

TALLAHASSEE COMMUNITY COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

| | <u>County</u> |
|--|---------------|
| Frank S. Messersmith, Vice Chair to 8-17-08, Chair from 8-18-08 | Wakulla |
| Karen B. Moore, Vice Chair from 8-18-08 | Leon |
| Dr. Kimberle Moon, Chair to 8-17-08 | Gadsden |
| Bill J. Hebrock | Leon |
| Eugene Lamb | Gadsden |
| Kathy Shirah | Wakulla |
| Lyn Stanfield | Leon |

Dr. William D. Law, Jr., President

The audit team leader was Stellar Lee, CPA, and the audit was supervised by Cheryl B. Pueschel, 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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

TALLAHASSEE COMMUNITY COLLEGE

SUMMARY

Our operational audit for the fiscal year ended June 30, 2009, disclosed the following:

Finding No. 1: The College's procedures for documenting Florida residency status and assessing student tuition charges needs improvement.

Finding No. 2: The College did not always procure goods or services using a competitive process.

Finding No. 3: The College needs to improve procedures related to rental of College facilities and articulation agreements to ensure timely and accurate billing and collection of these payments.

BACKGROUND

Tallahassee Community 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 has its main campus in Tallahassee, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Leon, Gadsden, and Wakulla Counties. The College reported enrollment of 11,938 full-time equivalent students for the 2008-09 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2009, 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, 2009, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Student Fees – Residency Status

Section 1009.21, Florida Statutes, states, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. According to this Statute, to qualify as a resident for tuition purposes, legal residency must be established and maintained in Florida for at least 12 months immediately prior to qualification. Section 1009.21(3), Florida Statutes, provides that a college may require individuals to provide evidence related to legal residency and its duration to obtain the resident tuition rate. The College tuition rate for nonresidents is significantly higher than the rate for residents.

State Board of Education (SBE) Rule 6A-10.044, Florida Administrative Code, establishes the documentation requirements for determining the classification or reclassification of students as Florida residents for tuition purposes. This Rule provides that student applicants who meet certain criteria shall be initially classified as "All Florida" residents for tuition purposes. Students not meeting all the criteria must be evaluated to determine residency status. Such students must provide at least two of the items that are acceptable for purposes of documenting Florida residency as prescribed by SBE Rule 6A-10.044(7), Florida Administrative Code.

As similarly noted in our report No. 2008-190, the College's procedures for determining Florida residency for tuition purposes needed improvement. Our tests of College records for student residency status included 10 of the 26 students who were classified as Florida residents for Fall 2008 semester and who had out-of-state permanent addresses. We noted that the College incorrectly classified the students as Florida residents and assessed the Florida resident tuition rate for 5 of the 10 students tested. These five students had not applied for Florida resident status, but had been classified as Florida residents since initial enrollment at the College. The College had not obtained the required documentation to support the classification as a Florida resident, but had assessed in-state tuition for the students since their first term. College personnel indicated that human error caused the discrepancies. These errors resulted in \$27,380 in lost revenue for the College for the students' academic terms of Fall 2006 through Spring 2009. Subsequent to our audit inquiry, the College reclassified these students to out-of-state residency status and notified them of their reclassification for tuition purposes.

Recommendation: The College should implement procedures to provide for appropriate supervisory review and approval for determining Florida residency when students with out-of-state permanent addresses are classified as Florida residents for tuition purposes. In addition, the College should ensure that it obtains and retains required documentation to evidence Florida residency for purposes of assessing and collecting student tuition. The College should also review the documentation for the remaining 16 students to determine whether the documentation supports the classification as Florida residents.

Finding No. 2: Procurement of Services

State Board of Education (SBE) Rule 6A-14.0734, Florida Administrative Code, and the College Board of Trustee Policy 6Hx27:09-05, require the College to publicly solicit for competitive offers (i.e., competitive sealed bids, proposals, or replies) from at least three sources for purchases exceeding a specified threshold, unless otherwise exempt. SBE Rule and Board policy list several purchasing actions that are not subject to a competitive procurement process, such as emergency or sole source purchases. During the 2008-09 fiscal year, the College's competitive procurement threshold was \$25,000.

Our review disclosed that the College generally obtained competitive offers for goods and services, as required; however, we noted that the following purchases were made without the benefit of a properly documented competitive selection process:

- An annual contract, totaling \$112,320, was entered into for student athlete housing without a competitive selection process. The College's Foundation, a direct-support organization, previously owned the housing facility; and the College continued to house student athletes there after the property was sold by the Foundation.
- The College approved four purchase orders, totaling \$43,250, for annual elevator maintenance for the main campus and off-site locations. The purchase order amounts were \$24,000, \$10,000, \$4,200, and \$5,050, each, which did not exceed the competitive procurement threshold of \$25,000; however, we were provided no documentation to evidence why these purchases could not have been combined and acquired by a competitive bid procedure.
- The College approved two purchase orders, totaling \$34,000, for annual telephone service. The purchase order amounts were \$24,000 and \$10,000, each, which did not exceed the competitive procurement threshold of \$25,000; however, we were provided no documentation to evidence why these purchases could not have been combined and acquired by a competitive bid procedure.

