

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-014
August 2019

UNIVERSITY OF SOUTH FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 1, 2018 through December 31, 2018, Dr. Judy L. Genshaft served as President of University of South Florida and the following individuals served as Members of the Board of Trustees:

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Stanley I. Levy through 1-24-18	Nancy H. Watkins

^a Student Body President.

^b System Faculty Council President (equivalent to Faculty Senate Chair referred to in Section 1001.71(1), Florida Statutes).

The team leader was Saleemah R. Reshamwala, and the audit was supervised by Rachel P. Sellers, 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 SOUTH FLORIDA

SUMMARY

This operational audit of University of South Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2018-105. Our operational audit disclosed the following:

Finding 1: Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal student information may occur. A similar finding was noted in our report No. 2018-105.

Finding 2: As similarly noted in prior audit reports, most recently in our report No. 2018-105, the University made severance payments that exceeded the limits established in State law.

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 (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 System Faculty Council President and Student Body President also are members.

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Information Technology User Access Privileges – Sensitive Personal Student Information

The Legislature has recognized in State law¹ 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 such information. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

¹ Section 119.071(5)(a), Florida Statutes.

According to University personnel and records, the University established a unique identifier, other than the SSN, to identify each student and maintained student information, including SSNs, in the University information technology (IT) system. The University collects and uses SSNs pursuant to State law 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 to provide student transcripts to other universities, colleges, and potential employers based on student-authorized requests. For former students who transferred, graduated, or withdrew and prospective students who apply for entrance into the University but do not enroll, the University, after one year, masks the SSN field in the IT system for former students and purges records that contain SSNs of prospective students.

Access to student SSNs should only be granted for the performance of administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with applicable Florida Statutes and Federal laws. To help protect student information from unauthorized disclosure, modification, or destruction, the University requires employee supervisors and department administrators to document approval of IT user access privileges including access to student SSNs based on a demonstrated need for such access and to perform annual evaluations of these privileges to confirm the propriety of the privileges.

As of December 31, 2018, University personnel indicated the IT system contained sensitive personal information for 1.2 million students, including current, former, and prospective students, and a total of 287 individuals had IT user access privileges to the information, which included student SSNs. University personnel also indicated that neither the IT system nor University procedures differentiated current, former, and prospective students.

As part of our audit, we examined University records supporting the access privileges to sensitive personal information of students for 30 selected individuals. We found that 20 of the 30 individuals including an assistant director, an assistant professor, a receptionist, and 2 student assistants had continuous access to student SSNs and University records did not demonstrate the need for such access. University IT personnel indicated the default rules in the IT system that limit access to new accounts was inadvertently removed for these employees.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against University students or others. In response to our inquiries, in May 2019 the University indicated that they removed the unnecessary access for the 20 individuals who had the ability to view sensitive personal information of students without a demonstrated need. A similar finding was noted in our report No. 2018-105.

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

- **Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive personal student information have such access.**
- **Establish procedures that require and ensure documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely removed any inappropriate or unnecessary access privileges detected. Such**

removal may be achieved by masking the information from individuals who do not need it to perform their assigned duties.

- Upgrade the University IT system to include a mechanism to differentiate current, former and prospective student information.

Finding 2: Severance Payments

State law² provides that 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 also include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation and prohibits the pay in instances of misconduct. State law further provides that an employee or contractor may receive severance pay that is not provided for in a contract or employment agreement if the pay represents the settlement of an employment dispute and the amount does not exceed 6 weeks of compensation. State law defines 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, 19 employees received severance payments totaling \$609,810 for the 2018 calendar year. One of these employees also received severance payments totaling \$134,674 during the period April 2017 through December 2017. We examined University records supporting selected payments totaling \$500,428 made to 6 of the 19 employees and noted that 1 employee received an amount in excess of that established in State law. Specifically, the University terminated the employment of an assistant basketball coach, effective March 14, 2017. The termination notice included a schedule of payments to be paid pursuant to his August 11, 2016, employment agreement, allowing the University to terminate the coach's employment and continue his compensation from the termination date until August 11, 2018. However, as a result, the University paid the former coach \$106,303 more than the amount equivalent to 20 weeks of his 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. University personnel also indicated that his August 11, 2016, employment agreement was prior to December 1, 2016, the date that the University eliminated liquidated damages provisions in employment contracts that provided for payments in excess of amounts provided by State law.

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 an employee 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. 2016-133 and 2018-105.

² Section 215.425(4), Florida Statutes.

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.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2018-105 except that Finding 1 was noted as Finding 6 in our report No. 2018-105 and Finding 2 was noted in our report Nos. 2018-105 and 2016-133 as Finding 2 and Finding 3, respectively.

