University of West Florida

Audit of
Continuing and Distance Education
For the Period
July 1, 2002-June 30, 2003
UWF-03/04-02

June 7, 2004

Prepared by
UWF Internal Auditing & Management Consulting
Table of Contents

Executive Summary .................................................................................................................. 1
Scope & Objectives of the Audit .............................................................................................. 3
Use of Report ............................................................................................................................ 4
Methodology ............................................................................................................................. 4
Background ............................................................................................................................... 4
Report on Internal Controls ..................................................................................................... 5

Comments & Areas for Improvement ..................................................................................... 5
Operational Strengths ................................................................................................................ 5
The reconciliation of fees between the CDE Peopleware software and the university’s CICS system may now be
performed on an individual basis, rather than in batch totals. .................................................. 5
COMMENT ............................................................................................................................... 5
The effect of CDE enrollment on Funded FTE Enrollment is negligible .................................... 5

Areas for Improvement ............................................................................................................ 6
1. Administrative duties can be further segregated to enhance the internal control environment .... 6
2. CDE needs to develop written internal policies and procedures that are unique for the unit .... 9
3. Improvements are needed in the cash collection procedures .............................................. 9
4. Documentation needs to be improved for the cancelled courses ......................................... 10
5. Authorization, approval, and record-keeping procedures need to be improved for control over assets and
   liabilities ................................................................................................................................. 11
6. Authorization and procedures for faculty payment need to be improved ............................. 11

Prior Audit Findings ............................................................................................................... 12

Conclusion ................................................................................................................................. 12
Executive Summary

We conducted an operational audit of the University’s Continuing and Distance Education (CDE) to examine and evaluate the adequacy and effectiveness of the department’s system of internal control and the quality of performance in carrying out assigned responsibilities in the following areas of scope: a) Reliability and integrity of information, b) Compliance with policies, plans, procedures, laws, and regulations; and c) Safeguarding of assets. Our specific objectives were to:

- Gather the necessary information to obtain a basic understanding of the UWF CDE operations; to determine and refine the scope and objective of the audit.

- Determine if adequate internal controls and operating procedures exist and are being implemented. Including determining:
  1. Receipts were properly recorded in the University’s records;
  2. Registrants were properly recorded in the department’s registration system;
  3. Refunds and expenses were authentic and properly negotiated and documented; and
  4. Certification of CDE courses were properly issued and controlled.

- Determine that CDE enrollment is not replacing funded FTE enrollment.

- Determine that the CDE operation is conducted within established UWF and state policies, procedures and guidelines.

- Evaluate the general effectiveness and efficiency of CDE operations.

- Determine whether CDE’s goals and objectives are:
  a) consistent with the mission, goals and objectives of UWF,
  b) measurable, and
  c) measured.

- Make recommendations to improve operations or correct deficiencies.

Our audit period was July 1, 2002, through June 30, 2003. We conducted our audit in accordance with the Standards for the Professional Practice of Internal Auditing. Field work was conducted from September 11, 2003, through February 25, 2004.

Results of Audit

Our audit results indicated that management appeared committed to maintaining the essential elements of an effective control environment. However, we noted several instances where departmental procedures and controls could be strengthened. Our audit indicated the following:

- Administrative duties can be further segregated to enhance internal controls.
• CDE needs to develop written internal policies and procedures that are unique for the unit.
• Improvements are needed in the cash collections procedures.
• Documentation needs to be improved for cancelled courses.
• Improvements are needed regarding issuance and reconciliation of CEU certificates.

Although the UWF annualized FTE enrollment for graduate students for academic year 2003/04 has initially fallen below corridor, we did not find a correlation to the courses of CDE which students took for credit. We do not believe that the CDE courses students take for credit are negatively impacting the overall funded enrollment for the university.

During our fieldwork, management took immediate action to correct significant internal control weaknesses. First, they secured a locking money bag that would be used for the collection of course fees. Second, third party sponsors held classes all over the state of Florida with UWF’s CDE operation being the certifying agency. Because of the logistics involved, the internal control structure was severely impaired. Management recognizing the problem, took immediate actions by eliminating the use of third party sponsors for CEU courses. We commend management upon their prompt action to remedy these internal control issues.

