

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2026-039
October 2025

STATE UNIVERSITY SYSTEM BOARD OF GOVERNORS



Sherrill F. Norman, CPA
Auditor General

Board of Governors and Chancellor

During the 2024 calendar year, Raymond Rodrigues served as Chancellor of the Board of Governors and the following individuals served as Members of the Board of Governors:

Brian D. Lamb, Chair	Edward Haddock Jr.
Alan M. Levine, Vice Chair	Jack Hitchcock through 5-31-24 ^a
Ashley Bell Barnett	Ken Jones
John Brinkman from 6-1-24 ^a	Darlene Jordan through 5-7-24
Tim Cerio	Charles H. Lydecker
Manny Diaz Jr. ^b	Craig Mateer
Aubrey Edge	Jose Oliva
Patricia L. Frost	Dr. Amanda J. Phalin ^c
Carson Good from 5-8-24	Eric Silagy

^a Chair of the Florida Student Association (equivalent to Florida Student Association President referred to in Article IX, Section 7(d) of the State Constitution).

^b Commissioner of Education.

^c Chair of the Advisory Council of Faculty Senates.

The Auditor General conducts 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.

The team leader was Stacy Boyd, CPA, and the audit was supervised by Maria G. Loar, 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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STATE UNIVERSITY SYSTEM BOARD OF GOVERNORS

SUMMARY

This operational audit of the Board of Governors (BOG) for the State University System (SUS) focused on selected BOG processes and administrative activities and included a follow-up on findings noted in our report No. 2023-049. Our operational audit disclosed the following:

Finding 1: BOG regulations and guidance to State universities could be enhanced to ensure that university bonus schemes are properly and consistently reported to the BOG.

Finding 2: BOG procedures were not effective to help ensure compliance with the BOG regulation limiting SUS non-resident students in numbers not to exceed 10 percent of the total systemwide enrollment.

BACKGROUND

Pursuant to Article IX, Section 7(d) of the State Constitution, the Board of Governors (BOG) has the duty to operate, regulate, control, and be fully responsible for the management of the State University System. The BOG is composed of 17 members, including 14 citizen members who are appointed by the Governor, subject to confirmation by the Senate, and serve 7-year staggered terms; the Commissioner of Education; the Chair of the Advisory Council of Faculty Senates, or the equivalent; and the President of the Florida Student Association, or the equivalent.

The BOG established the powers and duties of the university boards of trustees. The trustees are responsible for setting university policies, which provide governance in accordance with State law and BOG regulations.

FINDINGS AND RECOMMENDATIONS

Finding 1: Monitoring and Oversight of University System Employee Bonus Schemes

Pursuant to the State Constitution,¹ the Board of Governors (BOG) has the duty to operate, regulate, control, and be fully responsible for the management of the State University System (SUS). Pursuant to State law,² each university board of trustees may implement a bonus scheme based on awards for work performance or employee recruitment and retention. State law was amended in 2023³ to require universities to submit an annual report to the BOG when awarding bonuses and to require the BOG to develop a regulation to ensure consistent implementation of State law.

¹ Article IX, Section 7(d) of the State Constitution.

² Section 1012.978, Florida Statutes.

³ Chapter 2023-95, Section 5., amended Section 1012.978, Florida Statutes, effective July 1, 2023.

Pursuant to the amended State law, BOG regulations⁴ were amended to require each university president to submit to the trustees each year, on a schedule established by the trustees, a report to the trustees that contains:

- A description of the bonus plan.
- The president's certification that any bonuses paid during the reporting period complied with the criteria in the university's bonus plan and were paid from funds contained within the university's budget as approved by the trustees.
- The total amount paid during the reporting period for performance, recruitment, and retention bonuses.

The report must then be annually provided to the BOG.

BOG personnel developed procedures requiring review of each university bonus report to evaluate compliance with BOG regulations. Each of the 12 universities submitted to the BOG a report of what university personnel believed should be reported. Our review of the 12 university reports disclosed several reports that excluded BOG-required information and inconsistently reported information by different universities. For example, 3 university reports excluded a description of the bonus plan and the president's certification that the bonuses paid during the reporting period complied with the criteria in the university's bonus plan. In addition, 1 of the 3 university bonus reports without the bonus plan description and the president's certification and 2 other university bonus reports lacked the university president's certification that the bonuses paid during the reporting period were paid from funds contained within the university's budget approved by the trustees.

According to BOG personnel, all reports disclosed either the performance, retention, or recruitment bonus category that satisfied the description requirement and that the president certification requirements were met because trustee approval of the bonuses was during board meetings attended by the presidents. Notwithstanding, without a detailed description of the bonus plans and documented president certifications, BOG records did not always demonstrate university compliance with BOG regulations or that university presidents accepted responsibility that bonuses complied with university bonus plan criteria and were paid from funds contained within the trustee-approved budget, limiting the BOG's ability to ensure consistent reporting.

