

UNIVERSITY OF WEST FLORIDA

Operational Audit

For the Fiscal Year Ended
June 30, 2008



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Notes: (1) Student body president.
(2) Faculty senate chair.

The audit team leader was Joan Valle, CPA, and the audit was supervised by Jim Kiedinger, CPA. For the information technology portion of this audit, the audit team leader was Stephanie J. Hogg, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF WEST FLORIDA

SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

Finding No. 1: The University had not completed its comprehensive written policies and procedures manual pertaining to its financial operations and related activities.

Finding No. 2: The University reported information to the Board of Governors for institutes and centers that was incorrect.

Finding No. 3: For insurance purposes, the University valued its buildings and other structures \$8.8 million more than the actual cash value (ACV) maximum that would be covered by the State's Division of Risk Management in the event of a loss.

Finding No. 4: The University did not effectively manage contractual arrangements with its independent contractors who provided services for the University's Supplemental Educational Services program.

Finding No. 5: The University had not implemented a formal ongoing security awareness program to protect information technology resources.

Finding No. 6: The University had not developed a formal information technology security program.

Finding No. 7: The University's security controls needed improvement in the areas of protecting data center equipment and securing the accounting ERP system.

BACKGROUND

The University is a 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 faculty senate chair 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 provides governance in accordance with State law and Board of Governors' Regulations. The Board of Governors, or the Trustees if designated by the Board of Governors, selects the University President. 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, 2008, 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, 2008, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Control Environment – Policies and Procedures Manuals

The business services and other finance-related functions provide services essential to the University's continuing operations. An effective way to ensure that business- and finance-related functions consistently deliver these services when key personnel change due to retirement or other reasons is to maintain comprehensive written policies and procedures manuals. Such policy and procedures manuals serve to document the duties of key business services and finance-related personnel; to communicate management's commitment to, and support of, a strong system of internal control; and to provide guidance to new staff.

In our report No. 2007-047, we noted that the University was in the process of developing comprehensive written policies and procedures manuals pertaining to financial operations and related activities. University personnel informed us that because of time limitations and staffing shortages, written policies and procedures manuals had not been completed as of June 30, 2008.

Well written and complete policies and procedures manuals will increase assurance that new business services and finance-related personnel will effectively perform responsibilities assigned to them; thereby ensuring effective maintenance of the University's internal controls and efficient and effective delivery of business and finance-related services.

Recommendation: The University should continue its efforts to develop comprehensive written policies and procedures for its financial operations and related activities.

Finding No. 2: Institutes and Centers Reporting

Universities establish institutes and centers to coordinate intra- and inter-instructional research, service, or educational and training activities that supplement and extend existing instruction, research, and services. The Board of Governors (BOG) has established guidelines for approving, classifying, operating, reviewing, and disbanding university institutes and centers. These guidelines require each university to annually report, via an on-line reporting system, the number of positions by funding source and type of position, actual expenses by funding source for the previous year, and estimated expenses for the current fiscal year for all institutes and centers at the University.

For the 2006-07 fiscal year, the University was required to report to the BOG information for 12 institutes and centers. Our review of information included in the University's report disclosed the following:

- The University initially did not report any estimated expenses or positions for the Institute for Innovative Community Learning for the 2007-08 fiscal year. Subsequent to our inquiry, the University amended its on-line report to report \$702,012.10 in estimated expenses and 4.12 estimated positions.
- The University reported \$312,044.30 as total expenses from fees for services during the 2006-07 fiscal year for the Institute for Innovative Community Learning; however, University records indicate that total expenses actually totaled \$254,862.03.
- For the Florida Small Business Development Center Network, the University reported estimated expenses of \$45,000 in the fees for services category; however, these expenses should have been reported in the private and other category.

Accurate reporting of expenses and positions would help ensure that the BOG makes effective and efficient decisions relating to the future funding of institutes and centers.

