

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-006
August 2022

UNIVERSITY OF WEST FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2021, Dr. Martha D. Saunders served as President of the University of West Florida and the following individuals served as Members of the Board of Trustees:

Suzanne Lewis, Chair from 6-24-21, Vice Chair through 6-23-21 ^a	Dr. Paul Hsu from 3-1-21 ^c Robert L. Jones
David E. Cleveland, Chair through 6-23-21	Dr. Sherry Schneider ^d Alonzie Scott
Richard R. Baker Lewis Bear Jr.	Jill Singer Robert D. Sires
William Bowers from 6-24-21 Ruben Gardner ^b	Stephanie White

^a Vice Chair position vacant 6-24-21, through 6-30-21.

^b Student Body President.

^c Trustee position vacant 1-1-21, through 2-28-21.

^d Faculty Senate Chair.

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, 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 WEST FLORIDA

SUMMARY

This operational audit of the University of West Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2020-152. Our operational audit disclosed the following:

Finding 1: University bonuses did not always comply with State law. For example, contrary to State law, the President awarded bonuses totaling \$1.1 million to faculty and executive service and work force employees without notifying all University employees of the bonuses before the beginning of the evaluation period on which the bonuses would be based.

Finding 2: Contrary to University policies, annual performance evaluations were not completed for 41 University work force employees.

BACKGROUND

The University of West 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.

FINDINGS AND RECOMMENDATIONS

Finding 1: Bonus Awards

State law¹ provides that no extra compensation shall be made to any officer, agent, employee, or contractor after the service had been rendered or contract made and any policy, ordinance, rule, or resolution designed to implement a bonus scheme must:

- Base the award of a bonus on work performance;
- Describe the performance standards and evaluation process by which a bonus will be awarded;
- Notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and

¹ Section 215.425(3), Florida Statutes.

- Consider all employees for the bonus.

University policies² and procedures authorize bonus payments for the completion of special projects and increased productivity and Presidential awards for substantial contributions with beneficial University-wide impact. However, University policies and procedures did not always ensure that employee bonuses are awarded in accordance with State law.

During the 2021 calendar year, the University had 1,988 non-student employees, the President awarded bonuses³ totaling \$1.3 million to 1,412 of these employees, and other University personnel awarded bonuses totaling \$106,000 to 41 of the 1,412 employees. As part of our procedures, we examined University records for the period January 2021 through June 2021 supporting all President-awarded bonuses and 11 other bonuses totaling \$28,370 and found that the bonuses did not always comply with State law. Specifically:

- All employees were considered for the President-awarded bonuses and the President awarded bonuses (totaling \$1.1 million) to faculty and executive service and work force⁴ employees based on work performance. For example, to receive the bonus, work force employees had to receive a rating of satisfactory or above on the employee's most recent performance evaluation.⁵ In addition, the President awarded bonuses totaling \$168,256 to other personal services (OPS) employees based on other eligibility criteria, including continuous employment, a specified minimum compensation, and other employment factors.

Notwithstanding, contrary to State law, the University did not notify all employees of the applicable policy for the bonuses before the beginning of the evaluation period on which the bonuses would be based or base the OPS bonuses on work performance.

- The 11 other bonuses, awarded to faculty members and work force employees, were based on work performance, including increased productivity, completion of additional pandemic-related tasks, the development of training materials, and other duties. However, contrary to State law, the University did not describe the performance standards and evaluation process by which the bonuses would be awarded; notify all employees of the bonuses before the beginning of the evaluation period on which the bonuses would be based; or consider all employees for the bonuses.

In response to our inquiries, University personnel indicated that the bonuses were awarded based on a 2014 opinion from the then University legal counsel that the bonus requirements in State law did not apply to State universities. Notwithstanding, University personnel acknowledged that the language in State law effective July 1, 2021,⁶ could be interpreted that the Florida Legislature intended for bonus requirements in State law prior to July 1, 2021, to apply to State universities. In April 2022, the University

² University Policies HR-14, *Compensation*, and HR-16, *Employee Recognition Program*.

³ The bonuses, ranging from \$100 to \$1,000, were prorated to applicable employees based on their full-time equivalency status.

⁴ Work force employees include positions assigned administrative and management responsibilities or professional duties at the department or unit level or above and positions assigned professional, paraprofessional, administrative, clerical, technical, skilled crafts, service, or maintenance duties.