Accordingly, recommendations contained in this report relate to UWF’s strategic imperative to “continuously develop and improve processes and methods in delivering the university’s brand promise” and the transfer of operations from the main campus. Overall, our report includes five recommendations which will strengthen existing internal controls, as well as improving the efficiency of current operating procedures. Our comments and recommendations are discussed in detail in the Comments & Recommendations section of this report, beginning on page six [8].

We noted an operational strength in this audit. At the onset of the engagement, transactions going through the university’s accounts receivable system were not able to be reconciled on an individual basis with the CDE’s Peopleware Prox® (PWP) software. This reconciliation of fees between PWP and CICS was not possible to perform because of the lack of detailed information. Only daily batch totals were available from the CICS, which made it a monumental task to reconcile back to individual students. This was brought to the attention of university management, who promptly re-programmed the printout for CDE to show individual transactions vs. batch information. However, the report is currently not functioning properly, and ITS is focusing their energies on the Banner implementation rather than resolving this current glitch. Reconciling remains a major concern.
Scope & Objectives of the Audit

We conducted our audit in accordance with Standards for the Professional Practice of Internal Auditing. Accordingly, we performed such tests and procedures as considered necessary in the circumstances. The field work was conducted from September 11, 2003, through February 25, 2004.

Our operational audit was to examine and evaluate the adequacy and effectiveness of the department's system of internal control and the quality of performance in carrying out assigned responsibilities in the following areas of scope: a) Reliability and integrity of information; b) Compliance with policies, plans, procedures, laws, and regulations; and c) Safeguarding of assets. Our specific objectives were to:

- Gather the necessary information to obtain a basic understanding of the UWF Continuing and Distance Education (CDE) operations; to determine and refine the scope and objective of the audit.

- Determine if adequate internal controls and operating procedures exist and are being implemented, including determining:
  a) receipts were properly recorded in the University's records;
  b) registrants were properly recorded in the department's registration system;
  c) refunds and expenses were authentic and properly negotiated and documented;
  d) certification of CDE courses were properly issued and controlled.

- Determine that CDE enrollment is not replacing funded FTE enrollment.

- Determine that the CDE operation is conducted within established UWF and state policies, procedures and guidelines.

- Evaluate the general effectiveness and efficiency of CDE operations.

- Determine whether CDE's goals and objectives are:
  a) consistent with the mission, goals and objectives of UWF.
  b) measurable and
  c) measured.

- Make recommendations to improve operations or correct deficiencies.

The scope of our audit excluded the Community and University Partnerships (CUP) division of this department, as we audited CUP within the past five years. Please refer to UWF Internal Audit "Departmental Audit: CUP- UWF-99/00-06" issued January 18, 2000. Five recommendations were made and have been adequately implemented.
Use of Report

We are employed by the University of West Florida. This report is intended solely for the internal use of the University of West Florida, UWF Board of Trustees, the Florida Board of Education, Division of Colleges and Universities and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Methodology

An operational audit was conducted of the UWF Continuing and Distance Education (CDE). Non-statistical samples of transactions related to CDE courses offered and enrollment were tested. During our audit, we met with key administrative personnel, examined policies, procedures, and other documents; and observed the general operations of the continuing education function. Based on these activities, we have assessed the adequacy of internal controls.

Background

The UWF CDE department is managed by the division of Academic Affairs and reports to the Provost. This function had been dormant for a period of five years and was reopened during fiscal year 2000/01.

CDE’s mission is "to provide quality credit and noncredit education and training opportunities in order to meet the individual, community, and regional needs of both diverse and nontraditional students. CDE is committed to enhancing and complimenting the broader teaching and community service of the university through the development of campus, community, and business partnerships to meet our regional educational and economic development needs that might not otherwise be met."

Accordingly, CDE’s vision is “to serve as the university’s catalyst to identify and respond to the changing education and training needs of a diverse high-tech 21st Century learner and society.”

Staffing of the CDE department includes 5.5 full time employees as follows: a director, an associate director, a coordinator (technology and distance education), two coordinators, and an administrative assistant. Additionally, under the CDE operations, two auxiliary operations exist (CUP and Elderhostel) with these personnel: a director (education/training/community/university partnerships) and a coordinator (Elderhostel).
Report on Internal Controls

Management is responsible for establishing and maintaining an internal control structure. An effective internal control structure ensures that management's goals and objectives will be achieved. Fundamental managerial goals and objectives are to protect university resources, allow for sound decision making, promote efficient and effective operations, comply with applicable laws, rules, and regulations, and maintain and report timely, accurate, complete, and reliable information on the university's operations. We found opportunities where segregation of duties should be enhanced to provide for an adequate internal control structure. Please refer to our recommendations, beginning on page 6.

