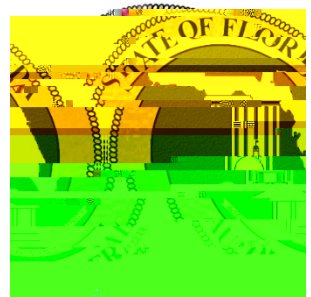




UNIVERSITY OF SOUTH FLORIDA



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:

William "Will" Weatherford from 1-23-21, Chair from 7-1-21, Vice Chair 2-24-21 ^a through 6-30-21	N. Rogan Donnelly from 12-22-21
Michael E. Griffin, Vice Chair from 7-1-21	Oscar J. Horton
Jordan B. Zimmerman through 7-22-21, Chair through 6-30-21	Clair Mitchell through 5-9-21 ^c
Stephanie E. Goforth through 1-26-21, Vice Chair ^a	Lauren Monbarren from 7-23-21
Dr. Timothy L. Boaz ^b	Leslie M. Muma
Sandra Callahan	Shilen Patel from 1-27-21
Michael Carrere	Fredrick "Rick" Piccolo from 8-6-21
	John B. Ramil through 12-21-21
	Melissa Seixas from 1-27-21
	Byron E. Shinn through 1-22-21
	Charles Tokarz through 8-5-21

UNIVERSITY OF SOUTH FLORIDA

SUMMARY

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

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

Finding 1: Distance Learning

State law¹ 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 regulations² 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.

University regulations³ 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 unit⁴ 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 costs⁵ 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

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 ^a	13,590,334	
Excess Revenue over Additional Costs	\$ <u>1,817,284</u>	\$ <u>4,892,447</u>	\$ <u>1,848,109</u>	\$ <u>8,557,840</u>
Total Student Credit Hours	472,290	589,630	514,615	
Cost per Student Credit Hour	\$26.15	\$21.70	\$26.41	

^a 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:

- y 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.
- y 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.
- y Determine whether management had taken corrective actions for findings included in our report No. 2020-014.
- y 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

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.

- y 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.
- y 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.
- y 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.
- y 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.
- y 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:
 - o Evaluated compliance with applicable use restrictions by examining University records

- y 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.
- y 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.
- y 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.
- y Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- y Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- y

MANAGEMENT'S RESPONSE



November 15, 2022

Sheila E. Stevens, CPA

