO financial statement audit reports for the fiscal year ended June 30, 2017.

According to University personnel, University employees providing services to the MOCA and TSI spent 100 percent of their time and effort on MOCA and TSI activities, and University employees providing services to the Foundation spent from 50 to 100 percent of their time and effort on Foundation activities. Although the Foundation reimbursed \$447,011 for the costs of services provided by University employees, the University did not require or maintain records, such as records of University employee time and effort, to support the unreimbursed personal services costs totaling \$2,036,029 or the purposes for such services. In addition, although we requested, Trustees-approved agreements or other University records were not provided to evidence the basis for the DSO reimbursements. Without such, there is an increased risk for misunderstandings between the Trustees and DSOs and for over or under reimbursements to occur. In response to our inquiries, University personnel indicated that the Trustees had not requested to review and approve personal services information in the past and that the benefits (i.e., scholarships, land, program support, and internal support services) received by the University from the DSOs totaled over \$20 million during the 2016-17 fiscal year, which far exceeded the costs of the University personal services provided.

In addition, the DSO financial statement audit reports for the 2016-17 fiscal year indicated that the University provided, as in-kind contributions, miscellaneous support services such as office and classroom space, furnishings, and administrative and fiscal services at no cost. University personnel indicated the University provided approximately 84,000 square feet of facilities space to its DSOs. However, University records did not evidence that the Trustees preapproved DSO use of University property or facilities or the value of such use before the use occurred.

Notwithstanding the University responses provided, we found that University records associated with DSO use of University personal services, property, and facilities could be improved by establishing in Trustee-approved rules the conditions with which a DSO must comply in order to use University resources. Such rules could prescribe, for example, conditions to:

- Restrict DSO use of University resources to those Trustee-approved public purposes consistent with the mission, vision, and values of the University.

- Require DSO management to certify that University resources will only be used for Trustee-approved purposes and to affirm, after use, that the resources were only used for those purposes.

University records could also be enhanced by obtaining the Trustees' approval of anticipated University personal services and resources, and the value of such services and resources, to be provided to DSOs before the services and resources are provided, and documenting University employee actual time and effort provided to a DSO to support the purpose for and value of personal services provided. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the University resources provided for DSO use.

Recommendation: We recommend that:

- **The Trustees prescribe by rule any conditions with which a DSO must comply in order to use University property, facilities, and personal services and the University monitor and document DSO compliance with such conditions.**
- **The University document Trustees consideration and approval of DSO anticipated use of University resources, at least on an annual basis, before the use occurs. To enhance government transparency, Board approval documentation should identify the positions of the University employees who will provide personal services, the square footage of the office space and related buildings that will be used by the respective DSOs, and the value of such use.**
- **The Trustees enter into agreements with DSOs to establish the basis for any DSO reimbursements.**
- **The University document University employee time and effort provided to the DSOs to support the purpose for and value of those services and the distribution of applicable personal service costs among specific University and DSO activities for employees who work on more than one activity.**

Finding 6: Information Technology Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (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. Similar findings were communicated to the University in connection with our report Nos. 2015-136 and 2012-064.

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

Finding 7: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁰ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The University collects and uses student SSNs for various purposes, such as to register newly enrolled students and to comply with Federal and State requirements related to financial and academic assistance. Student SSNs are also maintained so the University can provide student transcripts to other colleges, universities, and potential employers based on student-authorized requests. According to University personnel and records, the University established a unique identifier, other than the student's SSN, to identify students and maintained student SSNs in the University information technology (IT) system.

As of November 2017, the University IT system contained SSNs for a total of 213,725 students, including current, former, and prospective students and 410 employees had access to the student SSNs, including employees in the University Admissions, Student Financial Aid, IT, and Police Departments. To help protect student information from unauthorized disclosure, modification, or destruction, applicable security administrators grant specific access privileges based on an employee's position and job responsibilities and periodically review access privileges to ensure the access privileges are commensurate with each employee's job duties and responsibilities. However, the security administrator review did not extend to student SSN access privileges. Although access to student SSNs is necessary for some University personnel to perform their assigned job responsibilities, University records did not demonstrate why all 410 employees needed such access. For example, 6 applications programmers in the IT Department and 3 police communications employees in the University Police Department had access to student SSNs although, based on their job duties, there did not appear to be a demonstrated need for such access.