Comments & Areas for Improvement

Operational Strength

The reconciliation of fees between the CDE Peopleware Pro software and the university's CICS system was fixed to be performed on an individual basis, rather than in batch totals.

At the onset of the engagement, transactions going through the university's accounts receivable system were not able to be reconciled on an individual basis with the CDE's PWP software. This reconciliation of fees between PWP and CICS was not possible to perform because of the lack of detailed information. Only daily batch totals were available from the CICS, which made it a monumental task to reconcile back to individual students. This was brought to the attention of university management, who promptly re-programmed the printout for CDE to show individual transactions vs. batch totals. They were able to reconcile the daily printouts and tie them to the UWF ledger on an individual, detailed basis. However, the report has since developed a glitch and is currently not functioning properly. ITS is focusing their energies on the Banner implementation rather than resolving this current glitch. Reconciling remains a major concern.

COMMENT

The effect of CDE enrollment on Funded FTE Enrollment is negligible.

To determine if CDE enrollment is replacing funded FTE enrollment, we conducted a thorough review that revealed CDE courses are not used in the funded FTE calculations. Additionally upon reviewing the University’s “Green Report,” we noted the university’s FTE level for Fall 2003 fell below corridor (less than 95% of the BOE’s expected enrollment) for graduate level students. Given this analysis, we were desirous of learning if there was a correlation to these events and if the CDE courses did affect funded FTE. As noted above, there was an increase in the number of CDE courses being taken for credit within the Escambia County Alternative Certificate program, human performance technician and clinical ethics programs. However, a review of the enrollment
data provided by the Provost’s Office revealed the significant decreases in graduate enrollment were not within the disciplines that CDE students were taking the course for credit. The significant drops in graduate enrollment were found to be in computer science, accounting, and administrative studies.

To answer our questions regarding whether CDE courses that a student takes for UWF credit could be used in calculating our achievement of corridor enrollment (thus FTE funding), we asked UWF General Counsel for an opinion. Per our General Counsel, those CDE courses may not and cannot be used in any calculation toward FTE funding or toward meeting our corridor enrollment. However, if the tuition and fees are transferred, CDE courses may be used in the FTE funding calculation.

Although the UWF annualized FTE enrollment for graduate students for academic year 2003/04 has initially fallen below corridor, we did not find a correlation to the courses of CDE which students took for credit. We do not believe that the CDE courses students take for credit are negatively impacting the overall funded enrollment for the university. However, management should remain aware of the potential that expanding CDE enrollment where students earn UWF credit could negatively impact FTE/corridor in the future.

**Areas for Improvement**

1. **Administrative duties can be further segregated to enhance the internal control environment.**

   Because of limited staffing, the administrative assistant performs some incompatible functions such as:
   - preparing the invoices,
   - opening mail,
   - entering the enrollment into the PWF system,
   - preparing and making bank deposits,
   - preparing certificates of attendance, and
   - authorizing purchases and ordering items.

   Duties are considered to be incompatible if a single person can carry out and conceal errors and/or irregularities in the course of performing day-to-day activities. Assignments of responsibilities should provide a cross-check of duties.

   Segregation of duties is a basic, key internal control and one of the most difficult to achieve. This is especially true in a small operation. No single individual should have control over all phases of a transaction. Ideally, the incompatible functional responsibilities of authorization (execution), custody of assets and record-keeping should be the responsibility of three different individuals. Although the staff sizing prevents an ideal segregation of duties, we believe mitigating controls can be implemented to strengthen the internal control structure.

   Additionally, the administrative assistant does not have back-up should an extended leave be necessary. Support staff within this division could work cross-functionally to enhance separation of duties.
A department should separate the functional responsibilities creating a deterrent to fraud. The associate director and administrative assistant positions do not demonstrate good separation of duties. For example, the administrative assistant is currently responsible for invoicing, receiving the mail, opening the mail and making the deposits. Another example would be the associate director is sometimes does registrations and performs reconciliations. This weakened control allows the potential for fraud.