College personnel indicated that they are soliciting competitive offers for the above-noted items for the 2009-10 fiscal year. However, absent use of a timely competitive selection process for the procurement of goods or services, or

documentation that the procurements are exempt from competitive selection requirements, the College cannot be assured that it is obtaining goods and services at the best price consistent with acceptable quality.

Recommendation: The College should ensure that goods and services are procured using a competitive selection process or properly document that such procurements are exempt from competitive selection requirements as required by SBE Rule and the Board policy.

Finding No. 3: Revenues – Lease and Articulation Agreements

The College entered into lease and articulation agreements with 22 organizations (private businesses and nonprofit organizations) for rental of College facilities and space during the 2008-09 fiscal year. The College was to receive rent payments as well as other fees required under the terms of these agreements. The revenues from these agreements during the 2008-09 fiscal year totaled approximately \$992,911.

Our review of monitoring and billing for 4 of the 22 agreements disclosed that College procedures continued to need improvement as follows:

- For one lease agreement, the College did not bill or collect monthly rent in a timely manner. For example, the College did not bill for rent due for the months of July through October 2008, totaling \$5,099.80, until October 27, 2008. Effective January 1, 2009, a new lease agreement was signed which required the lessee to pay rent by the fifth day of each month without prior notice or demand thereof; and all late payments were to bear interest at the maximum allowed by law or 1.5 percent per month, whichever was less. Although not required by the new agreement, the College continued to bill the lessee after the due dates for payments due. In addition, the College did not include interest on late payments on the amounts billed. The payments for rent under this agreement for the period January through May 2009, were received from 34 to 105 days late.
- The lease and articulation agreements with two other organizations provided that the College was to receive monthly rent, as well as other fees, such as telephone fees, service fees, or classroom fees. The contracts specifically provided rates for these fees. Our review of the College's monitoring procedures for billing and collecting these revenues disclosed the following:
 - Rent and other required fees were not billed timely for the one organization. The College did not bill rent totaling \$925.56 for the period of October 2008, through January 2009, until February 24, 2009. The College also billed Fall 2008 term classroom fees, totaling \$2,040, on February 23, 2009. The College had not collected these amounts, totaling \$2,965.56, as of September 10, 2009.
 - The agreements for the two organizations also required payments for monthly telephone fees; however, the College had not billed for telephone fees since September 2008. After our inquiry, in June 2009, the College billed for telephone fees, totaling \$1,013.72, for October 2008, through May 2009. As of September 10, 2009, the College had collected \$360 of the amount due.

In the absence of adequately monitoring lease and articulation agreement terms and conditions, including timely and accurate billing, the College may not receive all revenues to which it is entitled. Similar findings were noted in our report Nos. 2006-137 and 2008-190.

Recommendation: The College should enhance its procedures to ensure the timely and accurate billing of rent payments and other amounts due under its lease and articulation agreements.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2008-190.

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 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. 2008-190. 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 2008-09 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.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.



David W. Martin, CPA
Auditor General

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|--|
| Security awareness and training program regarding the confidentiality of information. | Examined supporting documentation related to the College's information technology security awareness and training program. |
| Procedures to timely prohibit former employees' access to electronic data files. | Tested employees who terminated employment during the audit period and examined supporting documentation evidencing when the College terminated access privileges. |
| Fraud policy and related procedures. | Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures. |
| Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes). | Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements. |
| Board meetings and retreats at locations other than the College campus. | Examined Board minutes to determine if meetings were held at locations other than the College campus, and if the Board had determined the benefit of incurring additional costs, if any. |
| Unencumbered balance in the unrestricted current fund. | Determined if the unencumbered balance in the unrestricted current fund approved operating budget was below five percent of estimated available funds. If so, determined if written notification was made to the State Board of Education pursuant to Section 1011.84(3)(e), Florida Statutes. |
| Internal audit function. | Determined that the College's internal audit function reported to an appropriate level of management. |
| 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 as to the purpose of collecting their social security numbers. |
| Procedures for calculating laboratory fees. | Reviewed the College's procedures regarding laboratory fees. Tested laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees. |
| Adult general education program enrollment reporting. | Tested adult education program students and examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements. |
| Florida residency determination and in-state tuition. | Tested students to determine if the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code. |
| Auxiliary operations contract compliance. | Examined selected lease contracts to determine whether the College was properly monitoring for compliance with the contract terms regarding fees, insurance, etc. |
| Recording tangible personal property. | Tested tangible personal property purchases and determined whether the items were timely added to the property records. Reviewed College procedures for reconciling purchases with additions to the property records. |

