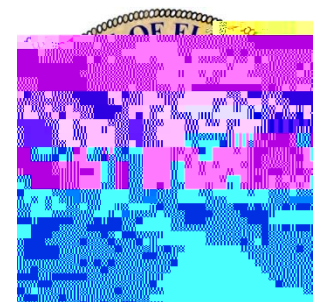
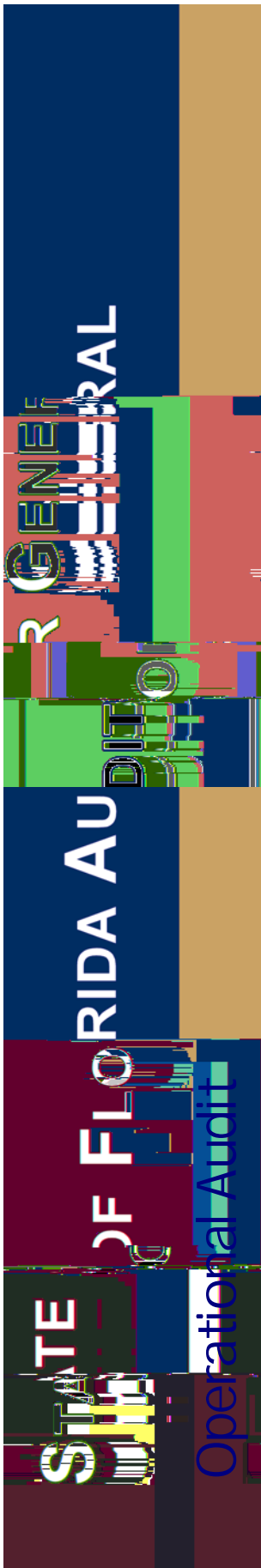


UNIVERSITY OF SOUTH FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period, January 2016 throm Jee n es 2016 J b

UNIVERSITY OF SOUTH FLORIDA

SUMMARY

This operational audit of University of South Florida (Universi

and instructional materials for these 927 of the 6,142 courses and course sections were posted from 42 days before the first day of classes to 8 days after the first day of classes.

- y As the University only timely posted the textbooks and instructional materials for 5,215 (85 percent) of the courses and course sections, the University did not comply with the State law requiring such information be timely posted for at least 95 percent of the courses and course sections.

In response to our audit inquiry, University personnel indicated that some of the late postings may have been due to modifications to the data records (e.g., changes in textbook titles or editions) instead of late-posted adoptions; however, although we requested, documentation to support any data record modifications was not provided.

Without evidence of the timely posting of textbook information on the University Web site and confirmation of intent to use all iter tts Mp MtUn ot p Msi sc lap a

severance pay as salary, benefits, or perquisites for employment services yet to be rendered that are provided to an employee who has recently been or is about to be terminated.

According to University records 22 employees received severance payments totaling \$1,175,875 during the period January 2016 through January 2017. We selected University records supporting payments totaling \$604,203 made to 4 of these 15 employees and noted that 2 employees received amounts in excess of those established in State law. Specifically:

- y On and effective June 14, 2016, the University gave written notice to a head golf coach of her employment termination. The notice included a schedule of payments to be paid pursuant to her July 1, 2014, employment agreement, which allowed the University to terminate the coach's employment and continue to compensate her from the termination date until June 30, 2017. However, as a result, the University paid the former coach \$48,572 more than the amount equivalent to 20 weeks of her compensation. In response to our inquiries, University personnel indicated that the payments were for liquidated damages, rather than severance pay, since the termination of a coach's employment can reduce that individual's future coaching prospects and potential earnings.
- y On and effective January 6, 2017, the University accepted the voluntary resignation of the head basketball coach. In exchange for the coach's voluntary resignation, the University paid him a lump sum of \$500,000. However, contrary to State law, the payment was \$356,322 more than the amount equivalent to 20 weeks of compensation. In response to our inquiries, University personnel stated that the payment represented a negotiated resolution to end the coach's employment and was a portion of what he would have received in liquidated damages (i.e., severance payments) pursuant to his employment agreement had he been terminated without cause.