⁵ For example, the most recent performance evaluations for most work force employees were for the 2019-20 fiscal year.

⁶ Section 1012.978, Florida Statutes, effective July 1, 2021, provides that "Notwithstanding Section 215.425(3), Florida Statutes, a university board of trustees may implement a bonus scheme based on awards for work performance or employee recruitment and retention. The board of trustees must submit to the Board of Governors the bonus scheme, including the evaluation criteria by which a bonus will be awarded. The Board of Governors must approve any bonus scheme created under this section before its implementation."

adopted policies⁷ governing bonuses, which cite that the purpose of the policy is to comply with State law and Board of Governors (BOG) regulations.⁸

Recommendation: The University should continue efforts to ensure that employee bonuses are awarded in compliance with State law and BOG regulations.

Finding 2: Performance Evaluations

BOG regulations⁹ require the Board to establish the personnel program, including standards for performance and evaluation, for all employees of the University. University policies¹⁰ require that the performance of all University faculty and executive service and work force employees be evaluated annually and that the evaluations be utilized to acknowledge performance, to communicate performance effectiveness, to aid in improving performance, and, when necessary, to develop a performance improvement plan to assist in correcting deficiencies.

As part of our audit, we requested for examination University performance evaluations for 25 of the 1,439 employees (1,006 work force employees, 427 faculty members, and 6 executive service employees) who should have received a performance evaluation for the 2020-21 fiscal year and found that evaluations for 2 University work force employees were not completed. In response to our inquiry, University personnel indicated that, despite numerous reminders, evaluations had not been completed for those 2 employees and 39 other University work force employees. Although we requested, University records were not provided to demonstrate how supervisors were held accountable for completing performance evaluations.

Documented employee performance evaluations are important management tools that inform employees of their strengths, weaknesses, and needed improvements, and help management make and support personnel decisions. In addition, effective communication should be made to supervisors who neglect to complete required evaluations to hold the supervisors accountable and help ensure evaluations are completed as required.

Recommendation: The University should improve procedures to hold work force employee supervisors accountable for completing required annual employee performance evaluations, maintain records demonstrating that accountability, and ensure that all evaluations are completed as required.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2020-152.

⁷ University Policy HR-24.00-4/22, *Bonuses*.

⁸ BOG Regulation 9.015, *University Bonus Plans*.

⁹ BOG Regulation 1.001(5)(a), *University Board of Trustees Powers and Duties*.

¹⁰ University Policy HR-17.04, *Evaluations*.

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 2022 through May 2022 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 University of West Florida (University) information technology resources and related controls; public meetings and communications; attractive assets; student fees; personnel bonuses and evaluations; restricted 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. 2020-152.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other

procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2021 through December 2021 and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed applicable laws, rules, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities.
- Inquired whether the University had any expenses or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period, to evaluate the reasonableness of University actions.
- Reviewed University information technology (IT) policies and procedures to determine whether certain important IT control functions, such as security access, user authentication, and disaster recovery were addressed.
- Evaluated University procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to selected critical functions within the finance and human resources applications during the audit period for the 26 employees with such access to determine the appropriateness and necessity of the access privileges based on the selected 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 students, such as social security numbers.
- Evaluated the appropriateness of the University's comprehensive IT disaster recovery plan during the audit period and determined whether it had been recently tested.
- Reviewed application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Examined employee search committee meeting minutes and other records 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).
- 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.
- Examined the University's Capital Improvement Plan to determine whether the plan was completed in accordance with State guidelines and instructions.

