

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-055
November 2022

FLORIDA GULF COAST UNIVERSITY



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2021, Dr. Michael V. Martin served as President of Florida Gulf Coast University and the following individuals served as Members of the Board of Trustees:

Blake Gable, Chair	Joseph Fogg III
Stephen Smith, Vice Chair	Jacob Goldman through 3-31-21 ^c
Anna Carlin from 8-7-21 ^a	Dr. Jamie MacDonald through 8-6-21 ^a
Ashley Coone through 5-24-21 ^b	J. Leo Montgomery
Darlene Cors	Edward Morton
Richard Eide Jr.	Robbie Roepstorff
Alyssa Fleischer from 4-1-21 ^c	Jaye Semrod

^a Faculty Senate Chair.

^b Trustee position vacant from 5-25-21, through 12-31-21.

^c Student Body President.

Note: One Trustee position was vacant during the entire period.

The team leader was Claudia A. Salgado, and the audit was supervised by Ramon L. Bover, 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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FLORIDA GULF COAST UNIVERSITY

SUMMARY

This operational audit of Florida Gulf Coast (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2020-120. Our operational audit disclosed the following:

Finding 1: Contrary to State law, the University awarded bonuses totaling \$2.1 million to 1,345 non-student employees without notifying all employees of the bonus scheme before the beginning of the evaluation period on which the bonuses were based.

Finding 2: As similarly noted in our report No. 2020-120, some unnecessary information technology user access privileges existed that increased the risk for unauthorized disclosure of sensitive personal student information to occur.

BACKGROUND

The Florida Gulf Coast University (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.

On June 22, 2021, the Office of the Vice President for Administrative Services and Finance notified all University faculty and staff of a July 2, 2021, one-time bonus award of \$1,500 to eligible employees. The notification identified eligible employees as those who were hired March 3, 2021, or earlier; were active as of June 1, 2021; and not on a performance improvement plan as of June 1, 2021.

The University had 1,461 non-student employees during June 2021 and the President approved bonus awards² totaling \$2.1 million to 1,345 employees on July 2, 2021. Notwithstanding, contrary to State law, the University did not notify all employees of the bonus scheme before the beginning of the evaluation period on which the bonuses were based.

In response to our inquiries regarding how the June 2021 bonuses complied with State law, University personnel initially indicated that they were not aware that the bonus requirements in State law applied to State universities and, consequently, procedures had not been established to comply with those requirements. However, University personnel acknowledged that the language in State law effective July 1, 2021,³ could be interpreted to mean that the Florida Legislature intended for statutory bonus requirements effective prior to July 1, 2021, to apply to State universities. Since the University's bonus scheme failed to notify all employees before the beginning of the evaluation period on which the bonus would be paid, University procedures were not effective to ensure that employee bonuses complied with State law.

Recommendation: The University should establish procedures to ensure that all bonus schemes comply with State law and notify employees of the applicable bonus scheme before the beginning of the evaluation period on which bonuses will be based.

Finding 2: Information Technology User Access Privileges – Student Information

The Legislature has recognized in State law⁴ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing sensitive personal information unnecessary for their assigned duties and provide for documented, periodic evaluations of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

According to University personnel and records, the University established a unique identifier, other than the SSN, to identify each student. However, the University collects and uses SSNs pursuant to State law for various purposes, such as to register newly enrolled students and comply with Federal and State financial and academic assistance requirements. Designated University officials and personnel are

² The bonus awards were prorated to applicable employees based on their full-time equivalency status.

³ 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.”

⁴ Section 119.071(5)(b), Florida Statutes.

provided access to sensitive personal student information to perform an administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose. As of August 31, 2022, the University enterprise resource planning (ERP) system contained the SSNs of 331,201 students, including 198,675 former, 110,882 prospective, and 21,644 current students, and 92 University employees had access to former, prospective, and current student SSNs.

While University records demonstrated that the security administrators or their designees performed periodic evaluations of IT user access privileges, our examination of University records supporting 33 of the 92 employees' user access privileges disclosed that 5 employees had unnecessary access to student SSNs. Specifically:

- 3 Payroll Department employees required IT user access privileges to University-employed students' SSNs for Federal tax reporting purposes. However, these 3 employees also had unnecessary access to the SSNs of all former, prospective, and current students, including those who were not University employees. According to University personnel, the ERP system did not have a mechanism to limit access to only University-employed students or to differentiate between the sensitive information of former, prospective, and current students.
- 2 Procurement Services Department employees' responsibilities required access to vendor tax identification numbers for Federal tax reporting purposes; however, these 2 employees did not need access privileges to student SSNs.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information is used to commit a fraud against or otherwise harm students. Subsequent to our inquiries, in August 2022 the University removed the unnecessary access for these 5 employees.

A similar finding was noted in our report No. 2020-120.

Recommendation: To properly safeguard and protect student sensitive personal information, the University should enhance procedures to ensure that only those employees who have a demonstrated need to access sensitive personal information of students, including SSNs, be granted such access. Such enhancements should include an upgrade to the ERP system to include a mechanism that differentiates user access privileges to the sensitive information of students.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2020-120, except that Finding 2 was also noted in report No. 2020-120 as Finding 1.

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 May 2022 through August 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. 2020-120.
- 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 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 and the related requirements.
- 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.
- 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 523 employees with access privileges to the finance and human resources (HR) applications during the audit period, we selected 5 executive positions in the Finance and HR Departments 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. From the population of 92 employees who had access privileges to the sensitive personal information of students during the audit period, we examined University records supporting the access privileges granted to 33 employees to evaluate the appropriateness of and necessity for the access privileges based on the employees' assigned job responsibilities.
- Determined whether a comprehensive IT risk assessment had been established for the audit period to document the University risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Analyzed payments from tuition differential fees collected during the audit period to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- To determine whether student fees totaling \$137 million during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with University policies and Board of Governors regulations, we:
 - Examined University records for 30 selected students and their related fees totaling \$132,856 to determine whether the University documented Florida residency and 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 who did not timely pay fees; make student status and Florida residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.
- From the population of 4,445 course sections offered during the audit period, examined University records supporting textbook adoptions offered during the audit period to determine whether the University textbook affordability procedures complied with Section 1004.085, Florida Statutes.