Recommendation: The University should ensure that expense and position information reported for each of its institutes and centers is accurate and complete.

Finding No. 3: Insurance Coverage

The University obtains insurance coverage for buildings and inventoried equipment through the Florida Department of Financial Services, Division of Risk Management (Division). The Division annually provides universities with certificates of coverage, and the universities are responsible for notifying the Division of needed changes to insurable values shown on the certificates of coverage. Premiums are primarily based on the total insurable value of all university buildings and other property shown on the insurance certificate.

The Division has developed a valuation method that includes a matrix of cost factors used to arrive at the actual cash value (ACV) of the building. A university may use the Division's valuation method, or an alternative method, to determine the insurable value. If a university elects to show on the insurance certificate an insurable value that is lower than the ACV, in the event of a loss, the university would be covered up to that amount, rather than the ACV. However, according to Division personnel, the ACV is the maximum coverage provided by the Division. Therefore, a university's insurable value, as shown on the insurance certificate, should not exceed the ACV because to do so would result in the university paying additional premiums without receiving coverage beyond the ACV. Universities may opt to purchase additional commercial insurance coverage in excess of the ACV.

The University generally follows the Division's valuation method when determining the insurable value of its buildings. However, the University's procedures permit valuing property at greater than the ACV. As of June 30, 2008, the University owned 175 buildings and other structures costing approximately \$150 million. Our analysis of insurance coverage obtained for the 2007-08 fiscal year for the University's buildings and other structures disclosed that, for 155 buildings or other structures, the insurable building value exceeded the ACV by a total of \$8.8 million. In these instances, the University paid higher premiums than it would have had it used the ACV, but without benefit of additional insurance coverage.

Recommendation: The University should consider modifying its written insurance procedures to address the level of insurance coverage to be maintained for its buildings and equipment, and to clarify whether the Division's method, or an alternative method, is to be used to determine insurable values. The University should also ensure that insurable values included on the certificate of coverage do not exceed the ACV.

Finding No. 4: Contractual Services

Under the No Child Left Behind (NCLB) Act, school districts that do not meet specified educational benchmarks are required to provide supplemental educational services (SES) to students. Each school district contracts with State-approved SES providers to provide required tutoring services to its students. The University is a State-approved SES provider and provides tutoring services to four local school districts. During the 2007-08 fiscal year, the University spent approximately \$1.2 million to provide SES tutoring services to students.

The University's Division of Teacher Education manages the delivery of SES services to the school districts. Our review of University contractual and other management practices relating to the provision of SES services disclosed that the University had not established effective controls to ensure that it paid vendors based upon appropriate terms.

Independent Contractors and Program Liaisons. The University provided the majority of its SES services to students by using teachers employed with the contracted school districts. During the 2007-08 fiscal year, the University paid \$556,660 to approximately 390 individuals and school district-employed teachers as independent contractors and liaisons of the SES program. The independent contractors served as tutors, lead teachers, and caregivers for the tutoring program.

Our review disclosed that the University paid contractors and liaisons for various services and incentives, including the following:

- Student tutoring services for a base service period (10 weeks of tutoring, limited to 3 hours of tutoring and 1 hour of planning per week).
- Payments for tutoring performed beyond the base service period.
- Preparation and completion of Student Learning Plans (SLP) for the students receiving the tutoring services. These contractors were paid \$30 per completed SLP for a total of \$29,670.
- Scholarship payments totaling \$7,410 to certain SES contractors.
- Tuition and fees totaling \$4,549 for one of the liaisons.
- Travel expenses totaling \$6,020 for both liaisons.

The University did not enter into written contracts with the individuals providing SES services on behalf of the University. Instead, the University paid the independent contractors based on verbal terms and conditions that University personnel communicated to contracted SES providers during a training session and, for certain terms and conditions, through a flyer which the University hand delivered to the contractors subsequent to the start of service.