Although the University did not consider these payments as severance pay, the payment amounts represented compensation for employment services not yet rendered and were provided to employees whose employment had recently been terminated. Therefore, as the payments exceeded the statutory severance pay limits, the payments appear contrary to State law. Similar findings were noted in our report Nos. 2014-063 and 2016-133.

Recommendation: The University should ensure that the severance pay provisions in University employment agreements are consistent with State law and that severance payments do not exceed the amounts established in State law.

Finding 3: Student Receivables

BOG regulations⁶ require the University to establish procedures by regulation for the payment of tuition and associated fees. Such procedures must provide that a student's course schedule will be canceled if payment, or appropriate arrangements for payment, has not occurred by the deadline set by the University, which must be no later than the end of the 2nd week of classes. University regulations⁷ allow the Controller to employ various means to help collect tuition and fees, such as issuing collection letters, placing holds on transcripts or current grades, withholding diplomas, and canceling the current semester's registration. The regulations also require University personnel to submit to a collection agency those student accounts that are 6 months delinquent. In addition, University regulations allow

⁶ BOG Regulations 7.002(7), Tuition and Fee Assessment, Collection, Accounting and Remittance.

⁷ University Regulation 4.09 Accounts Receivable.

uncollectible student accounts to be written off after every reasonable effort has been made to collect the accounts.

According to University personnel, when a past due student account balance is \$100 or greater, the University places a hold on the account to prohibit the student from registering for classes or obtaining transcripts and sends the student a collection letter requesting payment. For a past due student account balance of less than \$100, the University places a hold on the account to prohibit the student from obtaining transcripts and sends the student a collection letter requesting payment.

As of December 31, 2016, the University recorded student tuition accounts receivable totaling \$14.3 million for 6,260 accounts, including accounts with balances totaling \$7.5 million that had been outstanding 5 to 27 years. According to University personnel, the \$7.5 million had remained outstanding because University management had decided not to write off the delinquent accounts and continue to maintain records of the individual student receivables.

To evaluate University accounts receivable collection procedures, we examined University records supporting 30 selected student tuition accounts totaling \$397,414 as of December 31, 2016, and found that:

- y 22 of the student accounts totaling \$284,821 had balances that had been outstanding 7 months to 13 years (an average of 2 years) before University personnel submitted the accounts to a collection agency. In response to our inquiries, University pe

Recommendation: The University should improve efforts for collecting student accounts receivable by timely submitting delinquent student accounts to collection agencies, restricting the use of hold bypasses, and canceling class registrations for future semesters when previous semester tuition and fees remain unpaid.

Finding 4: 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 law⁸ 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 the University. State law⁹

According to University personnel, the nine University DSOs did not use any University property or facilities for the 2015-16 fiscal year but, during that period, the DSOs received University personal

inappropriate access privileges and the lack of a review of IT user access privileges assigned to the ERP system applications increase the risk that unauthorized disclosure, modification, or destruction of University data or IT resources may occur. A similar finding was noted in our report No. 2016-133.

Recommendation: The University should continue efforts to appropriately separate incompatible duties associated with the HR application, perform documented periodic reviews of IT user access privileges to the ERP system based on a demonstr

served for indefinitely maintaining SSNs for prospective students who applied but had not enrolled in the University.

We examined University records related to IT system access privileges, including records for 26 employees selected from the 173 employees with access to student SSNs in the University's IT system. We found that University records did not always demonstrate the reason why employees had continuous access to applicant and former student SSNs when such access was not necessary for the employees to perform their job duties and responsibilities. We also found that the access privileges for 6 of the 26 selected employees were unnecessary. Specifically, we found that:

- y An Office Manager, Administrative Specialist, Professor, Student Assistant, and Student Programs Coordinator had access to student SSNs and University records did not demonstrate the reason that these employees needed continuous access to student SSNs to perform their assigned responsibilities. In response to our inquiries, the University indicated that they were not aware that the employees had access to student SSNs and further research would be performed to determine the basis for such access. As a precautionary measure, the University removed access to the SSNs for these 5 employees after our inquiries.
- y An Accounting Manager had unnecessary access to student SSNs. In response to our inquiry, University personnel determined that the access was needed in the employee's former position as Fiscal and Business Analyst in the University Financial Aid Department. Subsequent to our inquiries, in June 2017 the University removed the unnecessary access privileges for this employee based on the employee's current responsibilities.