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 2019 through June 2019 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. 2018-105.
- 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 2018 calendar year audit period 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 University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated University procedures for maintaining and reviewing employee access to IT resources. We examined access privileges over the database to critical roles within the finance and human resources applications during the audit period for 60 and 50 employees, respectively, to determine the appropriateness and necessity of the access privileges based on the employees' job duties and need to separate incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
- Evaluated University procedures that prohibit former employees' access to University IT data and resources. Specifically, we examined the access privileges for 33 of 835 former employees to determine whether their access privileges had been timely deactivated.
- Evaluated University procedures for protecting sensitive personal information of students, such as student social security numbers (SSNs). Specifically, we examined University records supporting the access privileges of employees who had access to SSNs during the audit period to evaluate the appropriateness and necessity of the access privileges based on the employees' assigned job duties.
- Evaluated University security policies and procedures effective during the audit period governing the classification, management, and protection of sensitive and confidential information of employees.
- Evaluated the appropriateness of the University comprehensive IT disaster recovery plan during the audit period and determined whether it had been recently tested.

- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed for the audit period to document the University risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Evaluated the University data center's physical access controls, as of April 15, 2019, to determine whether vulnerabilities existed.
- Examined Board of Trustees (Trustees), committee, and advisory board minutes and other records to determine whether Trustee approval was obtained for the University 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 to determine whether the University followed professional requirements and provided for peer review of reports issued. For internal audits, we determined whether audit reports were properly completed and submitted to the Trustees.
- Examined University records to determine whether the University had developed an anti-fraud policy for the audit period to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined University records supporting 13 payments totaling \$3.1 million and 13 transfers totaling \$20.3 million, selected from the population of 485 payments totaling \$14.8 million and 406 transfers totaling \$39.7 million made during the audit period by the University to its direct-support organizations (DSOs) to determine whether the payments were proper.
- Examined University records to determine whether the Trustees had prescribed by rule, pursuant to Section 1004.28(2)(b), Florida Statutes, the conditions with which the DSOs must comply in order to use University property, facilities, and personal services; the University maintained job descriptions to document support for University personal service costs since personnel devoted 100 percent of their efforts for DSO services; and the Trustees documented consideration and approval of anticipated personal services and related costs that would not be reimbursed by the respective University DSOs.
- Examined University records for 30 selected student tuition accounts receivable totaling \$215,407 from the population of 3,192 student tuition accounts receivable totaling \$7.4 million as of April 30, 2019, to determine whether deferrals granted were properly authorized, evaluate the adequacy of University collection efforts, and determine whether restrictions on student records and subsequent registration were appropriate and enforced for students with delinquent account balances as required by Board of Governors (BOG) Regulation 7.002(7) and University Regulation 4.009.
- Examined University records to determine whether uncollectible accounts totaling \$8 million written off during the audit period were properly approved.

- Analyzed payments from tuition differential fees collected during the audit period to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- From the population of 409 students classified as Florida residents during the Spring 2018, Summer 2018, and Fall 2018 Semesters, reviewed University records for 30 selected students to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes.
- From the population of 49 students who received an out-of-State waiver for students affected by Hurricane Maria and enrolled as Florida residents during the Fall 2018 and Spring 2019 Semesters, examined University records for 22 selected students to determine whether the University correctly assessed tuition in compliance with Section 1009.26, Florida Statutes.
- Reviewed University procedures to determine whether distance learning fees totaling \$10.9 million during the audit period were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.
- From the population of 9 contracts for auxiliary operations, which generated revenue totaling \$9.2 million for the audit period, examined University records supporting four selected contracts, which generated revenues totaling \$8.4 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 University auxiliary services were self-supporting.
- From the population of 14,778 course sections reported to the Chancellor of the State University System for the Fall 2018 and Spring 2019 Semesters, examined University records to determine whether the University textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$716.2 million made to 21,383 employees during the audit period, selected 30 payments totaling \$53,461 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, the accuracy of leave records, and whether supervisory personnel reviewed, and approved employee reports of time worked.
- 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 835 employees who separated from University employment during the audit period and were paid \$5.9 million for terminal leave, we selected 33 employees with terminal payments totaling \$1.7 million and examined the supporting records to determine compliance with Section 110.122, Florida Statutes, and University Regulations 10.104 and 10.203.
- From the population of 19 employees who received severance pay totaling \$609,810 during the audit period, examined related contract provisions and other University records for 6 selected employees paid \$365,754, and additional severance payments totaling \$134,674 made to one of those employees during the period April 2017 through December 2017, to determine whether the severance payments complied with Section 215.425(4), Florida Statutes, and University policies. Additionally, we examined severance pay provisions in two employee contracts during the audit period (including the President) and the incoming President's contract, effective July 1, 2019, to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- From the population of 46 administrative employees (including the President) who received compensation totaling \$14 million during the audit period, we examined University records for 30 selected employees (including the President) who received compensation totaling

\$9.9 million to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes. We also examined records supporting the incoming University President's compensation totaling \$575,000, effective July 1, 2019, for similar compliance.