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Procedures for inventory of tangible personal property. | Tested property not located in the physical inventory and examined documentation to determine whether the College timely investigated and resolved the missing property. |
| Separation of duties related to payroll and cashiering functions. | Reviewed payroll and cashiering functions and compared personnel duties and responsibilities with user access roles in the College's system to determine whether incompatible duties were adequately separated. |
| Procurement policies and procedures. | Reviewed the procurement policies and procedures. Examined supporting documentation to determine if purchases were in compliance with bid requirements. |
| Travel expenses. | Examined travel policies and procedures. Tested employee travel vouchers and examined supporting documentation to determine (1) if the College paid for travel to a terrorist state; (2) mileage and per diem rates were in accordance with Florida statutes; and (3) vouchers contained adequate supporting documentation. |
| Procedures for insuring buildings. | Determined, on a test basis, whether insurance coverages were updated for major asset acquisitions and/or disposals occurring in the audit period. |
| Procedures for contractual agreements. | Examined selected contractual agreements to determine whether the College was properly monitoring compliance with contract provisions. |
| Procedures for monitoring construction contracts. | Examined construction contracts to determine whether the agreements contained the penalty clause required by Section 1014.47, Florida Statutes. Also tested construction contracts to determine adequacy of the documentation to support the contract payments. |
| Monitoring of the guaranteed energy savings contract. | Examined the guaranteed energy savings contract and determined whether the College performed monitoring of the energy performance-based contract to evaluate cost savings. |
| Annual safety inspection reports. | Determined that the College complied with the buildings life safety, fire safety, and sanitation standards prescribed by Section 1013.12, Florida Statutes. Reviewed inspection reports to determine if the deficiencies noted had been timely corrected. |
| Controls over issuance of diplomas. | Reviewed policies and procedures related to issuance of diplomas to determine that diplomas were properly awarded and diploma documents were adequately safeguarded. |
| Textbook affordability. | Examined supporting documentation to determine whether the College's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes. |

**EXHIBIT B
MANAGEMENT'S RESPONSE**



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Tallahassee Florida 32304-2895
850.201.6200 | www.tcc.fl.edu

October 12, 2009

David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Operational Audit, FYE June 30, 2009

Dear Mr. Martin:

In response to the preliminary and tentative audit findings related to your operational audit of Tallahassee Community College for the fiscal year ended June 30, 2009, we submit the attached statements of explanation and corrective action.

We wish to express our appreciation to your staff for the professional and helpful manner in which they conducted the audit.

If I can be of further assistance, please do not hesitate to call me.

Sincerely,

A handwritten signature in blue ink that reads "William D. Law, Jr." with a stylized flourish at the end.

William D. Law, Jr.
President

Finding No. 1: Student Fees – Residency Status

In August 2009, the College developed an internal review process to weekly monitor residency classifications to ensure compliance with residency regulations. This process will address criteria referenced by the Auditor General to aid in identifying and remedying anomalies related to residency.

Finding No. 2: Procurement of Services

The College issued a competitive RFQ in April 2009 to include all TCC facilities' elevators and has awarded an annual elevator contract to ThyssenKrupp. This contract was approved by the Board of Trustees on June 22, 2009.

The College issued a competitive RFQ for student athletic housing in April 2009; however, the contract could not be awarded due to the pricing submitted. All quotes exceeded the amount of budgeted funds that had been allocated for FY 2009-10, thus the College is no longer providing student housing to its athletes. Student athletes are now provided a housing stipend.

The College issued RFP 2010-02 for telephone service; however the contract was not awarded due to incomplete pricing information provided by the vendors. On October 1, 2009, the College awarded a contract to Level 3 Communications utilizing an award by the University of Central Florida that allowed other agencies to participate at the negotiated rate.

To address the need to monitor procurements approaching \$25,000, a weekly report has been designed and is provided to the Vice President and Assistant Vice President for Administrative Services. They review the report for expenditure tracking by vendor to ensure compliance with the bidding requirement.

Finding No. 3: Revenues – Leases and Articulation Agreements

Updated lease procedures for outparcels, the Capitol Center, and the University Partner Articulation and Facilities Agreements have been developed. These procedures have simplified the billing and collection process and require monthly monitoring of billing and receipting to ensure compliance with the requirements of these documents. The accounts identified in the finding are now current.