Subsequent to our inquiries, in November 2017 University personnel indicated a review of access privileges for the 147 employees who had access to student SSNs and were not included in our audit procedures was being performed to determine whether the access was necessary for the employees to perform their job duties and responsibilities. The existence of unnecessary access privileges and the indefinite maintenance of prospective student SSNs without a documented public purpose 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.

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

- x **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.**
- x **Upgrade the University IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.**
- x **Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive student information have such access.**

significance and audit risk and in selecting the particular trans s

- y From the population of eight auxiliary operation contracts, which generated revenue totaling \$6.9 million for the audit period, examined University records supporting three selected contracts, which generated revenues totaling \$5.8 million, to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the University's auxiliary services were self-supporting.
- y From the population of 17,413 textbooks added for the Fall 2016 and Spring 2017 Semesters related to 12,688 courses and course sections, examined supporting documentation to determine whether the University policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.
- y Examined University policies, procedures, and related records for the audit period to determine whether the records documented the supervisory review and approval of time worked and leave used by exempt employees (i.e., full-time administrative and professional employees, and faculty).
- y From the compensation payments totaling \$663.9 million to 19,538 employees during the audit period, selected 30 payroll transactions totaling \$56,339 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, the validity of employment contracts, whether performance evaluations were completed, and accuracy of leave records.
- y 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 University policies. Specifically, from the population of 630 employees who separated from University employment during the audit period and were paid \$3.5 million for terminal leave, we selected 30 employees with terminal payments totaling \$1.2 million and examined the supporting records to evaluate the payments for compliance with Section 110.122, Florida Statutes, and University Regulations 10.104 and 10.203.
- y From the population of 22 employees who received severance pay totaling \$1,175,875 during the period January 2016 through January 2017, examined related contract provisions and other University records for 4 selected employees paid \$604,203, to determine whether the payments complied with Section 215.425(4), Florida Statutes, and University policies.
- y From the population of 18 administrative employees, including the President, who received compensation totaling \$6.5 million during the audit period, examined University records for 13 selected employees, including the President, who received compensation totaling \$5.4 million to determine whether the amounts paid did not exceed the limits established i


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- y Examined University records supporting selected purchasing card (P-card) transactions to determine whether the P-card program was administered in accordance with University policies and procedures and purchases were not of a personal nature. We also examined, from the population of 122 cardholders who separated from University employment during the audit period, University P-card records for 3 cardholders to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- y From the population of the University President and Trustees' travel expenses totaling \$37,987 during the audit period, examined University records supporting 22 selected travel expense reimbursements totaling \$23,845 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.
- y From the population of 249 payments totaling \$20,568 made during the audit period to employees for other than travel and compensation, examined University records supporting 13 selected payments totaling \$4,231 to determine whether such payments were reasonable, adequately supported, for valid University purposes and whether such payments were related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- y From the population of 68 major construction projects, which had payments totaling \$55.6 million during the audit period, selected 3 major construction projects with contracts totaling \$169.5 million and examined:
 - o Documentation supporting 30 selected payments totaling \$15.8 million to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
 - o Documentation related to 1 project with a design-build construction contract totaling \$133.7 million to determine whether the University selected the design professionals and construction managers in compliance with State law, the University adequately monitored the process for selecting subcontractors, the Trustees had adopted a policy establishing insurance coverage requirements for design professionals and construction managers, and evidence of insurance was provided as required by BOG Regulation 14.021.
- y Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- y Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- y 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 .