- From the population of 194 University departments, evaluated departmental procedures for 10 University departments and determined whether attractive assets were properly controlled and accounted for in accordance with the University Property Guide.
- Examined University fee schedules to determine whether the University had the authority for assessing such fees, the University separately accounted for the fees, and the fees did not exceed the limits established in Section 1009.24, Florida Statutes, and Board of Governors Regulations 7.001 and 7.003. Additionally, from the population of \$3.2 million in student activity and service fee expenses incurred during the audit period, examined University records supporting expenses totaling \$737,000 to determine whether the fees were spent in accordance with Section 1009.24(10), Florida Statutes.
- Examined the \$1.3 million in bonus payments made to 1,412 University employees during the audit period to determine whether the University complied with the requirements of Section 215.425(3), Florida Statutes.
- From the population of 1,439 University faculty and executive service and work force employees during the 2020-21 fiscal year, examined University records for 25 employees to determine whether University personnel completed employee performance evaluations pursuant to University policy.
- Examined University records to determine whether the Trustees had prescribed by regulation, pursuant to Section 1004.28(2)(b), Florida Statutes, the conditions with which the direct-support organizations (DSOs) must comply in order to use University property, facilities, and personal services and whether the Trustees documented consideration and approval of anticipated property, facilities, and personal services provided to the DSOs and the related costs.
- From the population of salary and benefits expenses totaling \$977,000 paid from restricted resources during the audit period, examined University records supporting expenses totaling \$245,000 to determine whether the University maintained personnel activity reports or other records to support the purpose for and value of the services and to demonstrate the propriety of expenses from those resources.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the President
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August 1, 2022

Ms. Sherrill F. Norman, CPA
Auditor General
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Claude Denson Pepper Building, Suite G74
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Tallahassee, Florida 32399-1450

Dear Ms. Norman:

This is the University of West Florida's acknowledgment of and response to the preliminary and tentative findings and recommendations, as transmitted by your correspondence of July 22, 2022. The responses relate to your operational audit on the:

University of West Florida
For the Audit Period of January through December 2021

Auditor General Finding 1:

University bonuses did not always comply with State law. For example, contrary to State law, the President awarded bonuses totaling \$1.1 million to faculty and executive service and workforce employees without notifying all University employees of the bonuses before the beginning of the evaluation period on which the bonuses would be based.

Auditor General Recommendation 1:

The University should continue efforts to ensure that employee bonuses are awarded in compliance with State law and BOG regulations.

UWF Response to Finding 1:

Section 1012.978, Florida Statutes, was enacted in July 2021 and Board of Governor's Regulation 9.015¹ was distributed in November 2021. After the enactment of the statute, we began developing the required bonus policy, which was finalized after the BOG regulation was adopted, and approved by the UWF Board of Trustees at its March 17, 2022 Full Board meeting.

Prior to the Auditor General's audit, we believed that section 215.425(3), Florida Statutes, regarding bonuses did not apply to state universities. This belief was held due to 1) highly regarded legal opinions that we had obtained in 2014 opining that the extra compensation subsection of 215.245 did not apply to state universities, 2) the wording of other Florida

¹ University Bonus Plans.

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Statutes that clarify the independence of the state university system with regard to personnel matters, and 3) the specific application of another subsection of 215.425 to state universities via a revision of section 1001.706 that specifically incorporated the severance pay provision of 215.425. We will ensure that all future extra compensation complies with section 1012.978 and BOG Regulation 9.015.

Auditor General Finding 2:

Contrary to University policies, annual performance evaluations were not completed for 41 University workforce employees.

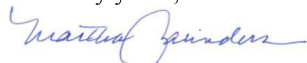
Auditor General Recommendation 2:

The University should improve procedures to hold workforce employee supervisors accountable for completing required annual employee performance evaluations, maintain records demonstrating that accountability, and ensure that all evaluations are completed as required.

UWF Response to Finding 2:

The University has established accountability for the completion of workforce personnel evaluations. We agree that additional accountability measures were needed to help ensure that annual personnel evaluations are completed. A new supervisor competency has been added for fiscal year 2022/23 evaluations. The criteria for assessing the performance of supervisors will now include whether or not they have completed the required evaluations of their workforce employees. We believe that this should provide sufficient accountability to compel supervisors to follow through.

Sincerely yours,



Martha D. Saunders, Ph.D.
President

cc: Ms. Suzanne Lewis, UWF BOT Chairman
Mr. Robert Jones, UWF BOT Audit & Compliance Committee (Chair)
Mr. Dick Baker, UWF BOT Audit & Compliance Committee
Ms. Jill Singer, UWF BOT Audit & Compliance Committee
Dr. George Ellenberg, Provost/Executive Vice President
Ms. Betsy Bowers, Vice President, Finance and Administration
Mr. Howard Reddy, Vice President for University Advancement
Dr. Greg Tomso, Vice President, Division of Academic Engagement and Student Affairs
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