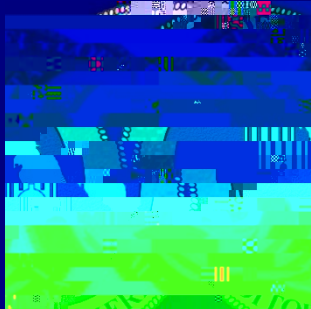


UNIVERSITY OF SOUTH FLORIDA

Operational Audit



UNIVERSITY OF SOUTH FLORIDA

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures relating to electronic funds transfers.

Finding No. 2: The University needed to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

STUDENT TUITION AND FEES

Finding No. 3: The University needed to evaluate its procedures for assessing distance learning course fees.

Finding No. 4: Our tests disclosed payments totaling \$80,623 to ten employees from tuition differential fees for which University records did not evidence that these employees provided a benefit to undergraduate programs, and \$14,853 to four graduate teaching assistants, contrary to Section 1009.24(16), Florida Statutes.

PERSONNEL AND PAYROLL

Finding No. 5: The University's controls over monitoring of contracted employee payroll expenses needed improvement.

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

Finding No. 7: The University made severance payments that exceeded the limitations provided by Section 215.425, Florida Statutes.

EXPENSES AND DISBURSEMENTS

Finding No. 8: The University provided a line of credit to one of its direct-support organizations without specific legal authority.

INFORMATION TECHNOLOGY


Finding No. 9: University information technology security controls related to user authentication, electronic storage of sensitive data, user account management practices, and data center physical security measures needed improvement.

BACKGROUND

The University of South Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The system faculty council president and student body president also are members.

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

The results of our financial audit of the University for the fiscal year ended June 30, 2013, 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, 2013, will be presented in a separate report.



The University had established the BOG required textbook adoption regulation and procedures; however, the University did not have monitoring procedures in place to ensure the posting of textbook lists 30 days before the first day of class. The University contracted with a vendor to manage and operate the University bookstore, as well as compile and post lists of adopted textbooks on the University's Web site. According to University bookstore personnel, textbooks were supposed to be published on the University's Web site within 48 hours after the adopted textbooks were recorded in the vendor's system.

Our review disclosed that the University adopted 7,216 textbooks for the Fall 2012 term and 6,677 textbooks for the Spring 2013 term, which included the required ISBN or other identifying information. However, information for 1,661 textbooks for the Fall 2012 term and 2,059 textbooks for the Spring 2013 term was not posted on the University's Web site at least 30 days prior to the first day of class for each term, contrary to State law. This included 45 textbooks for the Fall 2012 term, and 45 textbooks for the Spring 2013 term, that were posted to the University's Web site from 5 to 49 days after the first day of class. For 50 of the 90 textbooks posted from 5 to 49 days after the first day of class, the University did not provide explanations for the late posting. For the other 40 textbooks posted late, University bookstore personnel provided explanations for the late posting, such as, although the courses were originally scheduled, the instructors were not appointed until a later date and the textbook orders could not be placed until the instructors were appointed; certain courses were added late; and while original orders were submitted on time, additional items were added after the deadline to complete the orders.

Effective monitoring procedures would help ensure that textbooks are listed on the University's Web site in accordance with State law and BOG Regulations. Timely posting of textbook information is necessary to improve textbook affordability for students.

which will result in a significant multi-year investment in distance learning courses, beginning with the 2013-14 fiscal year.

Recommendation: The University should enhance its monitoring procedures to ensure that distance learning course fees assessed do not exceed the additional costs of the services that are attributable to the development and delivery of the distance learning courses.

Finding No. 4: Tuition Differential Fee

Section 1009.24(16), Florida Statutes, states in part that each university board of trustees may establish a student tuition differential fee for undergraduate courses, which shall be used to promote improvements in the quality of undergraduate education and provide financial aid to undergraduate students who exhibit financial need. Section 1009.24(16)(a), Florida Statutes, provides that 70 percent of revenues from tuition differential fees must be expended for certain specified purposes other than for student financial aid, which include increasing course offerings, improving graduation rates, increasing the percentage of undergraduate students who are taught by faculty, decreasing student-faculty ratios, providing salary increases for faculty who have a history of excellent teaching in undergraduate courses, improving the efficiency of the delivery of undergraduate education through academic advisement and

Recommendation: The University should enhance its procedures to ensure that tuition differential fees are expended in accordance with Section 1009.24(16), Florida Statutes. Additionally, the University should restore the remaining \$84,503 of questioned costs to the tuition differential fee fund.