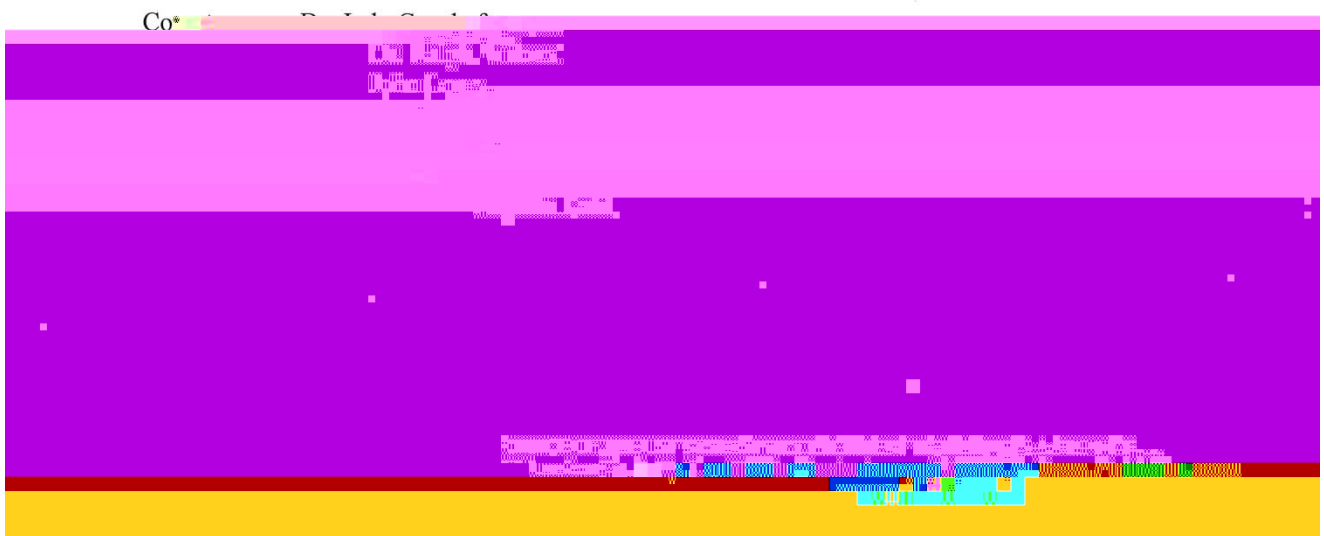