The University contracted with two school districts to obtain the release of a teacher to act as a liaison to coordinate the SES program in their respective district. These liaisons remained employees of the school districts and the SES program reimbursed their salaries and benefits totaling \$91,369 to their respective district. However, the liaisons received reimbursements for tuition and fees of \$4,549 and travel of \$6,020, or a total of \$10,569 from the SES program for benefits, other than those outlined in the written contract with the district, based on verbal terms and conditions.

The University may have paid the contractors and liaisons appropriately for services that they performed for the SES program. However, without written contracts that specify performance requirements necessary for payment and other terms agreed upon by the parties, the University is exposed to a greater risk of loss should disputes occur between the contractors and the University.

Conflict of Interest. During the 2007-08 fiscal year, the University paid \$4,590 to a contractor for completion of SLPs. University personnel were aware that, although this contractor was qualified to complete SLPs, the person actually completing the SLPs was the contractor's spouse, who is an employee of the University's Division of Teacher Education and the SES program. Section 112.313(3), Florida Statutes, prohibits a public employee from acting in a private capacity to sell goods or services to the employee's own agency (i.e., the University). Section 112.313(7), Florida Statutes, prohibits an employee from having a contractual relationship or employment with a business entity that is doing business with the employee's agency. University personnel represented that they did not intend to

circumvent this Law; that, due to unexpected circumstances, the contractor's spouse performed these duties for the contractor. However, whether or not intentional, this arrangement appears to be contrary to the requirements of Section 112.313, Florida Statutes.

Transportation Services. The University provided tutoring services to eligible students at the students' schools after the end of the normal school day. In addition to providing SES services, the University contracted with each school district to provide transportation services so that each student could be transported to the student's home following the tutoring sessions. During the 2007-08 fiscal year, the University reimbursed the school districts \$85,727 for transportation services they provided to students receiving tutoring services.

Our review of the transportation arrangements the University made with each of the school districts disclosed that many of the details of the arrangements were not in writing. Although the University issued purchase orders for transportation services, three of the four purchase orders only specified a maximum amount to be paid and did not specify the terms of payment. Generally, the specific terms were negotiated verbally or via e-mail between the transportation director of the local school district and either the SES program coordinator or the SES accountant.

Our review of five invoices, totaling \$68,570, that the University paid for transportation services disclosed:

- One school district's invoice for transportation services totaling \$56,462 included claims for reimbursement that differed from the University's understanding of verbally agreed upon terms, which required the University to delay payment while negotiating with the school district to clarify the understanding of the verbally agreed upon terms. As a result of the additional negotiations, the University paid \$11,462 more than the purchase order issued for these services.
- One school district's terms specified that transportation expenses would be reimbursed on a per mile, per hour, per day basis. However, the school district submitted an invoice for payment totaling \$2,675.80 which showed only lump sum amounts and did not provide the supporting calculations to arrive at the total amount requested.
- One school district's invoice for \$3,735, specified the number of buses at a specified rate times the number of days of service. However, the specific dates of service were not noted on the invoice. Absent sufficient detail to verify the propriety of the dates for which services were billed, the University could not determine that it reimbursed the school district in accordance with the University's understanding of the transportation agreement.

Without written contracts specifying the terms and conditions for payment, University records did not evidence that payments to school districts were in accordance with agreed-upon requirements.

These issues demonstrate that personnel in the University's Division of Teacher Education responsible for the SES program did not effectively manage arrangements with school districts related to the SES Program. To effectively manage these arrangements, the terms and conditions should be evidenced by written contracts embodying all provisions and conditions of the procurement of such services. The use of well-written, complete, and properly executed contracts protects the interests of both parties, identifies the responsibilities of both parties, defines the services to be performed, and provides a basis for payment.

Recommendation: The University should ensure that all payments for contractual services are made pursuant to signed written agreements and purchase orders, where appropriate, that clearly establish the specific responsibilities of the parties to the contracts and the University's financial obligations, prior to the services being rendered and paid. In those circumstances in which the University determines that services are being provided by University employees, the University should determine the appropriateness of continuing the arrangement. The University should also enhance its payment processing procedures to ensure payments are for services actually performed and in accordance with agreed-upon terms.