Personnel and Payroll

Finding No. 5: Payroll Monitoring

The University adopted personnel policies and procedures for its administration of payments to employees and contracted staff, including the payment of overtime. In our report No. 2012-132, we noted that for the 2010 calendar year the University made improper overtime and other payments to a contracted physician resulting in \$17,316 of overpayments. The physician’s contract provided that as full compensation for the physician’s services, the physician was to be paid \$96 an hour, not to exceed a total of 2,083 hours during any year, with total compensation not to exceed \$200,000 per annum. We recommended that the University seek to recover the \$17,316 of overpayments; however, as of November 5, 2013, the University had not taken action to recover these moneys.

Our review, for the 2011 and 2012 calendar years, disclosed that based on University payroll records the physician was overpaid an additional \$23,304, as follows:

For the 2011 calendar year, the physician was paid \$223,176 for 2,153 hours. This included 1,809.5 hours at \$96 per hour and 343.5 hours of overtime at \$144 per hour. In total, the physician was overpaid \$23,208 for the 2011 calendar year.

For the 2012 calendar year, the physician was paid \$11,808 for 122 hours for the 2012 calendar year before

site and issuance of quarterly reports; and overseeing scheduling and operation of research vessels. Excess remuneration paid from appropriated State funds totaled \$17,064.

Based on our review of the three employees' actual responsibilities, none of the employees served as teaching faculty with classroom contact hours pursuant to the provisions of Section 1012.945(2), Florida Statutes, or as medical school staff at any time during the 2012-13 fiscal year. In response to our inquiries, the University informed us that the Human Resource Department listed the employees that had been classified as faculty under the University's faculty pay plan and it was their understanding that employees paid under the University's faculty pay plan, were excluded from the limitation on remuneration. However, the University's records did not evidence that these individuals served as teachers, faculty, or medical school staff, nor did University records indicate that these individuals were acting in other than an administrative capacity. Accordingly, it is not clear on what basis these employees would be exempt from the remuneration limitation applicable to administrative employees as provided in Section 1012.976(2), Florida Statutes.

Recommendation: The University should review the salaries of all employees working in an administrative capacity to ensure that salaries are paid within limitations provided in Section 1012.976(2), Florida Statutes. Also, the University should restore the amount of remunerations paid in excess of the amounts allowed by Statute to its appropriated State funds from other University resources.

Finding No. 7: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that on or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay must include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Section 215.425(4)(b), Florida Statutes, provides that any severance payment made on or after July 1, 2011, for the settlement of an employment dispute, other than that provided for in a contract or employment agreement, may not exceed six weeks of compensation. Section 1001.706(6)(d), Florida Statutes (2011), provided that universities may not enter into an employment agreement that authorized severance pay in excess of one year's annual salary.

confidentiality, integrity, and availability of University data and IT resources may be compromised. A similar finding

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2011-12 and 2012-13 fiscal years, and selected actions taken prior thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

AUTHORITY

MANAGEMENT’S RESPONSE

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

David W. Martin, CPA
Auditor General

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

	Methodology
	Tested selected access privileges over the database and finance and human resources applications 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. Tested administrator account access privileges granted for the operating system and database to determine whether these accounts had been appropriately assigned and managed.
ation.	Reviewed selected operating system, database, network, and application security settings to determine whether enforced in
	ne capture, d system and
	e IT risk the University's and security ty, integrity, and
	determine icies and nd for evidence ts (i.e., proper d maintenance
	mine whether nents and

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

Scope (Topic)	Methodology
Florida residency determination and tuition.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and BOG Regulation 7.005.
Tuition differential fees.	Reviewed payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.24(17), Florida Statutes.
Overtime payments.	Reviewed University policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments.
Terminal pay.	Reviewed the University's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the University was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.
President's compensation.	Determined whether the President's compensation was in accordance with Florida law, BOG Regulations, and University policy.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Procurement of goods and services.	Reviewed University policies and procedures related to the procurement of goods and services to ensure the competitive vendor selection process. Tested disbursements to determine whether purchase orders were issued prior to the University incurring an obligation for the goods or services.
Electronic funds transfers.	Reviewed University policies and procedures related to electronic funds transfers. Tested supporting documentation to determine whether selected electronic funds transfers were properly authorized and supported.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.

