

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2023-052  
November 2022

### UNIVERSITY OF SOUTH FLORIDA



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period January through December 2021, Ms. Rhea Law served as President of the University of South Florida August 2, 2021, through December 2021, Dr. Steven C. Currall served as President before that period, and the following individuals served as Members of the Board of Trustees:

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Michael E. Griffin, Vice Chair from 7-1-21	Oscar J. Horton
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Stephanie E. Goforth through 1-26-21, Vice Chair <sup>a</sup>	Lauren Monbarren from 7-23-21
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<sup>a</sup> Vice Chair position vacant 1-27-21, through 2-23-21.

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

<sup>c</sup> Student Body President.

The team leader was Janet N. Case, 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](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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# UNIVERSITY OF SOUTH FLORIDA

## SUMMARY

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This operational audit of the University of South Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2020-014. Our operational audit disclosed the following:

**Finding 1:** Contrary to State law, the University assessed and collected distance learning course fees in excess of the additional costs of the services provided which were attributable to developing and delivering the distance learning courses. Specifically, for the 2019-20, 2020-21, and 2021-22 fiscal years the University's reported distance learning course fee revenue exceeded the additional costs of developing and delivering the courses by a total of \$8,557,840.

## BACKGROUND

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The University of South Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The System Faculty Council President and Student Body President also are members.

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

## FINDING AND RECOMMENDATION

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### Finding 1: Distance Learning

State law<sup>1</sup> allows universities to assess a student who enrolls in a course listed in the distance learning catalog a per-credit-hour distance learning course fee. The amount of the distance learning course fee may not exceed the additional costs of the services provided which are attributable to the development and delivery of the distance learning course. Florida Board of Governors regulations<sup>2</sup> authorize each university board of trustees to assess a distance learning course fee, not to exceed \$30 per credit hour, to any student enrolled in a course listed in the distance learning catalog.

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<sup>1</sup> Section 1009.24(17), Florida Statutes.

<sup>2</sup> BOG Regulation 7.003 (18)(f), *Fees, Fines and Penalties*.

University regulations<sup>3</sup> require a per-credit-hour distance learning course fee to be assessed to those students who enroll in courses listed in the distance learning catalog in an amount sufficient to cover the additional costs of the services, provided they are attributable to the development and delivery of the distance learning course. In response to our inquiry, University personnel indicated that the University established the distance learning course fee based on guidance in the *Florida Distance Learning Task Force Report*, dated February 26, 2009. As described in that report, distance learning course costs are directly related to the design and delivery of those courses and may be calculated based on all distance learning courses in total.

University personnel also indicated that student-credit-hour (SCH) costs by campus unit<sup>4</sup> are determined annually based on projected distance learning program costs for developing and delivering distance learning courses divided by the expected number of SCHs for projected enrollment and that the fee for those programs is limited to \$30 per credit hour pursuant to BOG regulations. For example, to determine the Tampa campus distance learning course fees for the 2020-21 fiscal year, University personnel documented consideration of projected additional costs<sup>5</sup> and projected enrollment and, as shown in Table 1, calculated an estimated cost per SCH and course fee of \$31.31 per student, then limited course fees to the \$30 per credit hour set by BOG regulations.

**Table 1**  
**Tampa Campus**  
**Distance Learning Course Fee Calculation**  
**2020-21 Fiscal Year**

Projected Additional Costs	\$7,104,350
Projected Enrollment	226,909
Cost per Student Credit Hour	\$31.31
Fee per Credit Hour	\$30

Source: University records.

Notwithstanding University personnel’s explanation for establishing the \$30 per credit hour distance learning fee, University records did not demonstrate that the additional costs of the services provided for developing and delivering each distance learning course were monitored and served as a basis for establishing the fee for each course. In addition, calculating costs on all distance learning courses in total appears contrary to State law, which limits the distance learning course fee to the additional costs of the services to develop and deliver the course. Furthermore, as illustrated in Table 2, our examination of University records for the 2019-20, 2020-21, and 2021-22 fiscal years for all campus units disclosed that reported distance learning course fee revenue for the 3 fiscal years exceeded by \$8,557,840 the additional costs of developing and delivering the courses.

<sup>3</sup> University of South Florida Regulation 4.0107(29), *Fees, Fines and Penalties*.

<sup>4</sup> University calculates SCH by campus unit. The University has 4 campus units: Tampa, St. Petersburg, Sarasota-Manatee; and USF Health.

<sup>5</sup> Projected additional costs were based on the University’s budgeted annual projection of additional costs associated with developing and delivering distance learning courses for permissible additional costs listed in the *Florida Distance Learning Task Force Report*, such as specialized technology and maintenance and acquisition of instructional content for distance learning courses and distance learning administrative and operating costs.

