

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-009
August 2020

NEW COLLEGE OF FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2019 through December 2019, Dr. Donal O'Shea served as President of New College of Florida and the following individuals served as Members of the Board of Trustees:

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William R. Johnston, Vice Chair	Elaine M. Keating
Mark Aesch	Steven Keshishian from 7-1-19 ^c
Audrey R. Coleman through 6-14-19 ^a	Charlene "Charlie" J. Lenger
Felipe Colon	John Lilly
Dr. Keith Fitzgerald through 8-6-19 ^b	Mary Ruiz from 10-30-19
Selena Goods through 6-30-19 ^c	George A. Skestos through 12-3-19 ^d
Dr. David Harvey from 8-7-19 ^b	Norman Worthington III

^a Trustee position vacant 6-15-19, through 10-29-19.

^b Faculty Senate Chair.

^c Student Body President.

^d Trustee position vacant from 12-4-19.

The team leader was Elba M. Guzik, CPA, 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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NEW COLLEGE OF FLORIDA

SUMMARY

This operational audit of New College of Florida focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2018-016. Our operational audit disclosed the following:

Finding 1: The University did not always conduct required annual employee performance appraisals.

BACKGROUND

New College of 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 Faculty Senate Chair 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.

FINDING AND RECOMMENDATION

Finding 1: Employee Performance Appraisals

The University's *Employee Handbook* requires annual performance appraisals to be conducted for faculty members within 60 days after the end of the academic term and by August 31 for administrative and professional (A&P) and university support personnel services (SPS) employees. The *Employee Handbook* indicates that appraisals encourage both supervisors and employees to utilize the opportunity to discuss job tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

According to University records, the University should have conducted performance appraisals by July 30, 2019, for 85 faculty members and by August 31, 2019, for 187 A&P and SPS employees. As part of our audit, in April 2020, we requested for examination the annual performance appraisals for 29 of the 272 employees.¹ We found that the University did not conduct appraisals for 8 A&P and SPS employees. Five of these employees had not received an appraisal for 3 to 6 years and the appraisals for the other 3 were 235 days late on the date of our request.

¹ The 29 employees selected included 13 faculty members and 16 A&P and SPS employees.

In response to our inquiries, University personnel indicated that performance appraisals were not always performed because the Human Resources (HR) Department employee responsible for managing the employee appraisal process had retired and University procedures had not been established to notify HR personnel and supervisors when the performance appraisals were due. Timely conducted performance appraisals are important management tools that inform employees of their strengths, weaknesses, and needed improvements and help management make and support personnel decisions.

Recommendation: To ensure that performance appraisals are timely completed as required, the University should designate someone to manage the employee appraisal process and establish procedures to notify HR personnel and supervisors when performance appraisals are due.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2018-016.

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 2020 through May 2020 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 information technology resources and related controls; student fees; textbook affordability; compensation and other expenses; and other 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. 2018-016.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)² and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management’s process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- Board and management commitment to integrity and ethical values.
- Board exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the university’s goals and objectives.
- Management commitment to recruit, develop, and retain competent individuals.
- Management evaluation of employee performance and holding individuals accountable for their internal control responsibilities.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.

² The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

- Management design of control activities to achieve the university's objectives and respond to risks.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the university's objectives.
- Management activities to monitor the university's internal control system and evaluate the results.

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 transactions, as well as events and conditions, occurring during the audit period of January 2019 through December 2019 and selected University actions taken prior 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.
- Evaluated University procedures for maintaining and reviewing employee access to information technology (IT) data and resources. From the population of 17 employees with access privileges to the database and selected critical functions within the finance and human resources applications during the audit period, we selected for examination University records supporting the access privileges of 11 employees to determine the appropriateness and necessity of the

privileges based on the employees' job duties and user account functions and whether the access prevented the performance of incompatible duties.

