REPORT NO. 2013-021
OCTOBER 2012

ST. JOHNS RIVER STATE COLLEGE

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

	County
Diane P. Leone, Vice Chair to 10-18-11, Chair from 10-19-11	St. Johns
Robert M. Bradley, Vice Chair from 10-19-11	Clay
Larry R. Lancaster to 10-11-11, Chair (1)(2)	Clay
Carl C. Beck, Jr., to 2-22-12 (3)	St. Johns
Denise M. Bramlitt from 2-23-12 (4)	Putnam
Cranford Ron Coleman, Jr., from 10-12-11	Clay
Colonel Joseph Mickey Duren from 2-23-12	St. Johns
John Nelson, Jr.	Putnam
Mary Ellen Webb from 10-12-11 (4)	Putnam

Joe H. Pickens, J.D., President

Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Chair position was vacant from October 12, 2011, until the next regularly scheduled Board meeting.
(3) Board member served beyond the end of term, May 31, 2010.
(4) Positions were vacant from July 1, 2011, until filled.

The audit team leader was Lenia Blades, and the audit was supervised by John P. Duffy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

ST. JOHNS RIVER STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The Board had not adopted written policies and procedures relating to electronic funds transfers.

STUDENT TUITION AND FEES

Finding No. 2: The College needed to strengthen its procedures for assessing user fees.

Finding No. 3: The College needed to strengthen procedures for assessing distance learning course user fees.

STUDENT ENROLLMENT

Finding No. 4: The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

BACKGROUND

St. Johns River State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Orange Park, Palatka, and St. Augustine, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Clay, Putnam, and St. Johns Counties. The College reported enrollment of 5,047 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2012, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment.

According to College records, approximately $10 million of electronic funds transfers were made during the 2011-12 fiscal year. In response to our inquiry, College personnel stated that the Board had not established formal written policies and procedures addressing the use of electronic funds transfers. While the College had established controls over electronic funds transfers, the lack of specific guidance in the form of written policies and procedures increases the risk of misappropriation of funds without timely detection.

Recommendation: The Board should adopt written policies and procedures related to electronic funds transfers.

Student Tuition and Fees

Finding No. 2: User Fees

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish user fees, including laboratory fees, that shall not exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees in addition to tuition fees for services that incur unusual costs. Additionally, the Florida College System Council of Business Affairs and the Florida Department of Education, Division of Florida Colleges, issued guidelines for assessing user fees. These guidelines provide that each board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, describing the documentation required to support the fees, the time period for review of such fees, and the manner of presenting such fees to the board of trustees for approval.

The College Board approved Rule No. 4.22(R1), Registration Fees, which authorized Operating Procedure 4.11 (Procedure), establishing policies and procedures to be used for laboratory and other user fees. The Procedure provides, in part, that when a fee determination is made, it will be used for five academic years unless there is a need to modify the fee sooner, and summary information related to the fees will be documented on authorized forms. Instructional departments will be responsible for maintaining auditable, detailed documentation supporting the forms submitted for approval.

Laboratory and other user fee collections totaled approximately $1.5 million for the 2011-12 fiscal year. Our review of 189 laboratory and other user fees assessed disclosed the following:

- Contrary to the College's Procedure, documentation supporting the initial determination of the fee amounts for 74 user fees ranging from $15 to $120 was not maintained. In response to our inquiry, College personnel indicated that it was not necessary to maintain the detailed computations for fees that were subject to prior audits. However, our audit procedures do not substitute for management's responsibility to maintain adequate documentation of fees assessed. Absent supporting documentation, College records were not maintained to evidence that these user fees were properly calculated and did not exceed the cost of services provided.
- The 74 user fees mentioned above had not been reviewed within the previous five years, contrary to the College's Procedure. In response to our inquiry, College personnel indicated they were aware the fees needed to be reviewed, and 23 of these fees were subsequently reviewed and approved by the Board in July 2012. Periodic reviews of user fees are necessary to ensure that fees will be timely adjusted to reflect changes in costs.

Recommendation: The College should ensure that a documented calculation, and periodic review, of each laboratory and other user fee is performed in accordance with Section 1009.23(12), Florida Statutes, SBE rules, and Board guidelines.

Finding No. 3: Distance Learning Course User Fee

Section 1009.23(16)(a), Florida Statutes, provides in part that each college may assess a per-credit-hour distance learning course user fee. Section 1009.23(16)(b), Florida Statutes, provides that the amount of the distance learning course user fee may not exceed the additional costs of the services provided that are attributable to the development and delivery of the distance learning course, and the college may not assess duplicate fees to cover additional costs. Also, by September 1 of each year, each board of trustees must report to the Florida Department of Education, Division of Florida Colleges (DFC) the total amount of revenue generated by the distance learning course user fee for the prior fiscal year and how the revenue was expended.