**Table 2**  
**Distance Learning Courses**  
**Fee Revenue and Additional Costs per Student Credit Hour**  
**For the 2019-20 Through 2021-22 Fiscal Years**

	2019-20	2020-21	2021-22	Total Excess Revenue
Revenue	\$14,168,712	\$17,688,915	\$15,438,443	
Additional Costs	12,351,428	12,796,468 <sup>a</sup>	13,590,334	
Excess Revenue over Additional Costs	<u>\$ 1,817,284</u>	<u>\$ 4,892,447</u>	<u>\$ 1,848,109</u>	<b><u>\$8,557,840</u></b>
Total Student Credit Hours	472,290	589,630	514,615	
Cost per Student Credit Hour	\$26.15	\$21.70	\$26.41	

<sup>a</sup> University accounting records for the 2020-21 fiscal year indicated an additional \$1.1 million in costs. However, since the \$1.1 million additional costs were funded with Federal Coronavirus, Aid, Relief, and Economic Security Act funds, those costs were excluded for purposes of this analysis.

Source: University records. University accounting records provided the actual revenues for the University distance learning courses for each of the 3 fiscal years, as well as, the actual additional costs, which were separately recorded, for those courses.

In response to our inquiry, University personnel indicated that the excess revenue over additional costs incurred by the distance learning courses was due to significantly higher than expected student enrollment and the University's inability to reinvest in updating technology during the COVID-19 pandemic. University personnel also indicated that the excess will be reinvested over the next 3 fiscal years. Notwithstanding, University records did not demonstrate compliance with State law by limiting the amount of the distance learning course fees to the additional costs of the services provided which were attributable to the development and delivery of the distance learning courses. Absent effective procedures for determining, documenting, and assessing distance learning course fees, students may be overcharged for those courses.

**Recommendation:** The University should establish effective procedures to demonstrate that the distance learning course fees assessed to and collected from students who enroll in distance learning courses are limited, as required by State law, to the additional costs of the services provided which are attributable to the development and delivery of the courses. Such procedures should include the maintenance of records to justify the fee assessed for each distance learning course based on the additional costs of services to develop and deliver that course.

## **PRIOR AUDIT FOLLOW-UP**

The University had taken corrective actions for findings included in our report No.2020-014.

## **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 July 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 selected University processes and administrative activities.

For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2020-014.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of January 2021 through December 2021 and selected University actions taken 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 selected University processes and administrative activities and the related requirements.
- Reviewed University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security access, systems development and maintenance, user authentication, and disaster recovery.
- Evaluated University procedures for maintaining and reviewing employee access to IT data and resources. From the population of 624 employees with access privileges to selected critical functions within the finance application and 523 employees with access privileges to selected critical functions within the human resources (HR) application, we examined University records for 30 selected employees with access to the finance application and 30 selected employees with access to the HR application 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 that prohibit former employees' access to University IT data and resources. From the population of 4,832 employees who separated from University employment during the audit period, we examined access records for 30 selected former employees to determine whether their access privileges had been timely deactivated.
- Evaluated University procedures for protecting the sensitive personal information of students, such as social security numbers. From the population of 136 employees who had access privileges to the sensitive personal information of students on December 31, 2021, we examined University records supporting the access privileges granted to 30 selected employees to evaluate the appropriateness of and necessity for the access privileges based on the employees' assigned job responsibilities.
- 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 operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- 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.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined University records for the audit period to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined University records to determine whether the University Medical Services Association, Inc. was certified by the University Trustees, as prescribed by USF Regulation 13.002, pursuant to Section 1004.28(1)(a)3., Florida Statutes, to operate in a manner consistent with the goals of

the University and in the best interest of the State. Also, we examined University records to determine whether the direct-support organization provided for an annual financial audit of its accounts and records as required by Section 1004.28(5)(a), Florida Statutes.