- Examined University records supporting bonus payments totaling \$2.1 million to 1,345 University employees during the audit period to determine whether the University complied with the requirements of Section 215.425(3), Florida Statutes.
- Selected 23 new hires from the population of 91 administrative and professional new hires during the audit period to determine whether personnel records evidenced that the employees had the necessary qualifications, degrees, and experience for the positions based on the position descriptions.
- For the 5 employees who received severance pay totaling \$41,469 during the audit period, examined University records to determine whether the severance payments complied with Section 215.425(4), Florida Statutes, and University policies.
- Evaluated University policies and procedures for obtaining personnel background screenings to determine compliance with Section 1012.915, Florida Statutes.
- From the population of 16,160 purchasing card (P-card) transactions totaling \$5.2 million during the audit period, examined University records supporting 54 selected P-card transactions totaling \$54,450 to determine whether the P-card program was administered in accordance with University policies and procedures and transactions were not of a personal nature.
- Examined P-card records for 22 of the 81 cardholders who separated from University employment during the audit period to determine whether the University timely canceled the cardholders' P-cards.
- Examined University records supporting 1 selected major construction project with costs totaling \$40.4 million from the 12 major construction projects with costs totaling \$61.5 million during the audit period to determine whether the University's process for selecting design professionals and construction managers complied with Section 287.055, Florida Statutes; the University adequately monitored the construction manager subcontractor selection process; 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 payments totaling \$9.9 million during the audit period for new software applications, examined documentation supporting 15 selected payments totaling \$3.8 million to determine whether the University evaluated the effectiveness and suitability of the software applications prior to purchase and whether the purchases were made through the competitive vendor selection process.
- 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.
- 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



OFFICE OF THE PRESIDENT

November 16, 2022

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

RE: Operational Audit of Florida Gulf Coast University
Florida Gulf Coast University (FGCU) Management Response and Corrective Action
Plan for Audit Findings

Dear Ms. Norman:

Thank you for the opportunity to respond to the preliminary and tentative findings with regards to the FGCU Operational Audit performed by the Auditor General's office for the period January 1, 2021 through December 31, 2021. Enclosed are the management responses from FGCU for the two audit findings. Contained within each management response is a written statement of explanation, including our actual corrective action.

If you have any questions or need additional information, please feel free to contact my office or William Foster, FGCU Director of Internal Audit, at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael V. Martin'.

Michael V. Martin, Ph.D.
President
Florida Gulf Coast University

Enclosure

c: FGCU Board of Trustees
David Vazquez, Vice President for Administrative Services & Finance
Beverly Brown, Director of Operations, Office of the President
Vee Leonard, Vice President and General Counsel
William Foster, Director of Internal Audit
Renee Garcia, University Controller
Claudia Salgado, Senior Auditor, Auditor General's Office
Ramon Bover, CPA, Audit Supervisor, Auditor General's Office

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FGCU'S RESPONSE TO 2021 OPERATIONAL AUDIT PRELIMINARY AND TENTATIVE FINDINGS

FINDING 1: Bonus Awards

Recommendation: The University should establish procedures to ensure that all bonus schemes comply with State law and notify employees of the applicable bonus scheme before the beginning of the evaluation period on which bonuses will be based.

FGCU RESPONSE:

The University agrees and has established procedures to ensure that all bonus schemes comply with State law and notify employees of the applicable bonus scheme before the beginning of the evaluation period on which bonuses will be based.

In June 2021, the University awarded a \$1,500 one-time payment in lieu of a permanent increase which would affect future budget years. The one-time payment was made on July 2, 2021 to eligible employees who had been employed by the University on March 3, 2021 or prior, were not on a Performance Improvement Plan because they received a Meets Expectations or Better on their most recent annual evaluation as of June 1, 2021, and were not terminating employment with the University prior to August 31, 2021. The criteria followed both University and Best Business practices for awarding pay increases. While appropriate for annual pay increases, the criteria were inadvertently used for a one-time payment instead of a permanent increase.

On April 12, 2022, the University's Board of Trustees approved FGCU Regulation 5.024 – Bonus Plan under the authority provided in Section 1012.978, Florida Statutes, and BOG Regulation 9.015, University Bonus Plans. This regulation provides the University with greater authority to grant bonus payments.

Implementation Date: April 2022

FINDING 2: INFORMATION TECHNOLOGY USER ACCESS PRIVILEGES – STUDENT INFORMATION

Recommendation: To properly safeguard and protect student sensitive personal information, the University should enhance procedures to ensure that only those employees who have a demonstrated need to access sensitive personal information of students, including SSNs, be granted such access. Such enhancements should include an upgrade to the ERP system to include a mechanism that differentiates user access privileges to the sensitive information of students.

FGCU RESPONSE:

The University agrees that in order to protect student sensitive personal information, only those employees who have a demonstrated need to access sensitive personal information should be granted such access. In July 2020, the new ERP system for employees and suppliers was implemented. While access to the former ERP system which contained student data was limited to 5 employees in positions of special trust, we understand that there could be a risk of unauthorized disclosure of sensitive personal information and the possibility that such information is used to commit a fraud against or otherwise harm students. Therefore, access was removed for these 5 employees.

Implementation Date: August 2022