

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-047
November 2023

UNIVERSITY OF NORTH FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2022, Dr. Moez Limayem served as President of the University of North Florida from August 1, 2022, and Dr. Pamela Chally served as President before that date. The following individuals served as Members of the Board of Trustees:

Kevin E. Hyde, Chair	John Gol
Paul E. McElroy, Vice Chair	Stephen C. Joost through 2-27-22 ^c
Jason Barrett	Christopher Lazzara
Selma Besirevic through 4-14-22 ^a	Steve Moore from 7-8-22 ^c
Dr. Mike Binder from 9-1-22 ^b	Nik Patel
Thomas A. Bryan	Nathaniel Rodefer from 4-15-22 ^a
Jill Smith Davis	Allison K. Shelton
Dr. Anne T. Egan	Dr. John White through 8-31-22 ^b

^a Student Body President.

^b Faculty Association President (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes.).

^c Trustee position vacant 2-28-22, through 7-7-22.

The team leader was Adeyemi Olaogun, CPA, and the audit was supervised by Ivo N. Njabe, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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UNIVERSITY OF NORTH FLORIDA

SUMMARY

This operational audit of the University of North Florida focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2021-041. Our operational audit disclosed the following:

Finding 1: Without apparent legal authority, the University funded student financial aid from student activity and service fees resulting in questioned costs totaling \$301,474.

Finding 2: University controls did not always ensure that purchasing cards were promptly canceled when the cardholder separated from University employment.

BACKGROUND

The University of North Florida 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. The 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.

FINDINGS AND RECOMMENDATIONS

Finding 1: Student Activity and Service Fee

State law¹ allows each university to establish a student activity and service fee to be expended for lawful purposes to benefit the student body in general. This must include, but not be limited to, student publications and grants to duly recognized student organizations, the membership of which is open to all students at the University without regard to race, sex, or religion. The University Student Government Association (SGA) determines the allocation and expenditure of the student activity and service fund, except that the University President may veto any line item or portion thereof within the budget submitted by the SGA legislative body.

On April 17, 2020, the SGA voted and approved the use of student activity and service fees to fund a student relief fund that was used to provide financial assistance to students who were facing financial

¹ Section 1009.24(10), Florida Statutes.

hardship due to the COVID-19 pandemic. To qualify for the assistance, students were required to demonstrate that, among other conditions, they were eligible to receive Federal financial aid, had exhausted all other possible financial aid resources, and that the Student Financial Aid Office had determined that they were eligible to receive additional University funding. During the 2020, 2021, and 2022 calendar years, the University used student activity and service fees to provide 354 students with financial assistance totaling \$301,474. However, since the use did not benefit the student body in general, the amounts expended did not comply with State law and represent questioned costs.

In response to our inquiry, University personnel indicated that they thought the fees were properly used because the funds benefited students financially impacted by the COVID-19 pandemic, the SGA believed that this was the best use of the fees with the University moving to remote learning, and student activities were limited when the pandemic started. Notwithstanding this response, using the fees to pay assistance to individual students rather than for activities that benefit the entire student body is contrary to State law and limits available funds for authorized student activities.

Recommendation: The University should enhance procedures to ensure that student activity and service fees are only expended for lawful purposes that benefit the student body in general. Such enhancements should include training so that those responsible for monitoring the fee use appropriately understand and enforce the restrictions associated with that use. In addition, the University should reimburse the questioned costs totaling \$301,474 to the student activity and service fund from an allowable unrestricted resource.

Follow-Up to Management's Response

Management's response states that "the law does not define 'student body in general' but the use of the term in general does imply that it does not mean literally 'every student'." The response further indicates that, similar to a concert or student club in which not every student can attend or participate, "the ability to assist hundreds of struggling students from not being able to continue their education also supports the 'student body in general' by providing that continuum of students from different socio-economic backgrounds." Notwithstanding management's response, providing financial assistance to selected students is inconsistent with the intended use of the student activity and service fees as such assistance is neither an activity nor a service benefitting the student body in general. Consequently, the finding stands as presented.

Finding 2: Purchasing Cards

The University administers a purchasing card (P-card) program that gives employees the convenience of purchasing items without using the standard purchase order process. P-cards are designed to provide a cost-effective, convenient, and decentralized method for individuals to make certain business purchases on behalf of the University. University P-card policy and procedures require cardholders to immediately report fraudulent activity to a P-card administrator who will contact the bank to file a claim.