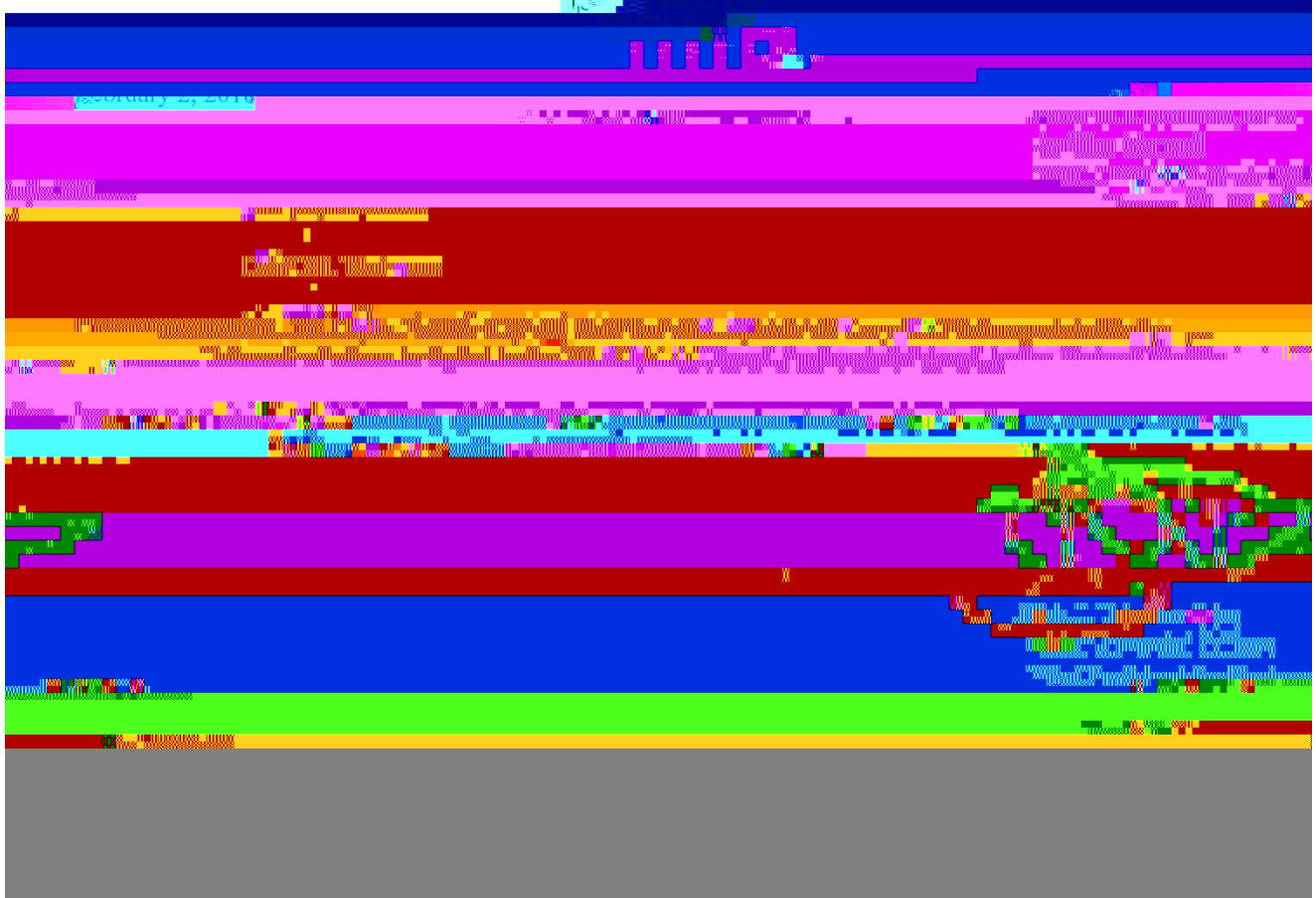
AUTHORITY