- Evaluated University procedures for protecting the sensitive personal information of employees and students, such as social security numbers. From the population of 57 employees who had access privileges to the personal information during the audit period, we examined University records supporting the access privileges granted to 45 employees to evaluate the appropriateness of and necessity for the access privileges based on the employees' assigned job responsibilities.
- Examined University records supporting the internal audit function to determine whether the University followed applicable professional requirements and provided for peer review of reports issued. For internal audits, we determined whether the internal audit reports were properly completed and submitted to the Trustees.
- 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.
- From the population of 369 course sections offered during the Spring 2019 and Fall 2019 Semesters, examined University records supporting textbook adoptions offered during those semesters to determine whether the University textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Determined whether the University assessed and expended tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes. Specifically:
 - From a population of all students assessed tuition differential fees during the Spring 2019, Summer 2019, and Fall 2019 Semesters totaling \$775,753, we examined University records supporting 30 selected students to determine whether the University tuition differential fees assessment procedures complied with State law.
 - From the population of 115 students receiving \$207,317 scholarships from tuition differential fees during the Spring 2019 and Fall 2019 Semesters, we examined University records supporting 15 selected students to determine whether undergraduate students receiving scholarships exhibited financial need as required by State law.
 - From the population of expenditures totaling \$588,112 from tuition differential fees during 2018-19 fiscal year, we examined University records supporting payroll expenses for 8 selected employees totaling \$429,439 to determine whether the expenses were directly attributable to undergraduate educational programs and in accordance with the University's approved proposal from the Board of Governors.
- To determine whether student fees totaling \$6.8 million, including \$5.6 million in tuition fees, during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with University policies and Board of Governors regulations:
 - Examined University records for 30 selected students and their related fees totaling \$229,011 to determine whether the University correctly assessed tuition in compliance with Sections 1009.21 and 1009.24, Florida Statutes.
 - Determined whether the University had established procedures to cancel the registration of students that did not timely pay fees and record deferred fees as a receivable.
- From the population of \$1.5 million of user fees collected during the audit period, examined University records supporting collections totaling \$1.2 million to determine whether the fees assessments complied with Section 1009.24, Florida Statutes.
- From the population of 156 students receiving waivers during the Spring 2019 and Fall 2019 Semesters, reviewed University records for 26 selected students to determine whether

the student fee waivers were properly authorized, recorded, documented, and complied with Section 1009.26, Florida Statutes and BOG Regulation 7.002(2), and New College of Florida Regulation 3-1003. In addition, we determined the students were eligible in compliance with Section 1009.26, Florida Statutes and BOG Regulations 7.002(8) and 7.008.

- From the population of compensation payments totaling \$23.8 million made to 809 employees during the audit period, selected payments totaling \$91,634 made to 30 employees and examined the related payroll and personnel records to determine the accuracy of the rate of pay, the validity of employment contracts, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 272 employees who were required to receive an annual performance appraisal during the audit period, requested for examination appraisal documentation for 29 selected employees.
- Examined personnel records for the 29 administrative and professional new hires during the audit period to determine whether the records evidenced that the employees had the necessary qualifications, degrees, and experience for the positions based on the position descriptions.
- Examined University records supporting the 5 employees who received severance pay totaling \$51,756 during the audit period to determine whether the payments complied with Section 215.425(4)(a), Florida Statutes, and University policies.
- From the population of 164 administrative employees (including the President) who received compensation totaling \$11.2 million during the audit period, examined University records for 4 selected employees (including the President) who received compensation totaling \$918,607 to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- From the population of University payments totaling \$27,278 during the audit period to the University direct-support organization, examined University records supporting payments totaling \$22,008 to determine whether the payments were consistent with Section 1004.28(1)(a)2. and (2), 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 expenses totaling \$23.9 million for the audit period, we examined University records supporting:
 - 15 selected payments for contractual services totaling \$840,203 from a population of contractual service payments totaling \$3.1 million.
 - 7 payments totaling \$948,399 that were each in excess of the University's bid threshold.
- From the population of 16 non-Federal grants and contracts from State and local sources other than capital outlay with expenditures totaling \$94,012 during the audit period, examined University records supporting 8 selected payments from 4 grants and contracts totaling \$41,500 to determine whether the procedures were adequate to ensure the grants and contracts were administered in accordance with applicable provisions and were adequately documented and monitored.
- Evaluated whether the University had reasonable controls to ensure the accuracy of student grades, grades were properly authorized and could not be changed without the instructor's authorization, and transcripts were adequately accounted for and safeguarded.
- 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 fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



New College
THE HONORS COLLEGE of Florida

Office of the President

August 18, 2020

Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Subject: Preliminary and Tentative Audit Finding

Dear Auditor General Norman,

Please accept our response below to the preliminary and tentative finding related to our Operational Audit this past spring.

Finding: The University did not always conduct required annual employee performance appraisals.

Recommendation: To ensure that performance appraisals are timely completed as required, the University should designate someone to manage the employee appraisal process and establish procedures to notify HR personnel and supervisors when performance appraisals are due.

Our response: We concur with this finding, and will modify our procedures to clarify that the AVP Human Resources is responsible for the management of the employee appraisal process, and will establish procedures to notify HR personnel and supervisors when performance appraisals are due.

Sincerely,

Don O'Shea
President