Finding No. 5: Information Technology – Security Awareness

The University has not implemented a formal ongoing security awareness program to apprise new users of, or reemphasize to current users, the importance of preserving the integrity, confidentiality, and availability of data and information technology (IT) resources entrusted to them. Included in the data maintained by the University's IT systems are significant nonpublic records (for example, student record information) and other records that contain sensitive information. Numerous University employees can access such nonpublic and sensitive information in the performance of their assigned duties.

To minimize misuse of IT resources, the University should ensure that its employees are aware of the importance of information they use and the legal and business reasons for maintaining its integrity, confidentiality, and availability. Employees must be made aware of their responsibilities and the steps the University is willing to take to ensure security through documentation describing security policies and procedures and acknowledgement of employee responsibility. The University's failure to implement a formal ongoing security awareness program, including signed user acknowledgement and understanding of the University's security policies, increases the risk that the University's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties. Additionally, the absence of a security awareness program could limit the University's ability to take legal recourse, should it be necessary, against employees misusing data or IT resources.

Recommendation: The University should implement a formal ongoing IT security awareness program that includes written policies and procedures requiring users to periodically provide written acknowledgement that they have read and understand security policies.

Finding No. 6: Information Technology – Security Program

The University had not developed a formal IT security program. The University maintained complex enterprise resource planning (ERP) systems to process accounting transactions, account for its capital assets, and maintain human resource and student records, including student financial aid. The University used an extensive network system to allow user access at numerous on-campus and remote locations. In addition, a significant portion of the University's data included nonpublic and other sensitive information. During the 2006-07 fiscal year, the University accounted for approximately \$161 million in revenues, \$144 million in expenses, and \$204 million in assets, of which approximately \$133 million represented capital assets. Similarly, the University used the systems to maintain human resource records for approximately 2,100 employees, and student records, including student financial aid, for approximately 11,000 students. The majority of the University's expenses are paid from public (Federal and State) moneys and revenue from student tuition and fees.

Given the importance of the University's IT assets to its continued operations and the extent of nonpublic and sensitive information maintained by these IT assets, it is important that the University has an effective security

program to protect these IT assets and the data maintained by these assets. An effective security program establishes a framework and continuing cycle of activity for assessing risk (risk assessment), developing and implementing effective security policies and procedures, and monitoring the effectiveness of these procedures.

The University had not, of record, performed a comprehensive risk assessment that documented IT system risks. Although University management stated that they had analyzed risks regarding IT resources and implemented unwritten procedures to mitigate these risks, University management had not documented this analysis and had not established written security policies and procedures that addressed the following:

- Administration of default software and hardware access accounts (including user IDs and passwords).
- Removal of employees' network access and consultants' access to IT resources in general.
- User IDs (prohibiting shared access accounts).
- Employee ability to add or change software on their University-assigned personal computers (administrative rights).
- Access privileges and responsibilities granted to help desk personnel.
- Network administration.
- Systems software and database patch management.
- Removal of data from non-University equipment (includes nonpublic and sensitive information).
- External (to the data center) network security.
- Network monitoring procedures (including intrusion detection and firewalls, etc.).
- Virtual Private Network security.
- Virus protection protocols.

A similar finding was noted in our report No. 2007-047. Although the University does not have formal policies and procedures addressing these areas, it does have informal practices that address some of these areas. However, absent a formal security program that identifies risks to IT assets and establishes uniform written policies and procedures that address those risks, the University is exposed to a greater risk of loss should threats to its IT assets occur and either not be detected or the response to the identified threat be inappropriate. University management informed us that that they are currently negotiating with a security consulting company to perform a comprehensive risk assessment.