In response to our inquiries, University personnel indicated that, while the University IT system included a feature to mask, hide, or conceal private information, such as birth dates, SSNs, and addresses, the feature was not being used as of August 2017. In addition, University personnel indicated that the IT system did not differentiate between current, former, and prospective students. University personnel also indicated prospective student SSNs are continually submitted to the University in academic transcripts and the SSNs are used to create student IDs that cannot be removed using the current University software. Notwithstanding these responses, the existence of unnecessary access privileges and indefinite maintenance, without a documented public purpose, of SSNs for individuals who applied but had not enrolled in the University increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against University students or other individuals.

¹⁰ Section 119.071(5)(a), Florida Statutes.

Recommendation: To ensure access to sensitive information is properly safeguarded, the University should:

- Document the public purpose served by indefinitely maintaining the SSNs for individuals who did not enroll in the University or establish a reasonable time period for maintaining prospective student SSNs.
- Incorporate user access privileges to student SSNs into the periodic reviews of IT user access privileges and remove any unnecessary privileges detected.
- Upgrade the University IT system to differentiate IT user access privileges to current student information from access privileges to former or prospective student information.
- Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive student information have such access.

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1 and 6 and shown in Table 3, the University had taken corrective actions for findings included in our report Nos. 2015-136 and 2012-064.

Table 3
Findings Also Noted in Previous Audit Reports

Finding	Operational Audit Report No. 2015-136, Finding	Operational Audit Report No. 2012-064, Finding
1	7	Not Applicable
6	12	3

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 April 2017 to November 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and

efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.

- Determine whether management had taken corrective actions for findings included in our report No. 2015-136.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2016 through December 2016, and selected University transactions taken prior to 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 University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security and disaster recovery.
- Reviewed University procedures for maintaining and reviewing access to IT resources. Specifically, from the population of 2,087 employees with access to the University's database and finance and human resources applications, we examined University records supporting the access privileges for 43 employees with access to finance and human resources applications to determine the appropriateness and necessity of the access privileges based on employees' job

duties and user account functions and whether access prevented the performance of incompatible duties.

- Evaluated University procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges of employees who had access to student SSNs to determine the appropriateness and necessity of the access privileges based on the employees' job responsibilities.
- 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 Board of Trustees, committee, and advisory board meeting minutes to determine whether Trustee approval was obtained for the policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records for the audit period to determine whether the University informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Reviewed the internal audit function during the audit period to determine whether the University followed professional requirements and provided for peer review of reports issued.
- Examined documentation to determine whether College policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes, and Board of Governors' (BOG) Regulation 8.003.
- Reviewed University records supporting 159 payments and transfers, totaling \$2.6 million, made during the audit period from the University to its direct-support organizations to determine whether the payments and transfers were authorized by Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Examined University records to determine whether the Trustees had prescribed by rule the conditions with which the DSOs must comply in order to use University property, facilities, and personal services; the University maintained records to document the value of University property and facilities used by the DSOs and University employee actual time and effort provided to the DSOs; and the Trustees documented consideration and approval of anticipated property, facilities, and personal services and related costs provided to the DSOs.
- Examined University records for 30 selected student accounts receivable totaling \$413,699 from the population of 11,612 student accounts receivable totaling \$14.3 million and recorded as of May 26, 2017, to determine the adequacy of University collection efforts and whether restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent account balances.
- Reviewed University records for 121 students selected from the population of 19,515 students classified as Florida residents during the Spring 2016, Summer 2016, and Fall 2016 terms, and 91 Latin American and Caribbean resident students during the Spring 2017 term, to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes, and BOG Regulation 7.007.
- Evaluated 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.

