

UNIVERSITY AUDIT

AUDIT 343
DECEMBER 11, 2017

PERFORMANCE-BASED FUNDING DATA INTEGRITY

AUDIT OF INTERNAL CONTROLS AND COMPLIANCE
AS OF SEPTEMBER 30, 2017



UNIVERSITY OF CENTRAL FLORIDA

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University Audit

UNIVERSITY OF CENTRAL FLORIDA

MEMORANDUM

TO: John C. Hitt
President

FROM: Robert J. Taft
Chief Audit Executive

DATE: December 11, 2017

SUBJECT: Audit of Performance-based Funding Data Integrity

The enclosed report represents the results of our Performance-based Funding Data Integrity audit.

We appreciate the cooperation and assistance of the staff in Institutional Knowledge Management, the College of Undergraduate Studies, and UCF IT.

cc: Dale Whittaker
M. Paige Bordon
Linda Sullivan
Joel Hartman
Michael Sink
Elizabeth Dooley
Board of Trustees
Rick Schell

Background and Performance Objectives

Beginning in 2013-14, the Florida Board of Governors (BOG) implemented a performance-based funding (PBF) model which utilizes 10 performance metrics to evaluate universities on a range of issues, including graduation rates, job placement, cost per degree, and retention rates. According to information published by the BOG in May 2014, the following are key components of the funding model.

- For each metric, institutions are evaluated on either Excellence (a raw score) or Improvement (the percentage change from the prior year).
- Performance is based on data from one academic year.
- The benchmarks for Excellence are based on the BOG 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for Improvement are determined by the BOG after reviewing data trends for each metric.
- The Florida Legislature and Governor determine the amount of new state funding and a proportional amount of institutional funding that would come from each university's recurring state base appropriation.

For 2017-18 funding, each university was evaluated on seven metrics common to all universities, except Florida Polytechnic University, which is not yet eligible to participate in the funding process. The eighth metric applied to all institutions except New College, which had an alternate metric more appropriate to its mission. The ninth metric was chosen by the BOG, focusing on areas of improvement and the distinct missions of each university. The tenth metric was chosen by each university's Board of Trustees (BOT) from the remaining metrics in the University Work Plan.

UCF's metrics were:

1. percent of bachelor's graduates continuing their education or employed (with a salary greater than \$25,000) within the U.S. one year after graduation
2. median wages of bachelor's graduates employed full-time one year after graduation
3. average cost to the student (net tuition per 120 credit hours) for a bachelor's degree
4. six-year graduation rate (includes full-time and part-time, first time in college students)
5. academic progress rate (second year retention with a GPA greater than 2.0)
6. bachelor's degrees awarded within programs of strategic emphasis
7. university access rate (percent of fall undergraduates with a Pell-grant)
8. graduate degrees awarded within programs of strategic emphasis
9. percent of bachelor's degrees without excess hours
10. number of bachelor's degrees awarded annually

In November 2016, the Board of Governors made changes to three of the metrics that applied to UCF:

- **Metric 1 – Percent of Bachelor’s Graduates Employed and/or Continuing their Education Further One Year after Graduation.** The wage threshold for determining whether a bachelor’s degree recipient is included in the data set was increased from minimum wage to \$25,000. By raising the wage threshold, the number of employed graduates that could be included in the data set was reduced by nine percent across the State University System. The benchmarks were then reduced based on the new (lower) system average. This change had no impact on UCF’s score for this metric; UCF’s excellence score was seven points both years.
- **Metric 2 – Median Wages of Bachelor’s Graduates Employed Full-time One Year after Graduation.** This metric is based on information BOG obtains from Unemployment Insurance data for recent bachelor’s degree recipients. Previously, BOG obtained this information only from Florida; graduates who left Florida for employment or graduate school were excluded. BOG now obtains the data from 41 states and districts, including the District of Columbia and Puerto Rico. By including graduates outside Florida, BOG captured about 12 percent more of the system graduates, increasing the average system wage about \$700. The benchmarks were increased based on the new (higher) system average. This change had minimal impact on UCF’s score for this metric; UCF’s excellence score increased from eight points last year to nine points this year.
- **Metric 3 – Average Cost per Bachelor’s Degree.** Previously, the metric was based on four years of university expenditure data (i.e., the university’s cost to offer the degree). The new metric calculates the student’s tuition and fees, books, and supplies, less any financial aid provided to the student (i.e., the student’s net cost to obtain the degree). Universities can impact this metric by keeping fees low, increasing institutional financial aid, and ensuring that students only take the courses required to obtain their baccalaureate degree. This change had significant impact on UCF’s excellence scores for this measure; UCF dropped from eight points last year to only three points this year.

The BOG developed a Performance-based Funding Data Integrity Certification form to provide assurances that the data provided by universities is reliable, accurate, and complete. This certification form is to be signed by the university president, affirmatively certifying each of 10 representations or providing an explanation as to why the representation cannot be made as written. The certification form is also to be approved by the university BOT and signed by the BOT chair.