Recommendation: The University should continue its development of a formal IT security program, with the planned comprehensive risk assessment as the starting point for identifying risks and determining University needs. Appropriate policies, procedures, and controls should be implemented and documented to mitigate the identified risks. Management, on an ongoing basis, should monitor the effectiveness of the IT environment, the security program, and specific security controls, and make changes as needed.

Finding No. 7: Information Technology – Physical and Logical Security Controls

Physical and logical (software) controls are established to protect IT assets (data files, application programs, and hardware). When establishing controls to protect IT assets that exist in a networked environment, it is important to identify and protect all physical and software entry points and paths to sensitive files. As also noted in our report No. 2007-047, the University's physical and logical security controls needed improvements, as follows:

- The data center had a wet (water-filled) pipe fire suppression system in place. We noted that the water pipes were directly over University IT equipment (servers) that would be damaged by the water if the fire suppression system was activated during a fire.
- We noted a certain security control deficiency related to the University's accounting ERP system. We are not disclosing specific details of the deficiency in this report to avoid the possibility of compromising University information. However, we have notified appropriate University personnel of the deficiency.

Recommendation: Management should consider the feasibility of replacing the fire suppression equipment in the data center with a more modern form of suppressant that would not damage the IT equipment. The University should also improve its security controls related to the accounting ERP system.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2007-047.

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 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: (1) obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the University; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the University had taken corrective actions for findings included in our report No. 2007-047. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing University personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the University's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each university on a biennial 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.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the information technology (IT) security awareness and training program.
Procedures to timely prohibit employees' access to electronic data files.	Sampled employees who terminated during the audit period and examined supporting documentation evidencing when the University terminated access privileges.
Information technology security program.	Examined supporting documentation relating to the extensive network system.
Physical and logical controls over IT.	Examined supporting documentation relating to the Data Center physical controls. Also examined supporting documentation to determine whether authentication (logical) controls were configured and enforced in accordance with IT best practices.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation relating to the fraud policy and related procedures.
Written policies and procedures for finance-related activities.	Examined the current policies and procedures manual for finance operations and related activities for completeness.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the University had provided individuals with a written statement as to the purpose of collecting social security numbers, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008.
Reporting of institute and centers information as required by the Board of Governors (BOG).	Examined supporting documentation to determine whether the University had provided accurate and complete information for its institutes and centers to the BOG.
Investment policy.	Examined the current policy for investing idle funds and the application of investment policy.
Procedures to transfer funds between university investment accounts.	Examined supporting documentation to determine that adequate controls were in place to prevent the unauthorized transfer of funds.
Prepaid cash/multiuse (Nautilus) card procedures.	Examined procedures and supporting documentation to determine whether the University had adequate controls in place over the issuance of, and accounting for, its multi-purpose Nautilus cards.
Cash collection procedures at decentralized locations.	Reviewed collection procedures at a selected location and tested daily cash collections to determine if controls were adequate and collections were deposited timely and intact.