- Examined University records for distance learning courses to determine whether distance learning fees were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.
- From the population of auxiliary operations, which generated revenue totaling \$63.9 million for the audit period, examined University records supporting four selected contracts for auxiliary operations, which generated revenues totaling \$1.6 million, to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions. We also performed analytical procedures to determine whether the University's auxiliary services were self-supporting.
- Examined University procedures and related records for supervisory review and approval of exempt employee time worked and leave used during the audit period.
- From the population of compensation transactions totaling \$113.3 million made to 2,542 employees during the audit period, selected 30 payroll transactions totaling \$68,887 and examined the related payroll and personnel records to determine the validity of employment contracts and whether the respective employees met the required qualifications, performance evaluations were completed, and leave records were accurate.
- Evaluated University 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 Trustee regulations. Specifically, from the population of 232 employees who separated from University employment during the audit period and were paid \$1.3 million for terminal leave, we selected 15 employees with terminal payments totaling \$374,440 and examined the supporting records to evaluate the payments for compliance with Section 110.122, Florida Statutes, and Board Regulation No. 4.0120P.
- Examined severance pay provisions in the six employee contracts that contained such provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined University records for the 17 selected administrative employees (including the President) who received compensation in excess of \$200,000, totaling \$5 million, to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Evaluated University policies and procedures for obtaining personnel background screenings to determine whether individuals in positions of special trust and responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Examined University expense documentation to determine whether the expenses 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 Trustee policies. From the population of expenses other than salaries and related benefits totaling \$141.8 million for the audit period, we examined documentation supporting:
 - 33 selected payments for general expenses totaling \$2 million.
 - 22 selected payments for contractual services totaling \$2.2 million.
- From the population of 35,625 purchasing card (P-card) transactions totaling \$9.6 million during the audit period, examined University records supporting 289 selected P-card transactions totaling \$357,755 to determine whether the P-card program was administered in accordance with University policies and procedures and transactions were not of a personal nature.
- From the population of \$16,288 in total travel expenses for Trustees and the President during the audit period, examined eight selected travel expense reimbursements totaling \$10,314 to

determine whether the travel expenses were reasonable, adequately supported, for valid University purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.

- Evaluated University 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 and Trustees to identify any relationships that represented a potential conflict of interest with vendors used by the University.
- Examined University records supporting taxable fringe benefits attributable to the personal use of employer-provided vehicles.
- From the population of 26 construction projects with construction contract costs totaling \$38.5 million and in progress during the audit period, selected 1 major construction project with a guaranteed maximum price (GMP) contract totaling \$23.3 million and examined University records to determine whether:
 - 44 payments totaling \$1.3 million were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
 - The University properly selected design professionals and construction managers; adequately monitored the construction manager selection of subcontractors; and that design professionals provided evidence of required insurance.
- 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



ADMINISTRATION & FINANCE
Office of the Vice President

UNIVERSITY of
NORTH FLORIDA

March 9, 2018

Ms. Sherrill F. Norman
Auditor General
State of Florida
111 West Madison Street
Claude Pepper Building, Suite G-74
Tallahassee, FL 32399-1450

Dear Ms. Norman:

In connection with the University of North Florida Operational Audit for the fiscal year ending June 30, 2017, enclosed is the University's response to the Preliminary and Tentative audit findings dated February 8, 2018.

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

Sincerely,

Shari Shuman
Vice President

Enclosure

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Equal Opportunity/Equal Access/Affirmative Action Institution

Responses to Florida Auditor General's Preliminary Findings dated February 8, 2018

Finding No. 1: Payroll Processing – Time Records

As similarly noted in our report No. 2015-136, University procedures could be improved by requiring supervisors to document the review and approval of all exempt employee time worked.

Recommendation: The University should implement procedures requiring supervisors to document the review and approval of exempt employee time worked.

University Response:

The University will examine its procedures to determine how to better document and capture the review and approval of exempt employee's time.

Finding No. 2: Textbook Affordability

University textbook affordability procedures need enhancement to promote compliance with State law.

Recommendation: The University should continue efforts to ensure that 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 is prominently posted in the course registrations system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term. In addition, University procedures should ensure that the number of courses and course sections that did not meet the textbook and instructional materials posting deadline are accurately reported to the SUS Chancellor. To help promote the timeliness of textbooks and instructional materials postings and accuracy of information reported to the SUS Chancellor, University procedures should require supervisory review and approval of the postings and report.