- 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 \$434.3 million for the audit period, we examined University records supporting:
 - 30 selected payments for general expenses totaling \$826,595.
 - 30 selected payments for contractual services totaling \$5.1 million.
 - The competitive selection of 4 vendors paid a total of \$742,185.
- From the population of 22,525 purchasing card (P-card) transactions totaling \$19.5 million during the audit period, examined University records supporting 30 selected P-card transactions totaling \$502,500 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 7 of the 157 cardholders who separated from University employment during the audit period to determine whether the University timely canceled the cardholders' P-cards.
- From the population of 405 payments totaling \$38,161 during the audit period to employees for other than travel and compensation, examined 16 selected payments totaling \$7,781 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(3), Florida Statutes.
- From the population of 88 major construction projects (each contract exceeding \$100,000) with expenses totaling \$113.6 million and in progress during the audit period, selected 30 payments totaling \$30.3 million related to two major construction projects with contract amounts totaling \$170 million and examined University records to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws.
- Reviewed documentation related to one major design-build construction contract totaling \$15.8 million during the audit period to determine whether the University's selection of design professionals and construction managers was in accordance with State law; the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance, and construction funding sources were appropriate.
- From the population of \$139.5 million of user fees collected during the audit period, examined documentation supporting collections totaling \$26,311 to determine whether the University properly assessed and separately accounted for the amounts as required by Section 1009.24, Florida Statutes.
- Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether University investments during the audit period complied with those policies and procedures. Also, we determined whether any investment income was properly allocated to the funds that generated the investment income.
- 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



**UNIVERSITY OF
SOUTH FLORIDA**
A PREEMINENT RESEARCH UNIVERSITY

August 21, 2019

Sherrill F. Norman, CPA
Claude Denson Pepper Building, Suite G74
11 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Please see enclosed, the University of South Florida response for the audit findings related to the University that are included in the 2018 Operational Audit administered by the State of Florida.

If you have any questions or require additional information, please contact Jennifer Condon, University Controller, at 813-974-7696.

Sincerely,



Nick Trivunovich
Chief Financial Officer
Vice President for Business and Finance

Enclosure

Copy to: Dr. Steven Currall
Dr. Ralph Wilcox
David Lechner
Dr. Paul Dosal
Sidney Fernandes
Jennifer Condon
Virginia Kalil
Gerard Solis

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University of South Florida
Responses to Preliminary and Tentative Findings of the USF 2018 Operational Audit
Conducted by the Auditor General's Office

Finding 1: Information Technology User Access Privileges – Social Security Numbers: Some unnecessary IT (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive student information may occur. A similar finding was noted in our report No. 2018-015.

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

- Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive student information have such access.
- Establish procedures that require and ensure documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely removed and any inappropriate or unnecessary access privileges detected. Such removal may be achieved by masking the information from individuals who do not need it to perform their duties.
- Upgrade the University IT system to include a mechanism to differentiate current, former and prospective student information.

Management's Response: The University conducts annual entitlement reviews of employees with access to sensitive student information to confirm a business need for the access.

The University has also developed and implemented a policy that addresses the appropriate length of time to retain sensitive student information for prospective students who have not enrolled in the semester in which they were admitted.

<u>Implementation Date:</u>	May 28, 2019
<u>Responsible Party:</u>	Billie Jo Hamilton, 813/974-3039

Finding 2: Severance Payments: As similarly noted in prior audit reports, most recently in our report No. 2018-105, the University made severance payments that exceeded the limits established in State law.

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 practice that gave rise to the finding was the payment of liquidated damages in excess of twenty weeks in USF employment contracts, which were primarily for intercollegiate athletic coaches. As of December 1, 2016, USF ceased entering into new contracts with terms that allowed for payment of liquidated damages in excess of twenty weeks and we renegotiated contracts containing the former liquidated damages term as such contracts expired. However, USF did not void any enforceable and existing contracts on December 1, 2016; therefore, the finding is based on a single legacy agreement and not a continuing or active

practice. As of the date of this letter we are not aware of any current, enforceable USF contract containing the former liquated damages provision.

Implementation Date:

December 1, 2016

Responsible Party:

Donna Keener, 813/974-5711