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

Scope (Topic)	Methodology
Payroll certifications.	Examined the current policy for requiring time reports to determine that time reports are certified by the employee and approved by the supervisor.
Procedures for fingerprinting and background checks for personnel in a position of special trust or that had direct contact with children.	Selected a sample of personnel who had direct contact with children or worked in an area requiring special trust and examined supporting documentation to determine whether the University had obtained fingerprint and background checks for the individuals included in our sample.
Concession funds expenses.	Examined the Concession Fund policy. Sampled expenses paid from concession funds and examined supporting documentation to determine whether expenses were allowable under the policy.
Procedures for payments on behalf of or to the West Florida Historic Preservation, Inc., Florida Institute for Human and Machine Cognition, and the UWF Foundation.	Selected a sample of payments made to or on behalf of the West Florida Historic Preservation, Inc., Florida Institute for Human and Machine Cognition, and the UWF Foundation and examined supporting documentation to determine whether the selected payments were accurate, complete, and in compliance with the agreements between the University and these organizations.
Procurement policies and procedures.	Examined University regulations relating to procurement for compliance with the BOG regulations.
Purchasing card transactions.	Selected a sample of expenses charged by employees using purchasing cards and examined supporting documentation to determine if: (1) the selected charges were appropriate and in accordance with purchasing card policies and procedures; (2) purchase card expenses were reconciled to the credit card statement monthly; and (3) the purchasing card account of terminated employees was cancelled in a timely manner.
Travel expenses.	Examined travel policies and procedures. Selected a sample of employee travel vouchers and examined supporting documentation to determine if: (1) the University paid for travel to a terrorist state; (2) mileage and per diem rates were in accordance with Florida statutes; and (3) vouchers were appropriately signed by supervisory personnel.
Use of Student activity and service fees.	Selected a sample of expenses paid from student activity and service fees collections and examined supporting documentation to determine if expenses served a lawful purpose and benefited the student body in general.
Procedures for insuring architects and engineers.	Selected a sample of significant major construction projects in progress during the audit period to determine whether architects and engineers provided evidence of required insurance.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures to comply with related Internal Revenue Service reporting requirements for cellular telephones.	Selected a sample of employees receiving cell phone allowances and determined whether the University reported the value of the cellular telephone allowance as income for those employees.
Procedures for valuing property for insurance purposes.	Examined university procedures for determining insurable value of its buildings and other structures and examined supporting documentation to determine whether the insured values agreed with the actual cash value as calculated using Division of Risk Management guidelines.
Credit card fees.	Examined supporting documentation for the fees accessed on credit card purchases and paid to credit card companies. Selected a sample of fees paid to determine if the fees were reasonable.
Management of its supplemental educational services (SES) program.	Examined the procedures relating to the SES program, including payments to its employees, contractors, and vendors. Selected a sample of expenses charged to the SES program to determine if expenses were adequately documented, approved, properly recorded, and benefited the SES program.
Procedures for student grade changes.	Selected a sample of student grade changes to determine whether the changes are supported by instructor records, reviewed for accuracy, and require appropriate levels of approval.
Controls over blank transcript and diploma paper.	Examined the procedures relating to blank transcript and diploma paper to determine whether the University has adequate safeguards to prevent unauthorized use.
Tuition and out-of-state fees for graduate and professional students.	Examined supporting documentation to determine that tuition and out-of-state fees for graduate and professional students were approved by the BOG; that adjustments did not exceed 10 percent in any given year; and that activity and service, health, and athletic fees charged to students did not exceed 40 percent of the required tuition, or increase by more than 5 percent over the prior school year.
Direct purchase procedures for major construction projects.	Examined the procedures relating to the direct purchase of material for major construction projects and the implementation of those procedures.

EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the President
11000 University Parkway
Pensacola, FL 32514-5750

February 2, 2009

David W. Martin
Auditor General
STATE OF FLORIDA
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed is the University of West Florida's acknowledgment of and response to the listing of preliminary and tentative findings and recommendations, as transmitted by your correspondence of January 5, 2009. The responses relate to your operational audit on the

University of West Florida
For the Fiscal Year Ended June 30, 2008.

We continue to find the Auditor General provides constructive assistance to us, as we strive to maintain an acceptable level of accountability.

Sincerely,

A handwritten signature in black ink, appearing to read 'Judith A. Bense'.

Judith A. Bense, Ph.D.
President

Enclosure

- cc: BOT Finance, Administration & Audit Committee
- Dr. Hal White Dr. Chula King Dr. Deborah Ford
- Ms. Kim Spear Ms. Pat Lott Ms. Betsy Bowers
- Mr. Mike Dieckmann Dr. Richard Podemski Ms. Colleen Asmus
- Ms. Sherell Hendrickson Mr. David O'Brien Ms. Melanie Haveard

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UWF Responses
Operational Audit for FY 2007/08
February 2, 2009

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Finding 1: The University had not completed its comprehensive written policies and procedures manual pertaining to its financial operations and related activities.