During the 2011-12 fiscal year, the College assessed a $9 per-credit-hour distance learning course user fee and collected a total of $277,866. However, College records did not evidence how the fee was initially determined or identify what additional costs were attributable to the development and delivery of the distance learning courses. In response to our inquiry, College personnel advised us that, although documentation was not available supporting the determination of the distance learning fee, the required annual report submitted to DFC indicated that the fees were not over assessed because distance learning expenses were reported equal to revenues received. However, our review of the annual report submitted to DFC disclosed that the amounts reported on the annual report were based on an after-the-fact accumulation of certain estimated expenses in amounts needed to equal the reported revenue for distance learning fees. Absent supporting documentation for how the fee was determined, it was not evident whether the reported expenses were reasonable and consistent with the additional costs of the services provided in the development and delivery of the distance learning courses.

We also noted that coding errors caused distance learning course user fees to be over and under collected. College records disclosed that 137 courses offered in 328 separate course sections were coded as distance learning courses. Our review of the 328 course sections disclosed that 27 were incorrectly coded as distance learning courses, resulting in the over collection of $9,279 in distance learning course user fees. In addition, 15 course sections should have been, but were not, coded as distance learning and not assessed the user fee, resulting in the under collection of $10,152 in distance learning course user fees. In response to our inquiries, College personnel advised us that the coding errors were corrected and that procedures would be revised to regularly review the courses eligible to assess distance learning course fees.

Recommendation: The College should develop and maintain support for its distance learning course user fee to ensure the fee does not exceed the additional costs of the services that are attributable to the development and delivery of the distance learning courses. Also, the College should continue its efforts to monitor coding of courses to ensure that distance learning courses user fees are properly assessed to students enrolled in the distance learning courses.

Student Enrollment

Finding No. 4: Adult General Education

Section 1004.02(3), Florida Statutes, defines adult general education (AGE), in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 99, required that each college report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end of class date, whichever is sooner. In addition, scheduled hours must be consistent with expected hours of attendance and, if a student withdraws and re-enrolls in the same class, student hours should be reported from the first date of enrollment to the final withdrawal date or the end of the class, whichever is sooner. There is a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

The College reported 20,697 instructional hours for seven AGE classes provided to 149 students during the 2011-12 fiscal year. Our review of the hours reported for 10 students, for which the College reported 1,329 hours to FDOE, disclosed various errors in reporting instructional contact hours for 8 students enrolled in two classes as follows:

- For four students, the College over reported a total of 222 instructional contact hours (hours) by including hours for days the students were not reasonably expected to be in attendance. Our review disclosed that the scheduling commitment section of the student registration forms indicated expected attendance of two days per week, which was consistent with the actual attendance records reviewed; however, the College reported instructional contact hours for the four days per week the lab was available.
- For two students, the College over reported enrollment by 210 hours because of errors in manually determining instructional contact hours. For one student who was withdrawn for nonattendance, College personnel inadvertently reported the student in attendance for one additional day later in the term, resulting in the student attaining the minimum enrollment threshold of 12 hours and the College incorrectly reporting an additional 30 scheduled instructional contact hours. The other student was over reported 180 hours because College personnel inadvertently reported the student as attending both an adult basic education program and a general education diploma (GED) program although the student only participated in the GED program.
- For two students, the College under reported enrollment by 66 hours because of errors in manually determining instructional contact hours. The under reporting resulted from the College not counting scheduled hours between the withdrawal date and reenrollment date when the students had more than six consecutive absences during the term.

A similar finding was noted in our report No. 2011-032. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that the College submit accurate and complete data.

Recommendation: The College should enhance its controls to ensure the accurate reporting of instructional contact hours for AGE classes to FDOE. In addition, the College should contact FDOE to determine what corrective actions are necessary regarding the reporting of contact hours for AGE classes for the 2011-12 fiscal year.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2011-032, except that finding No. 4 was also noted in prior audit report No. 2011-032, as finding No. 2.

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 February 2012 to July 2012 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.