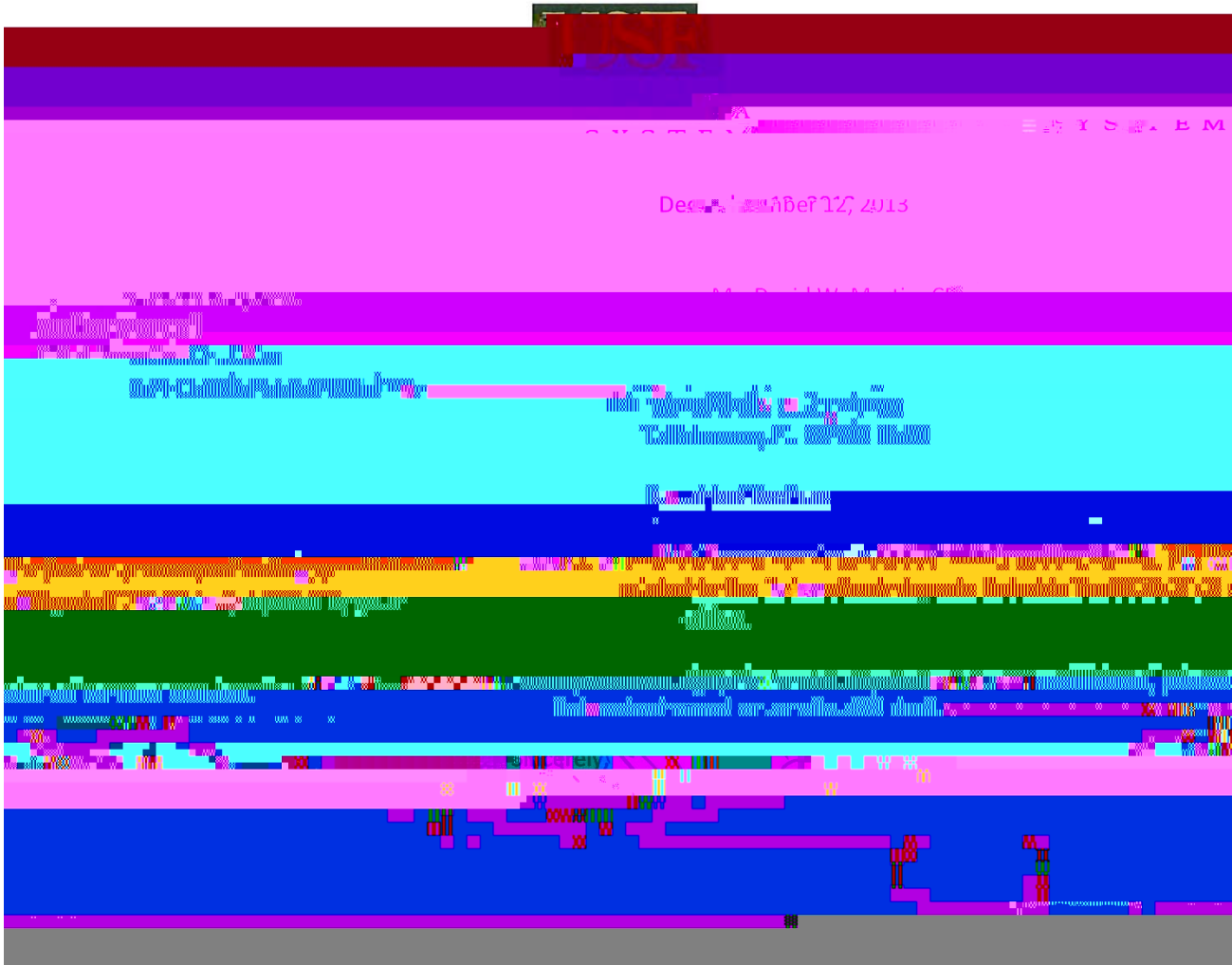
EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Travel expenses.	Tested executive foreign, and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for University purposes.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure whether they were properly awarded and executed and whether contract terms were adequately supported.