Recommendation: The University should continue its efforts to develop comprehensive written policies and procedures for its financial operations and related activities.

Response: As of June 30, 2008, comprehensive desk manuals had been completed for each Financial Services staff position and significant progress had been made in updating office policies and procedures. Financial Services staff completed documentation of office policies and procedures in December 2008. Procedures to be published on the university's external website for access by the general public were vetted in January 2009 and are currently ready for publication. Procedures to be published on the university's internal website for use by university staff are under final review and will be ready for publication by March 1, 2009. Internal office procedures slated for use by Financial Services staff are awaiting review, with an estimated completion date of March 31, 2009.

Responsible Auditee: Assistant Vice President Finance and Budget, Ms. Colleen Asmus

Implementation Date: March 31, 2009

Finding 2: The University reported information to the Board of Governors for institutes and centers that was incorrect.

Recommendation: The University should ensure that expense and position information reported for each of its institutes and centers is accurate and complete.

Response: All discrepancies have been corrected; UWF will ensure that future reports are correct. UWF requests that the Auditor General recommend to the BOG that they eliminate this reporting requirement since the information is not being utilized.

Responsible Auditee: Associate Vice President-Research, Dr. Richard Podemski

Implementation Date: December 31, 2008

Finding 3: For insurance purposes, the University valued its buildings and other structures \$8.8 million more than the actual cash value (ACV) maximum that would be covered by the State's Division of Risk Management in the event of a loss.

Recommendation: The University should consider modifying its written insurance procedures to address the level of insurance coverage to be maintained for its buildings and equipment, and to clarify whether the Division's method, or an alternative method, is to be used to determine insurable values. The University should also ensure that insurable values included on the certificate of coverage do not exceed the ACV.

UWF Responses
Operational Audit for FY 2007/08
February 2, 2009

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Response: The University will modify its written insurance procedures to address the level of insurance coverage to be maintained for its buildings and equipment, and to clarify the method(s) to be used to determine insurable values. The modified procedures will help ensure that insurable values included on the certificate of coverage do not exceed the ACV.

Responsible Auditee: Assistant Vice President Financial Affairs, Ms. Colleen Asmus

Implementation Date: March 16, 2009

Finding 4: The University did not effectively manage contractual arrangements with its independent contractors who provided services for the University's Supplemental Educational Services program.

Recommendation: The University should ensure that all payments for contractual services are made pursuant to signed written agreements and purchase orders, where appropriate, that clearly establish the specific responsibilities of the parties to the contracts and the University's financial obligations, prior to the services being rendered and paid. In those circumstances in which the University determines that services are being provided by University employees, the University should determine the appropriateness of continuing the arrangement. The University should also enhance its payment processing procedures to ensure payments are for services actually performed and in accordance with agreed-upon terms.

Response: UWF acknowledges the Auditor General's concerns over delivery of these important community services pursuant to informal or oral contracts. However, UWF does not agree with the statement that these issues "demonstrate that personnel in the University's Division of Teacher Education responsible for the SES program did not effectively manage arrangements with school districts related to the SES program." SES is an extremely complex program that requires adherence to federal and state laws, federal and state DOE guidelines, individual district school board policies, UWF administrative policies, and sound pedagogy. All of this is managed within tight time restrictions. Under the circumstances, UWF believes that the fact that there were no inappropriate payments out of a \$556,660 program is an accomplishment. In any event, UWF has at this time entered into written contracts addressing all points raised by the Auditor General concerning informal or oral contracts.