The 12 universities reported bonuses totaling \$71 million to the BOG for the 2023-24 fiscal year. As part of our audit, we requested for examination university records, from 5 selected universities⁵ with reported bonuses totaling \$43.5 million, supporting all one-time payments in addition to the base pay given to SUS employees. University records disclosed that the one-time payments for these 5 universities totaled \$136.1 million or \$92.6 million more than the amount reported to the BOG. Specifically, one university paid \$74.3 million for one-time incentive pay that was excluded from the university's bonus report because, according to university personnel, the pay did not fall into any of the three types of bonuses (e.g., employee work performance, recruitment, or retention) listed under the BOG regulations. In addition, another university included bonus payments totaling \$16.6 million that were made pursuant to

⁴ BOG Regulation 9.015, *University Bonus Plans*.

⁵ The selected universities were University of Florida, Florida International University, Florida State University, Florida Gulf Coast University, and Florida Agricultural and Mechanical University.

collective bargaining agreements that other universities excluded from the amounts in their bonus reports to the BOG.

Absent clearly established BOG regulations or effective guidance, there is an increased risk that State universities will inconsistently report the purpose for and amounts of bonus awards limiting the usefulness of the reports for making an accurate determination of the amounts of bonuses awarded and the consistency of the bonus schemes.

Recommendation: The BOG should improve procedures and guidance to universities to promote consistency and improve the usefulness of the university bonus reports.

Finding 2: Non-Resident Student Enrollment

Pursuant to the State Constitution,⁶ a system of governance for the SUS was established to achieve excellence through teaching students, advancing research, and providing public service for the benefit of Florida citizens, their communities, and economies. State law⁷ authorizes the BOG to regulate the SUS and adopt a regulation development procedure for the BOG and the trustees to use in implementing their constitutional duties and responsibilities.

Pursuant to BOG regulations,⁸ the SUS accepts non-resident students⁹ in numbers not to exceed 10 percent of the total systemwide enrollment. The regulation clarifies that this does not imply that the enrollment of non-resident students at any single university in the system will be limited to 10 percent of that university's total enrollment as long as the total number in the SUS does not exceed 10 percent of the total systemwide enrollment.

According to the June 18, 2025, BOG meeting records, for the 2012 through 2024 Fall Terms, the percent of non-resident undergraduate student enrollments ranged from 5 to 12 percent and the percent of non-resident graduate student enrollments ranged from 26 to 33 percent. Information for combined undergraduate and graduate student percentages was not presented to the BOG. Since BOG records lacked combined undergraduate and graduate student percentage calculations, we selected BOG information for the 2024 Fall Term and determined that the percent of total non-resident students to total students was 17 percent, or 7 percent more than the required limit.

In response to our inquiries, BOG personnel indicated that that the intent of the regulation was to ensure a physical seat was available for resident students and that the number of online non-resident students should be excluded from the calculation. We confirmed that, when excluded, the percent of non-residents did not exceed the 10 percent limit for the 2024 Fall Term. During the September 11, 2025, BOG meeting, the BOG approved a public notice of intent to amend the regulation to exclude from the calculation the number of online non-resident students and students who receive non-resident tuition and fee waivers and to calculate the limit by only considering the number of undergraduate students.

⁶ Article IX, Section 7(a) of the State Constitution.

⁷ Section 1001.706, Florida Statutes.

⁸ BOG Regulation 7.006, *Limitation on Non-Resident Student Enrollment*.

⁹ Section 1009.21, Florida Statutes, establishes the criteria used to determine the resident status of students.

Although we requested, BOG records were not provided to demonstrate compliance with existing BOG regulations limiting the number of SUS non-resident students in numbers not to exceed 10 percent of the total systemwide enrollment or how the BOG monitored and promoted compliance with this regulation by providing consequences for noncompliance. BOG records also did not demonstrate how the intended, amended regulation to only limit non-resident undergraduate students to the 10 percent limit provides a public service for the benefit of resident graduate students or how compliance with the intended, amended regulation would be monitored and promoted. Consequently, the usefulness of the BOG regulation or intentions to amend the regulation is not readily apparent.

Recommendation: BOG records should be maintained to demonstrate compliance with BOG regulations that limit the number of SUS non-resident students in numbers not to exceed 10 percent of the total systemwide enrollment and how the BOG monitored and promoted compliance with this regulation by providing consequences for noncompliance. Alternatively, if the BOG decides to amend these regulations, BOG records should specify an appropriate number or percent of non-resident students that ensures a public service is provided for the benefit of all resident students and provides an appropriate consequence for noncompliance to help promote and enforce future compliance.