To make such certifications meaningful, the BOG again instructed each university BOT to “direct the university Chief Audit Executive to perform, or cause to have performed by an independent audit firm, an audit of the university’s processes that ensure the completeness, accuracy, and timeliness of data submissions.”

Audit Objectives and Scope

The primary objective of this audit was to determine the adequacy of university controls in place to promote the completeness, accuracy, and timeliness of data submissions to the BOG, particularly as they relate to PBF metrics. This audit will also provide an objective basis of support for the president and BOT chair to certify the required representations on the data integrity certification form.

Our approach is to audit files related to four of the 10 measures each year so that all measures are tested twice within a five-year cycle. This year's testing including data files submitted as of September 30, 2017, related to:

- Metric 2: median wage of bachelor's graduates employed full-time one-year after graduation
- Metric 3: cost of bachelor's degrees to the student, net tuition and fees per 120 credit hours
- Metric 6: percent of bachelor's degrees awarded within programs of strategic emphasis
- Metric 9: percent of bachelor's degrees without excess hours

We performed a comprehensive review of the controls and processes established by the university to ensure the completeness, accuracy, and timeliness of data submissions to the BOG which supported the PBF metrics during our audit in 2015-16. During our 2016-17 audit and the current 2017-18 audit, we reviewed any changes to controls and processes.

In addition, we verified the completeness and accuracy of the Hours to Degree (HTD), Courses to Degree (CTD), Student Instruction File (SIF), and Student Financial Aid (SFA) files submitted to the BOG in support of the measures listed above. By developing our own queries in PeopleSoft and comparing those results to the files submitted to BOG, we were able to test 100 percent of the students submitted for each file.

Overview of Results

Based on our audit, we have concluded that UCF's controls and processes are adequate to ensure the completeness of data submitted to the BOG in support of performance-based funding. Although we found minor errors that resulted in inaccurate or incomplete information being submitted to the BOG for a small number of students, these errors were **immaterial**, were generally **not in UCF's favor**, and had **no impact** on UCF's overall ranking among SUS institutions. Additional details are contained in Table 1.

We believe that our audit can be relied upon by the university president and the UCF Board of Trustees as a basis for certifying the representations made to the BOG related to the integrity of data required for the BOG performance-based funding model.

Audit Performance Metrics

Beginning of audit: April 10, 2017

End of fieldwork: October 19, 2017

Audit Team Members:

Vicky Sharp, senior auditor, auditor in charge

Kathy Mitchell, associate director, level I reviewer

Robert Taft, chief audit executive, level II reviewer

Table 1 –Issues identified during the audit

Issue #	Description	Impact on UCF's Raw Score	Impact on UCF's Excellence Score	Impact on UCF's Ranking Among SUS Schools	Status of Remediation
1	A logic error in a translate table used to report Florida Residency for tuition purposes on the SIF Enrollment file resulted in some students being misclassified as Florida residents. This caused the inaccurate inclusion of 10 students (0.02% of the total 60,609 students) and a total of \$39,173 in waivers (0.02% of the total \$186.5 million in financial aid) reported in the SIF files for metric 3, average cost of a degree to the student.	Understated UCF's reported \$12,880 average cost of a degree by \$8, helping UCF's score by an immaterial amount	None	None	Fully remediated as of the date of this report
2	A logic error in the program used to pull courses used to satisfy students' degree requirements from the "myKnight Audit" academic advising software (implemented in Spring 2016) resulted in up to 663 students (0.005% of the total 11,981 students) being reported as having excess hours on the CTD files used for metric 9, percent of bachelor's degrees without excess hours.	The combination of these two issues understated UCF's reported 66.3% of bachelor's degrees without excess hours, hurting UCF's score (which could have been up to 73.1%)	With a raw score of 73.1%, UCF would have earned an additional 3 points for excellence on this measure	With 3 additional points, UCF would have moved from 5 th place to being tied for 4 th place with FSU. No financial impact.	Fully remediated as of the date of this report In addition, an automated process for entering transfer credits is being implemented, in part, to reduce the errors caused by manual data entry.
3	Errors in the manual entry of transfer credits for first-time-in-college (FTIC) students resulted in up to 161 students (1.3% of the total 11,981 students) being reported as having excess hours on the CTD used for metric 9, percent of bachelor's degrees without excess hours.				
4	UCF was late with one submission to the BOG (the 2015 HTD file). The delay was due to the implementation of the myKnight Audit software and a change in submitting the HTD file from once each semester to once annually.	None	None	None	Fully remediated as of the date of this report

