



UNIVERSITY OF CENTRAL FLORIDA

PERFORMANCE-BASED FUNDING DATA INTEGRITY

AUDIT OF INTERNAL CONTROLS AND COMPLIANCE
AS OF SEPTEMBER 30, 2021

AUDIT 365
JANUARY 14, 2022

This work product was prepared in accordance with the International Standards for the Professional Practice of Internal Auditing, as published by the Institute of Internal Auditors, Inc.

University Audit



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MEMORANDUM

TO: Alexander Cartwright
President

FROM: Robert J. Taft
Chief Audit Executive

DATE: January 14, 2022

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 Office of Research, the College of Graduate Studies, and the UCF Foundation.

cc: M. Paige Borden
Linda Sullivan
Michael Johnson
Liz Klonoff
Dorothy Yates
Chad Macuszonok
Doug Backman
Jana Jasinski
Mike Kilbride
Board of Trustees
State University System of Florida Inspector General

Background and Performance Objectives

Beginning in 2013-14, the Florida Board of Governors (BOG) implemented a performance-based funding (PBF) model which utilizes a set of performance metrics to evaluate universities on a range of issues, including graduation rates, job placement, cost per degree, and retention rates.

The model has four guiding principles:

1. use metrics that align with SUS Strategic Plan goals,
2. reward Excellence or Improvement,
3. have a few clear, simple metrics, and
4. acknowledge the unique mission of the different institutions.

For the 2021-22 funding year, each university was evaluated on seven common metrics. The eighth metric applied to all but two institutions, New College of Florida (New College) and Florida Polytechnic University (Florida Poly).

On June 30, 2020, Florida Senate Bill 72 added two new metrics, which replaced the ninth metric chosen by the BOG that focused on specific areas of improvement and the distinct mission of each university, and each university BOT selects one metric of its own.

The eight common metrics:

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. four-year graduation rate (includes full-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 (not applicable to New College and Florida Poly)

New College and Florida Poly were assigned an alternate eighth metric more appropriate to their mission. This is the first year that Florida Poly is eligible to participate in the funding process.

The two new Florida Senate Bill 72 metrics:

- 9A. two-year graduation rate for Florida College System (FCS) associate in arts transfer students
- 9B. six-year graduation rate for student who are awarded a Pell Grant in their first year

Metric selected by UCF Board of Trustees:

10. percent of bachelor's degrees awarded to African American and Hispanic Students

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 the 13 stated 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 Board of Trustees (BOT) and signed by the BOT chair.

To make such certifications meaningful, during the 2019 Legislative Session, lawmakers approved Senate Bill 190 that contains language amending section 1001.706, Florida Statutes. The new language states:

“Each university shall conduct an annual audit to verify that the data submitted pursuant to ss. 1001.7065^[1] and 1001.92^[2] complies with the data definitions established by the board and submit the audits to the Board of Governors Office of Inspector General as part of the annual certification process required by the Board of Governors.”

Audit Objectives and Scope

The primary objective of this audit is 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 and preeminence metrics. This audit also provides 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 supporting data files related to a minimum of four of the PBF measures each year so that all PBF measures are tested at least twice within a five-year cycle.

This year's testing included data files submitted as of September 30, 2021, related to the following four metrics:

- Metric 5: academic progress rate (second year retention with a GPA greater than 2.0)
- Metric 7: university access rate (percent of fall undergraduates with a Pell-grant)
- Metric 9A: two-year graduation rate for Florida College System (FCS) associate in arts transfer students
- Metric 9B: six-year graduation rate for student who are awarded a Pell Grant in their first year

¹ S. 1001.7065, Florida Statute, Preeminent State Research University Program

² S. 1001.92, Florida Statute, State University System Performance-based Incentive

The 2015-16 audit included 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. As part of our annual audit process, we review any changes to these controls and processes on an annual basis with Institutional Knowledge Management (IKM) and determine if these changes will have any impact on our audit approach.

In addition, we verified the completeness and accuracy of the Student Instruction File (SIF) and Student Financial Aid (SFA) files submitted to the BOG in support of the measures listed above. By developing queries in PeopleSoft independently and then comparing those results to the files submitted to BOG, we were able to test 100 percent of the students submitted for these files.

As an Emerging Preeminence university, we began auditing the Preeminent Metrics in 2019. The Preeminent Metrics selected for this year’s audit include:

Metric	Title and period reviewed	Goal	Result
A	Average high school GPA for incoming freshmen in Fall semester (Fall 2020)	4.0	4.2 (achieved)
A	Average SAT score for incoming freshmen in Fall semester (Fall 2020)	1200	1315 (achieved)
F	Science and engineering research expenditures (2019-20)	\$200M	\$188M (not achieved)
G	Non-medical science and engineering research expenditures (2019-20)	\$150M	\$170M (achieved)

Preeminent Metrics F and G are derived from information included in the National Science Foundation (NSF)’s Higher Education Research and Development (HERD) Survey. This survey data is collected and submitted by the Office of Research. Data for all the other metrics is reported to the Board of Governors by IKM.