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



University of South Florida
Responses to Preliminary and Tentative Findings of the USF 2016 Operational Audit
Conducted by the Auditor General's Office

Finding 1: Textbook Affordability: University textbook affordability procedures need enhancement to promote compliance with State law.

Recommendation: The University should ensure that the required and recommended textbooks and instructional materials for at least 99 percent of all courses and course sections offered at the University during the upcoming term is prominently posted in the

throughout the USF System prompted faculty who had not yet complied to do so by the deadline. In these communications, Department Chairs/Directors were strongly encouraged to ensure compliance and were presented with data files documenting their department's performance to date.

To ensure intent to use all textbook and instructional materials posted for courses, the Office of the Provost has implemented a process that requires Department Chairs to complete and sign a form stating that all materials ordered by department faculty will be used in instruction. Department Chairs/Directors are responsible for reviewing the faculty's compliance with this requirement. The completed forms are maintained on the textbook affordability Canvas site.

Implementation Date: January 1, 2018
Responsible Party: Todd Chavez, 813/974-1646

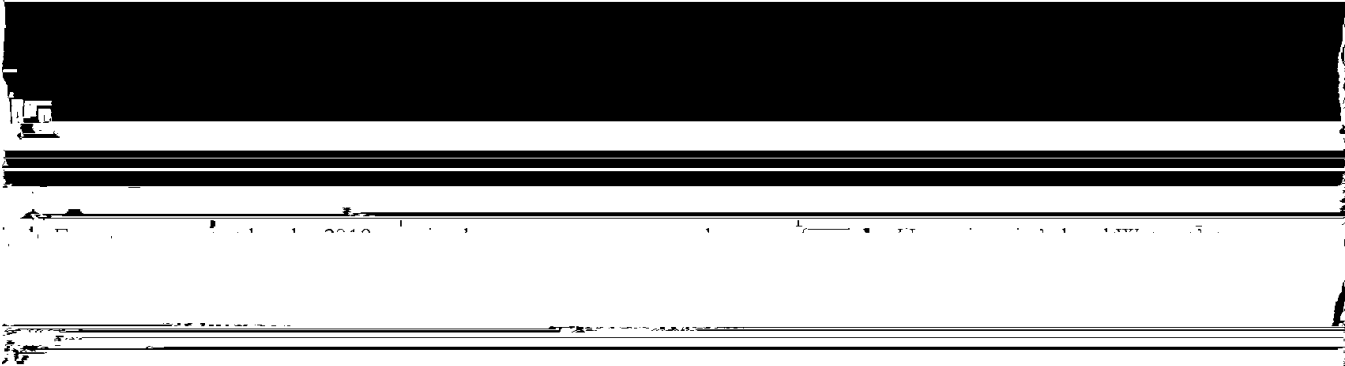
Finding 2: Severance Payments: The University made severance payments that exceeded the limits established in State law. Similar findings were noted in our report Nos. 2014-063 and 2016-133.

Recommendation: The University should ensure that the severance pay provisions in University

employment agreements are consistent with State law and that severance payments do not exceed the amounts established in State law.

Management's Response: The University ceased contracting for post-employment payments via

intercollegiate athletics is that the impact of a termination even without cause tends to create reputational loss and reduces future hiring prospects and earning potential. Therefore, until December 1, 2016 USF's athletics contracts included a pre-negotiated liquidated damages calculation intended to address damages that are difficult to quantify in amount or duration. USF's position is that liquidated damages are not covered by §215.425 (4)(d). However, as of December 1, 2016 USF eliminated liquidated damages provisions in excess of the time periods provided in §215.425(4)2 (i.e. 6 week or 20 weeks). For example, the University contracts extended to USF's new head coaches for Football, Men's Basketball and Soccer, along with the assistants for each program, do not contain post-employment payment provision in excess of twenty weeks. Contracts entered into prior to December 1, 2016 that come up for renewal will have their severance provisions re-



unpaid.

Management's Response: The University will improve efforts for collecting student accounts



- The University document University employee actual time and effort provided to the DSO to support the purpose for and the 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.

Management's Response: The University has a formal, well-documented and long-established process whereby the DSOs annually present their fiscal year financial plans to the Trustees for

next fiscal year also includes a review of the DSO's anticipated value associated with the use of University personal services or property and facilities and actual value associated with the use of University personal services or property and facilities for the prior two fiscal years. The Trustees review and approval of the DSO financial plans is documented in the minutes of the meeting. The

Annually, the DSO chief executive officer, chair of the board of directors and chief financial officer formally certify and submit to the Trustees compliance with federal and state laws and regulations and compliance with all applicable University policies, rules and regulations. The DSOs also certify that a system of internal controls is in place and effective to ensure compliance, and must disclose any instances of noncompliance.

Expected Implementation Date: May 31, 2018

Responsible Party: Fell Stubbs, 813/974-3298

Finding 5: Information Technology User Access Privileges– Enterprise Resource Planning

System: University information technology (IT) access controls over human resource and finance applications need improvement. In addition, the University did not document periodic reviews of assigned IT user access privileges to determine whether such privileges were necessary or that any inappropriate or unnecessary access privileges detected. A similar finding was noted in our report No. 2016-133.

Recommendation: The University should continue efforts to appropriately separate incompatible duties associated with the HR application, perform documented periodic reviews of IT user access privileges to the ERP system based on a demonstrated need for such access, and remove any inappropriate or unnecessary access privileges detected.

by enhancing our entitlement reviews (in progress), appropriately documenting these reviews, and taking prompt action based on the needed access privileges.

Expected Implementation Date: March 15, 2018

determine if employees needing access require the access for both current and former students.

The University will also develop and implement a policy that will address the appropriate length of time to retain SSNs for prospective students who do not enroll in the semester in which they were admitted.

Expected Implementation Date: May 1, 2018

Responsible Party: Billie Jo Hamilton, 813/974-3039