Issue #	Description	Impact on UCF's Raw Score	Impact on UCF's Excellence Score	Impact on UCF's Ranking Among SUS Schools	Status of Remediation
5	An excess number of users (11 employees within UCF IT) had access to run the grade posting process within PeopleSoft Campus Solutions. While these users do not have any access to enter or change students' grades, this access had not been reviewed by UCF IT and appeared excessive.	None	None	None	<p>Fully remediated as of the date of this report</p> <p>In addition, to increase the security of individual accounts and personal data, multi-factor authentication has been implemented for all users who have access to student and employee records in PeopleSoft.</p>
6	An excess number of users (32 employees in UCF IT and 11 users in IKM) had access to edit the HTD file build. Because we tested 100% of the students in the HTD files, we verified that no inappropriate edits had been made.	None	None	None	<p>Fully remediated as of the date of this report</p> <p>In addition, an audit table was created to capture any edits to the HTD file build.</p>



Performance Based Funding

March 2018 Data Integrity Certification

Name of University: University of Central Florida

INSTRUCTIONS: Please respond “Yes” or “No” for each representation below. Explain any “No” responses to ensure clarity of the representation you are making to the Board of Governors. Modify representations to reflect any noted audit findings.

Performance Based Funding Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
1. I am responsible for establishing and maintaining, and have established and maintained, effective internal controls and monitoring over my university’s collection and reporting of data submitted to the Board of Governors Office which will be used by the Board of Governors in Performance Based Funding decision-making.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
2. These internal controls and monitoring activities include, but are not limited to, reliable processes, controls, and procedures designed to ensure that data required in reports filed with my Board of Trustees and the Board of Governors are recorded, processed, summarized, and reported in a manner which ensures its accuracy and completeness.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	An excess number of users had unnecessary access to certain electronic processes. This access is now properly restricted.
3. In accordance with Board of Governors Regulation 1.001(3)(f), my Board of Trustees has required that I maintain an effective information system to provide accurate, timely, and cost-effective information about the university, and shall require that all data and reporting requirements of the Board of Governors are met.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
4. In accordance with Board of Governors Regulation 3.007, my university shall provide accurate data to the Board of Governors Office.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The minor logic and manual errors noted in the audit report did not have a significant impact on the data submitted to the Board of Governors. These errors have been corrected.

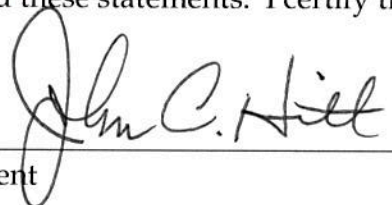
Performance Based Funding Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
5. In accordance with Board of Governors Regulation 3.007, I have appointed a Data Administrator to certify and manage the submission of data to the Board of Governors Office.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
6. In accordance with Board of Governors Regulation 3.007, I have tasked my Data Administrator to ensure the data file (prior to submission) is consistent with the criteria established by the Board of Governors Data Committee. The due diligence includes performing tests on the file using applications/processes provided by the Board Office.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
7. When critical errors have been identified, through the processes identified in item #6, a written explanation of the critical errors was included with the file submission.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
8. In accordance with Board of Governors Regulation 3.007, my Data Administrator has submitted data files to the Board of Governors Office in accordance with the specified schedule.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	UCF was late with one submission (the 2015 Hours to Degree file). The delay was due to the implementation of new academic advising software and a Board of Governors-required change in submitting the HTD file from once each semester to once annually. No further delays are expected.
9. In accordance with Board of Governors Regulation 3.007, my Data Administrator electronically certifies data submissions in the State University Data System by acknowledging the following statement, "Ready to submit: Pressing Submit for Approval represents electronic certification of this data per Board of Governors Regulation 3.007."	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
10. I am responsible for taking timely and appropriate preventive / corrective actions for deficiencies noted through reviews, audits, and investigations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

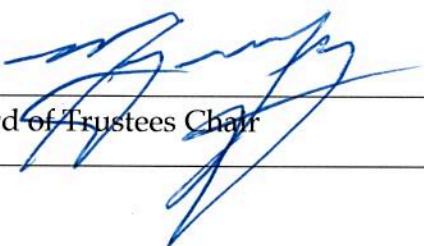
Performance Based Funding Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
11. I recognize that the Board's Performance Based Funding initiative will drive university policy on a wide range of university operations - from admissions through graduation. I certify that university policy changes and decisions impacting this initiative have been made to bring the university's operations and practices in line with State University System Strategic Plan goals and have not been made for the purposes of artificially inflating performance metrics.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

I certify that all information provided as part of the Board of Governors Performance Based Funding Data Integrity Certification is true and correct to the best of my knowledge; and I understand that any unsubstantiated, false, misleading, or withheld information relating to these statements render this certification void. My signature below acknowledges that I have read and understand these statements. I certify that this information will be reported to the board of trustees and the Board of Governors.

Certification:  Date January 18, 2018
 President

I certify that this Board of Governors Performance Based Funding Data Integrity Certification has been approved by the university board of trustees and is true and correct to the best of my knowledge.

Certification:  Date January 18, 2018
 Board of Trustees Chair