- Determined whether the University maintained a minimum carryforward balance of at least 7 percent of its State operating budget and prepared a spending plan for balances in excess of the 7 percent minimum balance as required by Section 1011.45, Florida Statutes.
- For the population of 18,799 course sections offered during the audit period, examined University records supporting textbook adoptions to determine whether the University textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Reviewed the University's Capital Improvement Plan submitted to the Board of Governors (BOG) and used for the legislative budget request to determine whether the Plan was completed in accordance with BOG instructions.
- From the population of all user fee collections totaling \$144.5 million during the audit period, examined University records supporting collections totaling \$75.5 million to determine whether the University properly assessed and separately accounted for the amounts as required by Section 1009.24, Florida Statutes.
- From the population of expenses totaling \$45.1 million paid from student activity and service, athletic, student health, lab and student financial aid fees assessed totaling \$60.8 million, examined University records to evaluate compliance with the restrictions imposed on the use of those fees. Specifically, we:
  - Evaluated compliance with applicable use restrictions by examining University records supporting 41 selected expenses totaling \$7.8 million, including 16 selected expenses totaling \$285,152 from student activity and service fees, 10 selected expenses totaling \$21,688 from student health fees, 10 selected expenses totaling \$7.5 million from athletic fees, and 5 selected expenses totaling \$10,660 from lab fees.
  - Determined whether the \$12.8 million in student financial aid fees collected during the 2020-21 fiscal year was disbursed in compliance with Section 1009.24(7), Florida Statutes.
- Examined University records for the 2019-20, 2020-21 and 2021-22 fiscal years to determine whether distance learning course fees were assessed, collected, and separately accounted for in accordance with Section 1009.24(17), Florida Statutes. Specifically, from the population of \$12.8 million distance learning program expenses paid from fee revenue totaling \$17.7 million during the 2020-21 fiscal year, examined University records supporting 30 selected distance learning expenses totaling \$1.5 million to determine whether the expenses complied with Section 1009.24(17)(b), Florida Statutes, and USF Regulation 4.0107.
- Examined 15 of the 24 employee contracts with severance pay provisions to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes. From the population of 21 employees who received severance pay totaling \$1.1 million during the audit period, we examined University records for 6 selected employees paid severance pay totaling \$0.9 million to determine whether the severance payments complied with State law.
- From the population of 2,798 employees who received bonus and award payments totaling \$12.9 million during the audit period, examined related performance measures and other University records for 60 selected employees paid bonuses totaling \$4.7 million to determine whether the payments complied with Section 215.425(3), Florida Statutes.
- From the population of 8 major construction projects with payments totaling \$34.7 million and in progress during the audit period, selected 30 payments totaling \$18.8 million related to 3 major construction projects with construction costs totaling \$24.6 million and examined University records to determine whether the payments were made in accordance with contract terms and conditions.



- From the population of 8 major construction projects during the audit period, examined University records for 3 major construction projects with contract amounts totaling \$104.2 million to determine whether the University's process for selecting design professionals and construction managers was in accordance with Section 287.055, Florida Statutes; the selection process of subcontractors was adequately monitored; the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals; design professionals provided evidence of required insurance; and construction funding sources were appropriate.
- From the population of restricted capital outlay expenses totaling \$33.8 million during the audit period, examined records supporting 42 selected expenses totaling \$17 million to determine whether funds were expended in compliance with the restrictions imposed on the use of these resources, such as Public Education Capital Outlay funds, Capital Improvement Trust funds, and other restricted capital project funds. Also, we determined whether Education and General carryforward funds were budgeted and used in accordance with BOG Regulation 9.007.
- 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.
- 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***

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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

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November 15, 2022

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

Dear Ms. Norman,

Please see enclosed, the University of South Florida response for the audit finding related to the University that is included in the 2021 Operational Audit administered by the State of Florida.

If you have any questions or require additional information, please contact Jennifer Condon, Vice President, Deputy CFO and Controller at (813) 974-7696.

Sincerely,

DocuSigned by:  
  
69C2E2B5FEBD4C1...

**Richard J. Sobieray**

Senior Vice President, Financial Strategy and Administrative Services  
Chief Financial Officer  
University of South Florida

Enclosure

Copy to:     President Rhea Law  
               Dr. Eric Eisenberg  
               Dr. Cynthia DeLuca  
               Christine Brown  
               Jennifer Condon  
               Virginia Kalil  
               Gerard Solis

OFFICE OF THE SENIOR VICE PRESIDENT FOR FINANCIAL STRATEGY AND ADMINISTRATIVE SERVICES  
AND CHIEF FINANCIAL OFFICER  
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University of South Florida  
Responses to Preliminary and Tentative Findings of the USF 2021 Operational Audit  
Conducted by the Auditor General's Office

**Finding: Distance Learning:** Contrary to State law, the University assessed and collected distance learning course fees in excess of the additional costs of the services provided which were attributable to developing and delivering the distance learning courses. Specifically, for the 2019-20, 2021-21, and 2021-22 fiscal years the University's reported distance learning course fee revenue exceeded the additional costs of developing and delivering the courses by a total of \$8,557,840.

**Recommendation:** The University should establish effective procedures to demonstrate that the distance learning course fees assessed to and collected from students who enroll in distance learning courses are limited, as required by State law, to the additional costs of the services provided which are attributable to the development and delivery of the courses. Such procedures should include the maintenance of records to justify the fee assessed for each distance learning course based on the additional costs of services to develop and deliver that course.

**Management's Response:** The University will enhance the distance learning course fee monitoring procedures and continue to maintain records to justify the fees assessed based on the additional costs of services to develop and deliver distance learning courses.

<b><u>Implementation Date:</u></b>	December 31, 2022
<b><u>Responsible Party:</u></b>	Christine Brown, 813/974-2756 Associate Vice President, Innovative Education