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether College internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the College; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the College had taken corrective actions for findings included in our report No. 2011-032. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2011-12 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the College's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) access privileges.	Tested application access privileges to determine whether access granted to users in Finance and Human Resources systems was appropriate based on job functions and responsibilities.
IT audit logging and monitoring controls.	Examined supporting documentation to determine whether audit logging and monitoring controls were configured and enforced in accordance with IT best practices.
Board meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures placed in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the College had provided individuals with a written statement of the purpose of collecting their social security numbers.
Identity theft prevention program (Red Flags Rule).	Reviewed the College's policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
Student loans.	Determined whether the College had established procedures for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Distance learning on-line registration process for transient students.	Determined whether the on-line registration process for transient students was in compliance with Section 1004.091(2)(b), Florida Statutes.
Textbook affordability.	Determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Laboratory and other user fees.	Determined whether laboratory and other user fees were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees.
Personnel and payroll.	Tested payroll transactions to determine the accuracy of the rate of pay, accuracy of the retirement contribution, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Overtime payments.	Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal pay.	Reviewed the College's rules and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay. Additionally, reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees compensation to determine whether compensation did not exceed limits provided in Florida law.
Compensation for Presidents.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, that contract terms were adequately supported.
Florida College System Program Fund.	Reviewed the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources.
State-funded capital outlay program reporting.	Determined whether amounts reported to the Florida Department of Education for State-funded capital outlay programs were supported by the College's accounting records.
Nonmandatory transfers.	Determined whether the College received approval for the transfer of restricted moneys between funds.
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine whether selected electronic payments were properly authorized and supported.
Procurement of goods and services and policies and procedures.	Tested purchases subject to competitive bids/proposals to determine compliance with bid requirements.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.
Direct-support organizations – conflicts of interest.	Determined whether the College had established policies and procedures to avoid conflicts of interest with vendors who were doing business with the College and made donations to the College's direct–support organizations.

EXHIBIT B
MANAGEMENT'S RESPONSE

ST. JOHNS RIVER STATE COLLEGE

JOE H. PICKENS, J.D., PRESIDENT
5001 ST. JOHNS AVENUE | PALATKA, FL 32177-3807
(386) 312-4113 | JoePickens@SJRstate.edu

PALATKA CAMPUS 5001 ST. JOHNS AVENUE
PALATKA, FL 32177-3807 | (386) 312-4200

ST. AUGUSTINE CAMPUS 2990 COLLEGE DRIVE
ST. AUGUSTINE, FL 32084-1197 | (904) 808-7400

ORANGE PARK CAMPUS 283 COLLEGE DRIVE
ORANGE PARK, FL 32065-7639 | (904) 276-6800

SJRstate.edu
EQUAL OPPORTUNITY/EQUAL ACCESS COLLEGE

September 26, 2012

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison St.
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Enclosed is a copy of the college's response to the preliminary and tentative findings of the operational audit for St. Johns River State College year ended June 30, 2012. Please let me know if you need additional information. Thank you.

Sincerely,

Joe H. Pickens, J.D.
President

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Audit Response
St. Johns River State College
Operational and Compliance Audit for Fiscal Year Ended June 30, 2012

#1: Electronic Funds Transfers

The College will request Board approval of a policy on electronic fund transfers which will reinforce the controls over these transfers that are already in place.

#2 – User Fees

The College completed the fee review process for all classes in 2007 including an assimilation of costs from specific invoices for each course. Those costs were totaled then divided by the number of students in the course, and a per-student course fee was set, not in excess of the total costs for each course. Computation sheets for each course itemizing each cost that was included in the course fee has been maintained in academic offices for audit review, and these forms were made available to the auditors. Invoices and other detail accounts payable documents are maintained in the business office for five years, and are disposed of at the end of the fifth year in order to make room in archives for the next year's documents. While invoices will continue to be stored in Business Office archives, the computation sheets heretofore will contain detail information documenting the costs relating to the course fee.

The College submitted numerous course fee updates for Board approval during the past five years, as needed for course cost increases, reductions or fee elimination. The college was unable to complete all course fee reviews within the five year period due to preparation for the upcoming accreditation visit. The college will complete the remaining course fee reviews during the Fall, 2012 semester.

#3 – Distance Learning Course User Fees

The College recognizes there were coding errors in distance learning fees, and those errors have been corrected. The fee input will be reviewed in the future to insure accuracy.

The audit criticizes the College for not maintaining supporting documentation for a fee that was established in 2004, and which has not changed since that time. While documentation of the original fee approval from eight years prior was not available, the College notes that reviews of the fee were completed every year since. Florida Statutes 1009.23(16)(b) states "The amount of the distance learning course user fee may not exceed the additional costs of the services provided which are attributable to the development and delivery of the distance learning course." The same section also states "By September 1 of each year, each board of trustees shall report to the Division of Florida Colleges the total amount of revenue generated by the distance learning course user fee for the prior fiscal year and how the revenue was expended." The College has shown each year in this report that all distance learning fees collected were spent on appropriate related costs, thereby fulfilling the first statute reference that the user fee assessed did not exceed the additional costs of the service provided. While the specific costs incurred have changed from what was likely listed in 2004, the College decided each year that the level of the fee was appropriate based on the costs incurred in the prior year as shown in the annual report. The College did not feel it necessary to duplicate this reported information on a different sheet

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

titled "Computation of Distance Learning Course User Fee", but will do so in the future to provide for a more direct documentation for audit review.

#4 – Adult General Education

The College concurs that an accurate submission of attendance in Adult General Education is important. New staff has been hired, and procedures are in the process of update to insure hours will be accurately reported in the future.