Proper division of responsibility should provide that the work of one individual is independently verified in the course of another individual’s regular duties. Although optimum separation of duties may not always be practicable, we believe, at a minimum the duties of billing chargebacks and reconciliations should be separated.

With the experienced CDE department personnel overseeing the daily tasks of the department, CDE has the opportunity to enhance its operations and structure. The talent shared among few individuals has allowed the department to achieve outstanding growth in the past two years and excel in its effectiveness as a department. However, some staff are expected to retire soon within the next eighteen months. This will leave the department very shorthanded. An additional position to manage the business/budget side of the department may be very necessary. We believe the current structure should be evaluated as these functions are not likely to be easily replaced when staff retires. This assessment would also assist with the separation of duties issue. Staffing should be scrutinized to provide the best solution for everyone. Accordingly, one solution would be to implement the following structure:
RECOMMENDATION
Management should review the current employees to further segregate them to enhance the internal control environment. Consideration should be given to adequate staffing levels to meet these needs.

MANAGEMENT'S ACTION PLANNED
We fully recognize that internal control would be better served if duties and responsibilities were more separated among employees. However, until such time that additional staffing is added to
the Division, it will be virtually impossible to further segregate duties and be able to continue meeting workload demands. We have requested additional staffing to meet workload requirements. If this request is approved, we will be able to fully implement this recommendation.

2. **CDE needs to develop written internal policies and procedures that are unique for the unit**

   No written policies and procedures exist for CDE. At the entrance conference management asked our assistance in identifying some best practices found within higher education. Accordingly, CDE established a committee to assemble continuing education policies and procedures and write UWF's procedures. However, the committee has since become inactive.

   To have an efficient operation, good internal controls require that key activities and procedures be documented. Furthermore, should any one employee be on extended absence from the office, critical tasks could go unattended, and/or procedures could be inconsistently applied. This could result in dissatisfied clients/customers and/or violation of university or state policies/procedures. With CDE being recently re-established, the employees focused upon getting up and running, rather than developing written policies and procedures. Current, comprehensive, approved, and organized policies and procedures set a standard against which to judge performance and progress. Further, well-documented methods simplify the smooth conduct of business activities in times of change and turnover as well as lessen chances for misunderstanding or misdirection, and to avoid noncompliance situations from arising.

   **RECOMMENDATION**

   To preserve what has been learned over time and refined through process application, to assure an adequate record of intended responsibilities and controls exist for future and ongoing reference, and to ultimately reduce dependency on the retention of present employees for the continuity of operational functions, we recommend policies and procedures for CDE operations be thoroughly documented.

   Further, periodic monitoring of the policies and procedures should be established and performed.

   **MANAGEMENT'S ACTION PLANNED**

   We concur with this recommendation. The current draft of policies and procedures will be updated and re-submitted to the Provost for approval.

3. **Improvements are needed in the cash collection procedures**

   The CEU registration form provides an excellent control for the collection of fees. However, we noted that the payment information (amount, check number or payment method, receipt number, and initials of collecting agent) is not completed for each individual, primarily for cash payments. Since cash is the most liquid of assets, it is imperative that adequate procedures are in place to ensure its safeguarding. By not completing the CEU form with the information of the cash-paying
student, weakens the internal controls and creates the risk that the monies may never be deposited to the university.

During our fieldwork, management took immediate action to correct two significant internal control weaknesses. First, they secured a locking money bag that would be used for the collection of course fees. Second, third party sponsors held classes all over the state of Florida with UWF's CDE operation being the certifying agency. Because of the logistics involved, the internal control structure was severely impaired. Management recognizing this problem took immediate actions by eliminating the use of third party sponsors for CEU courses.

Whatever method of collection (receipts, mail log, on-site at classes), certain controls must be maintained: access to assets must be limited (safeguarding and accountability); accountability for funds during transfer must be maintained, funds collected should be balanced and deposited; and deposits should be counted and reconciled. Additionally, to assist the UWF Cashiers in processing payments received, we believe wording could be included on the CDE invoice indicating the enrollment is for a non-credit student. Good internal controls require adequate steps be taken to secure the monies collected.

RECOMMENDATION
Accountability for monies, once established, should be maintained throughout the procedures until deposited with the university cashiers. Management should consider including wording on the CDE invoices/registration forms that state these are for non-credit courses, which would facilitate proper processing by the UWF Cashiers.