University Response:

The steps we currently take as well as those we plan to take in order to ensure compliance include the following:

Clarified the difference between adoption date and posting date. In the initial report to the Board of Governors, we over-reported adoption rates as a result of the inclusion of adoptions entered into the Bookstore adoption system but not yet posted for public access. Once we understood that compliance was to only include posted book information, our rates were corrected. We have now incorporated additional communication with chairs, secretaries and individual faculty members.

UNF has moved our internal deadline up two weeks prior to the 45-day deadline in order to provide time for the Bookstore to enter all adoptions so the information is posted for students by the deadline date.

The University has a new adoption system which should result in a more efficient adoption process and most importantly, the ability to "roll" previously adopted textbooks to an upcoming term. The full implementation of this system should occur in summer 2018 term.

Academic Affairs is working directly with the Office of Institutional Research and the Bookstore to provide data in a more efficient way.

An Academic Affairs staff member has been tasked to work directly with department chairs to identify those courses using OER resources in order to facilitate the adoption process. This more aggressive intervention step has resulted in full compliance in the 2017-18 year.

Finding No. 3: Distance Learning Fees

Contrary to State law, the University assessed distance learning course fees for courses not listed in the Statewide Internet-based catalog of distance learning courses.

Recommendation: The University should continue efforts to comply with State law by ensuring that all University distance learning courses for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

University Response:

We have revised our procedures which included adding additional catalog uploads, to address this finding and ensure that all courses are listed in the Catalog.

Finding No. 4: Sunshine Law

Although required by State law, the University did not always promptly record and make available for public inspection the written minutes of certain committee meetings participating in the decision-making function.

Recommendation: The University should enhance procedures to ensure that all meeting minutes of committees that participate in decision-making function are promptly recorded and made available for public inspection.

University Response:

As the finding indicates, all meetings were recorded and those recordings were maintained and made available for public inspection. We have subsequently gone back and additionally prepared written minutes to these meetings. We have also updated our procedures to ensure that all future meetings are not only taped but written minutes are prepared immediately following the meetings.

Finding No. 5: Direct-Support Organizations

University records supporting University property, facilities, and personal services provided to the University direct-support organizations could be improved.

Recommendation: We recommend that:

- The Trustees prescribe by rule any conditions with which a DSO must comply in order to use University property, facilities, and personal services and the University monitor and document DSO compliance with such conditions.
- The University document Trustees consideration and approval of DSO anticipated use of University resources, at least on an annual basis, before the use occurs. To enhance government transparency, Board approval documentation should identify the positions of the University employees who will provide personal

services, the square footage of the office space and related buildings that will be used by the respective DSO's, and the value of such use.

- The Trustees enter into agreements with DSO's to establish the basis for any DSO reimbursements.
- The University document University employee time and effort provided to the DSO's to support the purpose for and value of those services and the distribution of applicable personal service costs among specific University and DSO activities for employees who work on more than one activity.

University Response:

We will examine and enhance our processes to ensure the Board of Trustees properly consider and approve all anticipated DSO use of University resources, as detailed above, at least on an annual basis. This will include enhanced agreements between the DSO's and the University better detailing these arrangements.

Finding 6: Information Technology Security Controls – User Authentication

University information technology (IT) security controls related to user authentication continue to need improvement.

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

University Response:

The University agrees that we should be consistently and constantly looking for ways to improve its IT security controls with regard to user authentication to ensure the continued confidential, integrity, and availability of University data and IT resources. To that end we are continuing to ensure our compliance, as both required and encouraged, with standards issued from The National Institute of Standards and Technology (NIST) and their Digital Identity Guidelines.

Finding 7: Informational Technology User Access Privileges

Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

Recommendation: To ensure access to sensitive information is properly safeguarded, the University should:

- Document the public purpose served by indefinitely maintaining the SSNs for individuals who did not enroll in the University or establish a reasonable time period for maintaining prospective student SSNs.
- Incorporate user access privileges to student SSNs into the periodic reviews of IT user access privileges and remove any unnecessary privileges detected.
- Upgrade the University IT system to differentiate IT user access privileges to current student information from access privileges to former or prospective student information.
- Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive student information have such access.

University Response:

The University agrees and recognizes the importance to protect sensitive personal information and restrict access to only those with a demonstrated business need. We will continue to evaluate our practices and procedures and determine how best to further safeguard this information.