Overview of Results

A. Performance-based Funding

Based on our audit, we have concluded that UCF’s controls and processes are adequate to ensure the completeness and accuracy of data submitted to the BOG in support of performance-based funding metrics.

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.

It should be noted that, based on factors described below, the following file submittals were delayed:

- 2019-2020 Financial Aid – due to time required for the UCF Accounting Team to research errors that were identified
- Fall 2019 SIF Enrollment – due to Hurricane Dorian in 2019
- Fall 2019 SIF Degrees awarded – due to the Registrar’s Office being late in posting the Fall 2019 bachelor's degrees, posting was delayed until the week of February 17th
- Summer 2020 SIF Enrollment – due to large changes to the Peoplesoft system files for the medical career
- Summer 2020 SIF Degrees awarded – due to delay in Registrar’s Office posting official degrees
- Fall 2020 SIFP Enrollments – due to large changes to the Peoplesoft system files for the medical career

The BOG was informed of these delays which had no impact on performance funding calculations.

B. Preeminent Metrics

The information submitted to NSF for the HERD Survey is a compilation of PeopleSoft project expenditures, UCF Foundation (UCFF) expenditures, forgone overhead, tuition remission, and faculty salaries for internally funded research conducted by faculty (paid with university funds) as allocated in the Faculty Activities System.

Research and development expenditures reported in the HERD Survey totaling \$239.3 million were overstated 11.5%, as follows:

- The Office of Research included expenditures for projects listed as Other Sponsored Activities, which are not research or development; thereby, overstating expenditures and the related indirect cost by \$27.1 million.
- UCFF research related expenditure reports erroneously included transfers to the UCF Research Foundation, reclassifications from Endowed accounts to Spending accounts within UCFF, and endowment and investment fees, all totaling approximately \$731,000.
- We also identified an additional \$275,000 in Tuition Remission that should be included in the HERD Survey expenditures.

These revisions totaling \$27.6 million **do not change the outcome** for Preeminent Metric F (which was not achieved) and Preeminent Metric G (which was achieved). These same issues may have existed in prior years; however, this is the first year that detail testing of HERD Survey responses was within our audit scope.

Based on our analysis, it appears the discrepancies occurred due to lack of management review of detailed reporting. Audit has provided additional detailed guidance to Office of Research to

minimize the risk of future inaccuracies. Due to the scheduled implementation of Workday, the reporting workflow will be changing.

Recommendation

The Office of Research should further scrutinize the reports used to respond to the HERD Survey and should submit survey response corrections to National Science Foundation.

Audit Timeline

Beginning of audit: July 27, 2021

End of fieldwork: December 3, 2021

Audit Team Members

Vicky Sharp, Auditor III, Auditor In-Charge

Vallery Morton, Audit Manager, Level I Reviewer

Robert Taft, Chief Audit Executive, Level II Reviewer



Data Integrity Certification

March 2022

University Name: 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 **material or significant** audit findings.

Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
<p>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 and Preeminence or Emerging-preeminence Status.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>UCF’s audit revealed that the National Science Foundation’s Higher Education Research and Development (HERD) Survey responses provided by UCF’s Office of Research for research expenditures were overstated by \$27.6 million or 11.5%; however, these revisions do not change the outcome for Preeminent Metric F (which was not achieved) and Preeminent Metric G (which was achieved). These same issues may have existed in prior years; however, this is the first year that detail testing of HERD Survey responses was within our audit scope. The Office of Research is conducting a thorough review and this overstatement may be reduced based on additional scrutiny.</p>
<p>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.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Data Integrity Certification

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 provided accurate data to the Board of Governors Office.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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"/>	

Data Integrity Certification Representations			
Representations	Yes	No	Comment / Reference
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, and data definitions 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"/>	<p>It should be noted that, based on factors described below, the following file submittals were delayed:</p> <ul style="list-style-type: none"> • 2019-20 Financial Aid – due to time required for the UCF Accounting Team to research errors that were identified • Fall 2019 SIF Enrollment – due to Hurricane Dorian in 2019 • Fall 2019 SIF Degrees awarded – due to the Registrar's Office being late in posting the Fall 2019 bachelor's degrees, posting

Data Integrity Certification

			<p>was delayed until the week of February 17th</p> <ul style="list-style-type: none"> • Summer 2020 SIF Enrollment – due to large changes to the PeopleSoft system files for the medical career • Summer 2020 SIF Degrees awarded – due to delay in Registrar’s Office posting official degrees • Fall 2020 SIFP Enrollments – due to large changes to the PeopleSoft system files for the medical career <p>The BOG was informed of these delays which had no impact on performance funding calculations.</p>
<p>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.”</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p>10. I am responsible for taking timely and appropriate preventive/ corrective actions for deficiencies noted through reviews, audits, and investigations.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<p>11. I recognize that Board of Governors’ and statutory requirements for the use of data related to the Performance-based Funding initiative and Preeminence or Emerging-preeminence status consideration will drive university policy on a wide range of university operations – from admissions through graduation. I certify that university policy changes and decisions impacting data used for these purposes 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 the related metrics.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