MANAGEMENT'S PLANNED ACTION
Procedures have been changed to name events/sub-vents (courses and programs using a naming convention that will cause the Peopleware Pro software to include the words "non-credit" on invoices and receipts.

4. Documentation needs to be improved for the cancelled courses.

Cancelled courses are not properly documented in the course file. We examined 17 files for cancelled courses and found them lacking pertinent information. For example, the date the course was cancelled or reason why were not documented. Additionally, no documentation showing proper authorization for cancellation was included. If students had paid for the course and it was subsequently cancelled, documentation was not kept with the file showing the payment and refund information. Adequate documentation of cancelled courses is a good managerial planning tool. With this information readily available, it would help CDE management to assess the viability of offering this course in the future. Without documentation showing the details for the cancelled courses, no evidence exists to mitigate accusations of fraud that the course monies were collected, the course never held and the monies never returned to the students. We believe maintaining documentation on cancelled courses is just as important as records kept on courses that were held.

UWF-630A-02
Authorization, approval, and record-keeping procedures that give control over assets and liabilities are vital components of internal control. The CDE department does an adequate job of having the proper approval and maintaining the correct records in most cases. However, there are a few areas of weakness such as the approval for cancelled courses.

RECOMMENDATION
More thorough documentation (date cancelled, reason, authorization, etc.) is needed regarding cancelled courses. Further, additional procedures are needed to bring this control to the level needed to assure the safeguarding of assets and achieving economy and efficiency in CDE operations.

MANAGEMENT’S PLANNED ACTION
Procedures have been changed to update description for each program. Peopleware Pro event/subevent (courses and non-credit programs) that is canceled to state the reason, the event/sub event is canceled, the date canceled and the individual’s initials that updates the file. This will provide proper documentation of program cancellation actions. Further, a record will be made in the program files to support program cancellation actions. PLANNED IMPLEMENTATION DATE: Procedural change implemented approximately April 1, 2004.

5. Authorization, approval, and record-keeping procedures need to be improved for control over assets and liabilities.

The process of awarding CEU certificates needs improvement. We examined six seminars sponsored by third parties. These third party sponsors held classes all over the state of Florida with UWF’s CDE operation being the certifying agency. When testing these seminars, we determined CEU certificates had been issued without receipt of payment, and the department received payments and failed to issue the CEU certificates to the individuals. As noted earlier in this report regarding the third party sponsored seminars, management took immediate action to eliminate the use of third party sponsors for CEU courses.

We also determined that a student had overpaid for a course and a refund was not issued. We informed management; who immediately issued a refund to the student.

RECOMMENDATION
The director should verify and approve a listing of certificates to be prepared to the Peopleware system’s accounting of the eligibility. Upon signing the certificates, the director should compare certificates to the approved listing. This additional procedure would bring the internal controls to the level needed to assure reliability of data, accuracy of recordkeeping and securing of assets.

MANAGEMENT’S PLANNED ACTION
We concur with this recommendation; however, either the Director or Associate Director will be responsible for this verification and approval.
Prior Audit Findings

We reviewed prior internal and external audit reports for the past five years. Although no audit of continuing education has occurred during this time period, we did perform an audit on a division of CDE: Community and University Partnerships. This operational audit was for the period July 1, 1998-September 10, 1999. The report was issued on January 18, 2000, and included five findings. Each has been adequately implemented.

Conclusion

We determined that the overall internal control structure has several opportunities for improvement. Further, by enhancing them, it will provide reasonable assurance that the reliability and integrity of information is ensured; policies, procedures, rules and regulations are complied with; and assets are adequately safeguarded.

Our tests of compliance indicated that the university complied, in all material respects, with applicable provisions of state laws and university policies. Nothing came to our attention which caused us to believe that untested items were not substantially in compliance.

We appreciate the extensive support, cooperation, professionalism, and responsiveness we received during our audit from the staff in the Continuing and Distance Education department. Their eagerness and enthusiasm for ideas to improve services will enhance the upcoming changes in the department.

Respectfully submitted,

J. Betsy Bowers, CIA CFE CGFM
Associate Vice President
Internal Auditing & Management Consulting

Project team:
Aleta Hudson, CPA
Susan Randolph, CPA