Related-party transactions.

For selected University officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and University records to identify any potential relationships that represent a conflict of interest with vendors used by the University off

**EXHIBIT B
MANAGEMENT'S RESPONSE**



Enclosure

Copy to: Dr. Judy Genshaft



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

Management's Response: The University will enhance its monitoring procedures to ensure that distance learning course fees collected do not exceed the additional costs and investments required to support services that are attributable to the development and delivery of the distance learning courses.

Expected Implementation Date: June 30, 2014

Responsible Party: Michael Pearce, 813/974-1780

Finding No. 4: Overpayment of Tuition Fees

Section 1009.24(10), Florida Statutes.

Recommendation: The University should enhance its procedures to ensure that tuition

Additionally, the University should restore the remaining \$84,503 of questioned costs to the tuition differential fee fund.

Management's response: The University has recently applied a new procedure to

Expected Implementation Date: January 1, 2014

Responsible Party: Nicholas Setteducato, 813/974-2707

PERSONNEL and PAYROLL

Finding No. 5: The University's controls over monitoring of contracted employee payroll expenses needed improvement.

Recommendation: The University should enhance its procedures to ensure that contracted employees are paid in accordance with contract provisions. In addition, the University should seek to recover amounts overpaid the physician to the extent allowed under Section 95.11, Florida Statutes.

Management's Response: The University continued to interpret this statute differently. It is the University's position that although not obligated to pay overtime, we are also not precluded from paying overtime. Therefore, the University does not believe that any salary recovery is required. This contracted employee is no longer employed by the University so no further action is necessary to address this issue.

Expected Implementation Date: June 30, 2013

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

Responsible Party: Theresa Drye, 813/974-5711

Finding No. 6: The University's remuneration to some administrative employees exceeded the
limitations provided by Section 1012.07(2), Florida Statutes.

[REDACTED]

Finding No. 7: The University's made severance payments that exceeded the limitations provided
by Section 215.425, Florida Statutes.

Recommendation: The University should ensure that future severance payments comply with
Section 215.425(4), Florida Statutes.

Management's Response: Management will comply with 215.425 (4), Florida Statutes.

[REDACTED]

and replenish University accounts.

Management's Response: To fully understand the relationship between the University and the
University of South Florida Health Professions Conferencing Corporation ("HPCC") and the legal
basis for the revolving line of credit being questioned by the Auditor General, a person needs to go
back to the mid 1990's when the University initiated a continuing medical professional development program

[REDACTED]

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

In 2010, the University of Florida established the Health Professions Career Center (HPCC) to provide a

Once CAMLS was established and as the temporary need for financial assistance arose, the University had several options available to it to assist HPCC in the start-up operations of the CAMLS facility. The Auditor General is correct in its reading of Section 1004.28 (2), Florida Statutes, in that HPCC may use the University's property. The type of University property that a direct user of the facility may use is defined in that section. In fact, the definition is broad and includes

in the loan agreement.

Therefore, the use of the cash was and continues to be authorized by Statute. This legal conclusion was determined by the University's Office of the General Counsel and the University's special counsel that reviewed this matter at great length before advising the University that the advancement of the funds to HPCC was authorized by statute.

Expected Implementation Date: June 30, 2013

Responsible Party: Nick Trivunovich, 813/974-3297

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

INFORMATION TECHNOLOGY

Finding No. 9: University information technology security controls related to user authentication, electronic storage of sensitive data, user account management practices, and data center physical security measures needed improvement.

Recommendation: The University should implement information technology security controls related to user authentication, electronic storage of sensitive data, user account management practices, and data center physical security measures needed improvement.

[REDACTED]

Expected Implementation Date: June 30, 2014

U.S. Dept. of Education 2014-12-04 04:47:45 PM

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]