Follow-Up to Management's Response

Management's response states that "on September 11, 2025, the Board, under its authority, gave notice to amend Regulation 7.006 to clarify the types of students who are exempt from the non-resident count for the 10% calculation. The Board of Governors monitors compliance with the 10% calculation through the university and System accountability plans. ... Compliance monitoring with this Regulation is performed by Board staff who review student enrollment data at a system level." However, BOG records did not demonstrate how the intended, amended regulation to only limit non-resident undergraduate students to the 10 percent limit provides a public service for the benefit of resident graduate students. Additionally, the accountability plans disclosed non-resident undergraduate enrollment percentages and non-resident graduate student percentages without disclosing the percent of total non-resident students, which was necessary to monitor compliance with the regulation.

Management's response also states that "related to enforcement, the Board has the authority to withhold the transfer of...funds...for disbursement to the state university until the university complies with the law or Board of Governors' regulation." Notwithstanding, the point of our finding is that the regulation governing the limit of non-resident students does not specify the consequence that would be imposed on universities for noncompliance to help promote and enforce future compliance.

Consequently, the finding stands as presented.

PRIOR AUDIT FOLLOW-UP

The Board of Governors had taken corrective actions for findings included in our report No. 2023-049.

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 2025 through September 2025 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 Board of Governors (BOG) 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. 2023-049.
- 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 2024 through December 2024, and selected BOG 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 State laws, BOG regulations, BOG policies and procedures, and other guidelines, and interviewed BOG personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Evaluated BOG procedures for maintaining and reviewing employee access to information technology (IT) data and resources. We examined access privileges to selected critical functions within the student reporting information system during the audit period for the 16 total employees to determine the appropriateness and necessity of the access privileges based on the selected employees' job duties and user account functions.
- Evaluated BOG procedures designed to prohibit former employees' access to IT data and resources. We examined access privileges for the 16 employees who separated from BOG employment during the audit period to determine whether the access privileges had been timely deactivated.
- Examined BOG records and inquired whether the BOG had any expenses or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period.
- Determined whether the BOG's Office of Inspector General had developed and implemented an effective system of controls and oversight and was in material compliance with applicable State law and BOG regulations.
- Determined whether the BOG provided adequate monitoring and guidance to State universities to ensure that the submitted annual bonus report information was consistent in accordance with the requirements of Section 1012.978, Florida Statutes, and BOG Regulation 9.015.
- From the population of compensation payments totaling \$5.9 million made to 83 employees during the audit period, selected payments totaling \$213,764 made to 30 employees and examined the related payroll and personnel records to determine whether the rate of pay was accurate, employment contracts were valid, employees met required qualifications, performance evaluations were completed, and leave records were accurate.
- Evaluated BOG policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and BOG policies. Specifically, from the population of 13 employees who separated from BOG employment during the audit period and were paid \$136,244 for terminal leave, we selected 4 employees with terminal payments totaling \$74,527 and examined the supporting records to evaluate compliance with Section 110.122, Florida Statutes, and BOG Internal Operating Policies and Procedures 2.7.1.