University P-card administrators also have responsibilities for issuing P-cards, monitoring P-card transactions, providing P-card training, and canceling P-cards. According to University P-card policies, cardholders must stop using P-cards 2 weeks prior to resignation, or transfer date, to ensure charges clear upon resignation of employment or transfer to another position within the University. Department delegates must ensure that P-cards are canceled immediately upon employment separation by

contacting the P-card administrator. In addition, Human Resource (HR) procedures require department supervisors to conduct employee exit interviews using checklists that instruct employees to return their P-cards and remind supervisors to notify the P-card administrator to cancel the P-cards.

University records indicated that 119 cardholders separated from University employment during the 2022 calendar year and there were 902 active P-cards as of May 23, 2023. As part of our audit, we compared University P-card and employment separation records for all cardholders who separated from University employment and found that the University did not cancel the P-cards assigned to 20 employees until 8 to 16 days, or an average of 9 days, after the cardholders' employment separation dates. According to University personnel, the department supervisors did not notify the P-card administrator to promptly cancel these 20 cards.

Although our examination of University records did not disclose any inappropriate charges after the employment separation dates of the 20 employees, our procedures cannot substitute for the University's responsibility to implement adequate internal controls over P-card cancellations. The untimely cancellation of P-cards increases the risk that the P-cards could be misused by former employees or others and may limit the University's ability to satisfactorily resolve disputed charges.

Recommendation: The University should enhance procedures to ensure that the P-cards are promptly canceled upon a cardholder's separation from University employment.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2021-041.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2023 through August 2023 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.

This operational audit focused on selected University processes and administrative activities.

For those areas, our audit objectives 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. 2021-041.
- 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 areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of January 2022 through December 2022 and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed applicable laws, rules, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Evaluated University procedures for protecting the sensitive personal information of students, such as social security numbers. From the population of 36 employees who had access privileges to the sensitive personal information of students during the audit period, we examined University records supporting the access privileges granted to 16 selected employees to evaluate the appropriateness of and necessity for the access privileges based on the employees' assigned job responsibilities.

- Determined whether student fees totaling \$21.9 million during the audit period were properly assessed and authorized, accurately calculated, used, disbursed, and correctly recorded in accordance with University policies and Board of Governors (BOG) regulations. Specifically, we:
 - Examined University records to determine whether the sum of the activity and service, health, and athletic fees did not exceed 40 percent of tuition established by Section 1009.24(4)(d), Florida Statutes, unless the fees in excess of 40 percent were attributed to an increase in the athletic fee.
 - Examined University records supporting the assessed student activity and service, athletic, student health, and student financial aid fees totaling \$19 million to evaluate compliance with the restrictions imposed on the use of those fees.
 - Determined whether the \$2.9 million in student financial aid fees collected during the audit period was disbursed in compliance with Section 1009.24(7), Florida Statutes.
- From the population of expenses totaling \$26.3 million paid from student activity and service, athletic, health, and student financial aid fees, examined records to evaluate compliance with the restrictions imposed on the use of those fees.
- From the population of distance learning fee revenue totaling \$5.7 million during the audit period, examined University records for fees totaling \$4,110 to determine whether distance learning fees were properly assessed, collected, and separately accounted for in accordance with Section 1009.24(17), Florida Statutes.
- From the population of 21,627 students enrolled at the University and assessed tuition and related fees totaling \$135.5 million during the audit period, examined University records for 36 selected students assessed tuition and related fees totaling \$133,945 to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.24, Florida Statutes.
- Determined whether the University had established appropriate procedures to cancel the registration of students that did not timely pay fees and record deferred fees as a receivable.
- From the population of compensation payments totaling \$199.7 million made to 5,181 employees during the audit period, selected payments totaling \$173,558 made to 30 employees and examined the related payroll and personnel records to determine whether rates of pay were accurate, the employment contracts were valid, the employees met the required qualifications, performance evaluations were completed, leave records were accurate, and supervisory personnel reviewed and approved employee reports of time worked.
- Examined severance pay provisions in the 18 employee contracts to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- From the population of 1,637 employees who received bonus and award payments totaling \$1.9 million during the audit period, examined University records for 30 selected employees who received bonus and award payments totaling \$52,983 to determine whether the payments complied with Section 1012.978, Florida Statutes.
- Examined University records to determine whether selected expenses were reasonable; correctly recorded; adequately documented; for a valid University purpose; properly authorized and approved; in compliance with applicable laws, rules, contract terms, and University policies and whether applicable vendors were properly selected. Specifically, from the population of expenses totaling \$87.4 million for the audit period, we examined University records supporting:
 - 30 selected payments for general expenses totaling \$303,606.
 - 10 selected payments for competitive procurement purchases totaling \$144,158.
 - 8 selected payments for exempt purchases totaling \$106,961.