Specifically related to the issue raised concerning a possible conflict of interest under Section 112.313(3) or (7), UWF's General Counsel disagrees that the situation of a University employee supervising her spouse who was one of the University's contract employees presents a conflict of interest under this statute. She points out that it is not a violation of the conflict of interest law for relatives or a married couple to be employed by the same employer or for a spouse to be an independent contractor to an agency that employs his or her spouse. (CEO 90-62, CEO 93-1, CEO 94-26, CEO 96-13). She also points out that in CEO 04-17, the Florida Commission on Ethics examined the provision of tutoring services by School District employees to SES providers that contract with the School District and concluded that the situation does not present a conflict of interest under Section 112.313(7). Because the University's OPS employee was not an officer or a

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procurement employee, Section 112.313(3) is inapplicable; because the OPS employee was not prohibited by Section 112.313(7) from having a contractual or employment relationship with UWF, it was not problematic for her husband to have a contractual relationship with UWF. Further, General Counsel points out that the anti-nepotism laws do not prohibit one employee from supervising a relative or a spouse (See CEO 90-62, CEO 00-17). The UWF employee's job was to coordinate and assist the independent contractors in completion of their work and it should not present a violation of Section 112.313(7) that she did so. However, UWF has implemented procedural steps to ensure that similar situations will not occur in the future.

Responsible Auditees: Associate Vice President-Research, Dr. Richard Podemski
General Counsel, Ms. Pat Lott

Finding 5: The University had not implemented a formal ongoing security awareness program to protect information technology resources.

Recommendation: The University should implement a formal ongoing IT security awareness program that includes written policies and procedures requiring users to periodically provide written acknowledgement that they have read and understand security policies.

Response: UWF is in the process of creating an IT security awareness program that will be based upon the University's information security framework. This awareness program will be enacted through the Information Technology Services department as a continuous awareness campaign to the University community, regularly focusing on a different component of the security framework so that the entire framework is covered each year. In addition, a summary of "Information Security – Your Responsibilities as a UWF Employee" will be produced and promulgated to all current and new employees, along with a special training program for supervisors to enable them to train new employees in their responsibilities. This program will be rolled out throughout the 2009 calendar year.

On the issue of written acknowledgement of policies, the University is studying this issue vis-a-vis implications for all other University policies, and the possible negative repercussions of establishing the expectation that policies are only enforceable by the University if the employee acknowledges them.

Responsible Auditee: Senior Associate Vice President and Chief Information Officer, Mr. Michael Dieckmann

Implementation Date: December 31, 2009

Finding 6: The University had not developed a formal information technology security program.

Recommendation: The University should continue its development of a formal IT security program, with the planned comprehensive risk assessment as the starting point for identifying risks

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and determining University needs. Appropriate policies, procedures, and controls should be implemented and documented to mitigate the identified risks. Management, on an ongoing basis, should monitor the effectiveness of the IT environment, the security program, and specific security controls, and make changes as needed.

Response: UWF has adopted the ISO 27000 framework as the basis for its information security program, and will complete the documentation of the UWF information security framework in 2009. An ISO 27001 gap analysis external risk assessment of UWF's current practices was completed in October 2008 by an external security consulting firm, and the University is enacting security improvements in priority order based on that gap analysis. UWF is also enacting a data classification framework as the basis for specific data security practices.

Responsible Auditees: Senior Associate Vice President and Chief Information Officer, Mr. Michael Dieckmann

Implementation Date: December 31, 2009

Finding 7: The University's security controls needed improvement.

Recommendation: Management should consider the feasibility of replacing the fire suppression equipment in the data center with a more modern form of suppressant that would not damage the IT equipment. The University should also improve its security controls related to the accounting ERP system.

Response: UWF is in the process of installing a new halon gas-based fire suppression system (using 3M Novec 1230 gas mixture) in the data center to replace the current dry pipe water-based system; installation should be completed by March 2009. The ERP security control recommendation had to do with an issue involving password security; while UWF agrees that password security is a pressing issue, and the University is taking several steps to improve password security, UWF does not plan to implement the specific recommendation noted in the security control deficiency finding.

Responsible Auditee: Senior Associate Vice President and Chief Information Officer, Mr. Michael Dieckmann

Implementation Date: December 31, 2009

