State University System of Florida
Board of Governors

Report on Internal Controls Reviews for
University Direct Support Organizations

Presented By: Mark Maraccini and Bill Dykstra

September 13, 2022
# Meeting Agenda

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project Scope and Objectives</td>
</tr>
<tr>
<td>2</td>
<td>Observations</td>
</tr>
<tr>
<td>3</td>
<td>Recommendations</td>
</tr>
<tr>
<td>4</td>
<td>Q&amp;A</td>
</tr>
</tbody>
</table>
Crowe reviewed governance and financial controls for 90 Support Organizations across the 12 Universities within the State University System to assess segregation of duties, system access, review and approvals, reconciliations, and process monitoring. Crowe performed limited testing on key controls and identified exceptions. The scope covered the functional areas listed below.

<table>
<thead>
<tr>
<th>Accounts Payable</th>
<th>Accounts/ Pledges Receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Asset Management</td>
<td>Capital Construction</td>
</tr>
<tr>
<td>Cash Management</td>
<td>Debt Service/Loans Payable</td>
</tr>
<tr>
<td>Contract Management</td>
<td>Investment Management</td>
</tr>
<tr>
<td>Journal Entries</td>
<td>Payroll</td>
</tr>
<tr>
<td>Procurement</td>
<td>Related Party Transactions</td>
</tr>
<tr>
<td>Revenue and Billing</td>
<td>Governance and Accountability</td>
</tr>
<tr>
<td>Culture and Ethical Considerations</td>
<td></td>
</tr>
</tbody>
</table>
Observations by Category

Count of Observations by Category

- Supporting Documentation: 7
- Segregation of Duties: 20
- Review and Approval: 37
- Policies and Procedures: 7
- Contract Compliance: 1
- Safeguarding of Assets: 0
- Completeness, Timeliness, Accuracy: 23
Observations by Classification

Count of Observations by DSO Classification (System-Wide)

- RESEARCH (7)
  - Segregation of Duties: 2
  - Review/Approval: 4
  - Policies/Procedures: 1

- PROFESSIONAL ORG. (9)
  - Segregation of Duties: 3
  - Review/Approval: 2
  - Policies/Procedures: 3
  - Safeguarding Assets: 1

- MUSEUMS/PRESERVATION (8)
  - Segregation of Duties: 1
  - Review/Approval: 4
  - Policies/Procedures: 3

- HEALTHCARE (13)
  - Segregation of Duties: 2
  - Review/Approval: 4
  - Policies/Procedures: 2
  - Safeguarding Assets: 4
  - Supporting Doc: 1

- FOUNDATION (27)
  - Segregation of Duties: 5
  - Review/Approval: 11
  - Policies/Procedures: 4
  - Safeguarding Assets: 5
  - Supporting Doc: 1
  - Complete-Timely-Accurate: 1

- CAPITAL MANAGEMENT (10)
  - Segregation of Duties: 2
  - Review/Approval: 5
  - Policies/Procedures: 1
  - Safeguarding Assets: 2

- ATHLETICS (14)
  - Segregation of Duties: 2
  - Review/Approval: 4
  - Policies/Procedures: 5
  - Safeguarding Assets: 3

- ALUMNI (7)
  - Segregation of Duties: 3
  - Review/Approval: 3
  - Policies/Procedures: 1

© 2022 Crowe LLP
## Observations Attributed to Functional Areas

<table>
<thead>
<tr>
<th>FUNCTIONS</th>
<th>SEGREGATION OF DUTIES</th>
<th>REVIEW AND APPROVAL</th>
<th>SUPPORTING DOCUMENTS</th>
<th>COMPLETE/ TIMELY/ ACCURATE</th>
<th>POLICIES AND PROCEDURES</th>
<th>SAFEGUARDING OF ASSETS</th>
<th>CONTRACT COMPLIANCE</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>1</td>
<td>7</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Accounts/Pledges Receivable</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Capital Asset Management</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Cash Management</td>
<td>5</td>
<td>7</td>
<td>1</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Debt Service/Loans Payable</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Investment Management</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Journal Entries</td>
<td>12</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Payroll</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Procurement</td>
<td>3</td>
<td>8</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Related Party Transactions</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>38</strong></td>
<td><strong>43</strong></td>
<td><strong>5</strong></td>
<td><strong>43</strong></td>
<td><strong>8</strong></td>
<td><strong>0</strong></td>
<td><strong>1</strong></td>
<td><strong>138</strong></td>
</tr>
</tbody>
</table>
Recommendations

**Focused**
- Strengthen policies and oversight of expense reimbursement practices.
- Explicitly prohibit the use of personal accounts to conduct DSO business (e.g., depositing donations).

**General**
- Universities should work with DSOs to establish documentation and record retention requirements to facilitate the availability of documentation upon request.
- DSOs should document minimum levels of experience and professional certification required for key positions.
- DSOs should conduct a risk-based needs assessment for training. Rollout a training program incrementally and as available funding allows.
- DSOs should document policies and standard operating procedures for key functions.
- Universities should work with DSO management to update polices and strengthen practices over selection and performance monitoring of financial statement auditors.
This document and the information in it (the “Presentation”) has been prepared by Crowe LLP in accordance with the terms of our written agreement. The Presentation is intended solely for the use of the legal entity that has engaged Crowe to perform the services and prepare the Presentation (the “Client”). The Presentation is confidential. Except for the permitted use of the Presentation by Client, Crowe hereby disclaims any and all responsibility and liability for the Presentation and the use thereof. No other person or entity may rely on the Presentation, or the information contained in it for any purpose, and Crowe makes no representation to any other person or entity as to the accuracy, sufficiency or propriety of the information contained in the Presentation. Crowe also disclaims any obligation to update the Presentation.