- 7 selected payments for contractual services totaling \$6,850.
- From the population of 50,411 purchasing card (P-card) transactions totaling \$13.4 million during the audit period, examined University records supporting 30 selected P-card transactions totaling \$15,367 to determine whether the P-card program was administered in accordance with University policies and procedures, and transactions were not of a personal nature.
- Examined P-card records for all 119 cardholders who separated from University employment during the audit period to determine whether the University promptly canceled the cardholders' P-cards.
- Reviewed the University's sponsored research operating policies and procedures and report of activities and budget submitted to the BOG for the last 3 fiscal years to determine whether the report and budget were completed and submitted in accordance with Section 1004.22(6)(a), Florida Statutes.
- Determined whether the University maintained a minimum carryforward balance of at least 7 percent of its State operating budget and prepared a spending plan for balances in excess of the 7 percent minimum balance as required by Section 1011.45, Florida Statutes.
- Inquired whether the University had any expenses or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period.)
- Reviewed the University's Capital Improvement Plan submitted to the BOG and used for the legislative budget request to determine whether the Plan was completed in accordance with BOG instructions.
- 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



October 24, 2023

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 please find the enclosed University response to the Preliminary and Tentative audit findings date September 25, 2023.

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

Sincerely,

Scott Bennett

Scott Bennett
Vice President, Administration & Finance

Enclosure

Finding No. 1: Student Activity and Service Fee

Recommendation: The University should enhance procedures to ensure that student activity and service fees are only expended for lawful purposes that benefit the student body in general. Such enhancements should include training so that those responsible for monitoring the fee use appropriately understand and enforce the restrictions associated with that use. In addition, the University should reimburse the questioned costs totaling \$301,474 to the student activity and service fund from an allowable unrestricted resource.

University Response: While we do understand and appreciate the position stated here, we do feel an obligation to further express our views surrounding the circumstances that took place during this unprecedented time. As stated, state law allows these fees to be expended for lawful purposes that benefit the student body in general. The law does not define “student body in general” but the use of the term in general does imply that it does not mean literally “every student”. The only restrictions are when the law states student organizations supported through this fund must be open to all students. It is also important to note even with this restriction for student organizations, while they must be open to all students, many of the organizations put additional restrictions on each student’s ability to participate in these clubs such as paying dues and being in good academic standing, thus even then not serving every student. In a similar vein, the law also allows for student government sponsored concerts to charge an admission fee, which would similarly be open to all students but limit attendance to a certain number of students.

We strongly feel like a concert or student club where all students can’t attend but the ability to provide such activities still enhance the overall student life even for those that don’t attend, the ability to assist hundreds of struggling students from not being able to continue their education also supports the “student body in general” by providing that continuum of students from different socio-economic backgrounds.

In lieu of this recommendation, however, we will further seek legal clarification on this statute and act accordingly. We also point out that this was a very unique circumstance in response to the pandemic intended for the student body in general and these types of funds have not been used since for this purpose, and we do not envision it moving forward either.

Finding No. 2: Purchasing Cards

Recommendation: The University should enhance procedures to ensure that the P-cards are promptly canceled upon a cardholder’s separation from University employment.

University Response: The University concurs of the importance to ensuring appropriate controls over the use of purchasing cards, including the termination of those cards upon an employee’s separation. We also believe the finding goes to show not only evidence of those controls in place when departments follow the appropriate processes (99 of 119 terminations handled appropriately) but also those mitigating controls in place when they don’t (20 averaging 9 days late), as no inappropriate charges were found. We will, however, continue to enhance our compensating controls upon employee’s separation from the University.