- Reviewed BOG records for four selected universities' Educational and General (E&G) carryforward spending plans submitted during our audit period to determine whether the BOG advised and provided adequate guidance to State universities regarding the prior use of E&G carryforward funds consistent with Section 1011.45, Florida Statutes, and BOG Regulation 9.007. Additionally, we examined BOG records to determine whether BOG personnel, pursuant to BOG procedures, compared E&G carryforward spending plans and fixed capital outlay budgets to identify differences and reasonableness of BOG actions to resolve the differences.
- Reviewed BOG policies, procedures, and instructions related to the capital improvement plans prepared by the universities to determine whether instructions provided helped ensure that the plans complied with Section 1013.64(4)(a), Florida Statutes.
- Evaluated BOG procedures related to the preparation of the universitywide 3-year Public Education Capital Outlay priority list to determine whether the list complied with Sections 1001.706(12) and 1013.64(4)(a), Florida Statutes.
- From the population of 471 purchasing card (P-card) transactions totaling \$86,676 during the audit period, examined BOG records supporting 30 selected P-card transactions totaling \$32,262 to determine whether the P-card program was administered in accordance with BOG policies and procedures and transactions were not of a personal nature.
- Examined P-card records for the 7 cardholders who separated from BOG employment during the audit period to determine whether the BOG timely canceled the cardholders' P-cards.
- From the population of travel expenses totaling \$124,998 during the audit period, examined 27 selected travel reimbursements totaling \$36,237 to determine whether the travel expenses were reasonable, adequately supported, for valid BOG purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- Determined whether the BOG had appropriate controls in place to ensure that vendor and employee information changes in the information system, such as address and bank information changes, were properly authorized, documented, and verified before payments were made.
- Evaluated BOG procedures for verifying that the submitted university deferred maintenance project listings contained only eligible projects, use of the deferred maintenance funds was consistent with restrictions imposed on the resources, and the consolidated list of projects submitted by the BOG to the Legislative Budget Commission was accurately and timely submitted pursuant to Chapter 2022-156, Laws of Florida, General Appropriations Act, Section 197.
- Examined BOG records to determine whether BOG procedures provided proper guidance to universities and the BOG monitored university submittals to ensure that the universities assessed student activity and service, student financial aid, student health, athletic, and capital improvement trust fund fees during the audit period in accordance with Section 1009.24, Florida Statutes.
- Evaluated BOG procedures for allocating Programs of Strategic Emphasis Incentive Funds tuition and fee waivers to universities for compliance with Section 1009.26(18), Florida Statutes, and Chapter 2023-239, Laws of Florida, General Appropriations Act, Section 143.
- Evaluated whether the BOG provided adequate monitoring and guidance to State universities to ensure that non-resident student enrollments did not exceed the 10 percent of the total systemwide enrollment in accordance with the requirements of BOG Regulation 7.006.
- Evaluated whether the BOG provided adequate monitoring and guidance to State universities to ensure that non-resident student fees and graduate fees were sufficient to cover the expenses to provide these services in accordance with Section 1009.24(4), 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

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 written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



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MEMORANDUM

TO: Sherrill F. Norman, Auditor General

FROM: Ray Rodrigues, Chancellor *Ray Rodrigues*

DATE: October 16, 2025

RE: Management Response – 2025 Board of Governors Operational Audit

I offer my thanks to you and your staff for their diligence and thoroughness in conducting this operational audit. As reflected in our response below, we have carefully reviewed and considered your findings and related recommendations for the Board of Governors.

Below is the official management response to the two findings you presented to us in the Preliminary and Tentative Findings Report.

Finding 1: BOG regulations and guidance to State universities could be enhanced to ensure that university bonus schemes are properly and consistently reported to the BOG.

Recommendation: The BOG should improve procedures and guidance to universities to promote consistency and improve the usefulness of the university bonus reports.

Board of Governors Response: We concur with the recommendation, and staff will work on additional guidance to promote reporting consistency for the award of bonuses based on employee work performance or for the purposes of recruitment and retention, in compliance with Board of Governors Regulation 9.015 and section 1012.978, Florida Statutes.

Finding 2: BOG procedures were not effective to help ensure compliance with the BOG regulation limiting SUS non-resident students in numbers not to exceed 10 percent of the total systemwide enrollment.

Florida Agricultural and Mechanical University | Florida Atlantic University | Florida Gulf Coast University | Florida International University
Florida Polytechnic University | Florida State University | New College of Florida | University of Central Florida
University of Florida | University of North Florida | University of South Florida | University of West Florida

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Recommendation: BOG records should be maintained to demonstrate compliance with BOG regulations that limit the number of SUS non-resident students in numbers not to exceed 10 percent of the total systemwide enrollment and how the BOG monitored and promoted compliance with this regulation by providing consequences for noncompliance. Alternatively, if the BOG decides to amend these regulations, BOG records should specify an appropriate number or percentage of non-resident students that ensures a public service is provided for the benefit of all resident students and provides an appropriate consequence for noncompliance to help promote and enforce future compliance.

Board of Governors Response: Article IX, Section 7 of the Florida Constitution established the Board of Governors to achieve excellence through teaching students, advancing research, and providing public service for the benefit of Florida's citizens, their communities, and economies. Under this authority, the Board of Governors established, through regulation, a 10 percent cap on SUS non-resident students.

On September 11, 2025, the Board, under its authority, gave notice to amend Regulation 7.006 to clarify the types of students who are exempt from the non-resident count for the 10% calculation. The Board of Governors monitors compliance with the 10% calculation through the university and System accountability plans. This metric has been included in the 2024 and 2025 accountability plans. The Board of Governors annually approves these plans at its June meeting. Compliance monitoring with this Regulation is performed by Board staff who review student enrollment data at a system level.

Related to enforcement, the Board has the authority to withhold the transfer of state funds, discretionary grant funds, discretionary lottery funds, or any other funds appropriated to the Board of Governors by the Legislature for disbursement to the state university until the university complies with the law or Board of Governors' regulation.

We will maintain documentation to demonstrate system compliance as recommended and will report any non-compliance to the Board for enforcement action deemed appropriate.