

# SOUTH FLORIDA STATE COLLEGE

---

## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

	<u>County</u>
Tamela C. Cullens, Vice Chair to 7-24-12, Chair from 7-25-12	Highlands
P. Joseph Wright, Vice Chair from 7-25-12	Highlands
Timothy D. Backer, Chair to 7-24-12 (1)	DeSoto
Derren J. Bryan	Hardee
Dr. Louis H. Kirschner (1)	DeSoto
Kenneth A. Lambert	Hardee
Lana C. Puckorius	Highlands
Kris Y. Rider	Highlands

Dr. Norman L. Stephens, Jr., President

Note: (1) Board member served beyond the end of their term, May 31, 2013.

The audit team leader was Yuling Liu, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**SOUTH FLORIDA STATE COLLEGE**

**EXECUTIVE SUMMARY**

**Our operational audit disclosed the following:**

**STUDENT RECEIVABLES**

**Finding No. 1: The College needed to enhance its procedures related to the collection of student receivables.**

**BACKGROUND**

South Florida 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 eight 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.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College’s Board of Trustees approved the name change from South Florida Community College to South Florida State College on July 1, 2012.

The College has campuses in Arcadia, Avon Park, Bowling Green, and Lake Placid, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout DeSoto, Hardee, and Highlands Counties. The College reported enrollment of 2,280 full-time equivalent students for the 2012-13 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2013, 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, 2013, will be presented in a separate report.

**FINDING AND RECOMMENDATION**

**Student Receivables**

**Finding No. 1: Collection Procedures**

Section 1010.03, Florida Statutes, provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The Statute further states the board of trustees may adopt rules to implement the provisions of this section, including setoff procedures, and restrictions on release of transcripts, awarding of diplomas, and access to other College resources and services. Effective internal controls to ensure that amounts due to the College are timely collected should include timely notification to students of the amount due and progressively stronger collection activities, such as follow-up notification of amounts owed and the use of collection agencies to assist in the collection of amounts due to the College.

The College reported student receivables, totaling \$109,466, for the fiscal year ended June 30, 2013. On May 22, 2013, the Board approved the write-off of \$29,058 in student receivables that were deemed uncollectible. Our review disclosed that the College could improve its process for monitoring delinquent accounts, as follows:

- The College had not established written policies and procedures addressing collection efforts to be used to ensure the collection of amounts owed by students to the College. The College’s accounting system did include various receivable processing functions, including placing academic holds on the records of students with overdue balances to prevent students from graduating, receiving official College transcripts, and re-enrolling at the College, until the amounts due are paid. However, there were no formal written policies or procedures addressing the steps to be followed to pursue the collection of delinquent accounts. Such procedures should include timely follow-up notifications to students noting that progressively stronger collection efforts may be used, including the use of collection agencies to improve the collection of amounts due to the College.
- We tested 15 accounts written off as uncollectable, totaling \$5,022, to determine collection efforts made by the College for delinquent student receivables. Our test disclosed the following:
  - For 10 student receivables written-off, the College’s collection efforts were limited to electronic notices that were sent to the former student’s College e-mail account directing them to their account information. College personnel stated the notices were sent on more than one occasion prior to the receivable being written-off; however, the College only maintained documentation to support one such notice. Given that former students may not be inclined to view their College e-mail account after withdrawing from College, the College’s current collection efforts may limit their ability to collect on delinquent accounts.
  - For the remaining 5 student receivables written-off (all financial aid related balances), the College’s collection efforts included electronic notices sent to the student’s College e-mail account and a student bill sent to the student’s home address identifying the amount due. College personnel stated the bill was sent to the student twice prior to the account being written-off; however, the College was only able to provide documentation evidencing the bill was sent once.
- The College does not currently use the services of collection agencies in collecting delinquent accounts. The timely use of a collection agency may enhance the ability of the College to collect delinquent accounts.

Effective guidance in the form of Board approved written policies and procedures including progressively stronger collection efforts, such as effective and repeated notification of students of delinquent amounts and the use of collection agencies, would improve the College’s collection of amounts due from students.

---

**Recommendation:** The College should establish written policies and procedures over its collection efforts to enhance the collection of amounts due from students. The College should also ensure that collection efforts are consistently applied and progressively stronger to improve the collection of delinquent accounts.

---



---

**PRIOR AUDIT FOLLOW-UP**

---

The College had taken corrective actions for findings included in our report No. 2012-052.

---

**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 January 2013 to August 2013 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:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, safeguarding of assets, and identifying weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2012-052.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2012-13 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

**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 and separation of duties.	Reviewed selected access privileges over the database and finance and human resources applications to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested selected administrator access privileges over the database and access over finance and human resources applications to determine whether these accounts had been appropriately assigned and managed.
IT logical access controls and user authentication.	Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT risk management and assessment.	Determined whether a written, comprehensive IT risk assessment had been developed to document the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Board meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures 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, and maintenance of minutes).
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Student receivables.	Determined whether student receivables were properly authorized, adequately documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectible accounts written-off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 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.
Textbook affordability.	Examined supporting documentation to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Terminal pay.	Reviewed the College's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Severance pay.	Reviewed severance pay provisions in selected contracts 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.
Presidents' compensation.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
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 expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Florida law.
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, and that vendors carried adequate insurance.
Purchasing agreements/State contracts.	Determined whether the Board adopted policies to ensure compliance with Section 1001.64, Florida Statutes, requiring the use of purchasing agreements and State term contracts pursuant to Section 287.056, Florida Statutes, or entered into consortia and cooperative agreements to maximize purchasing power for goods and services.
Electronic funds transfers and payments.	Reviewed College policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported.
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 potential conflicts of interest with vendors who were doing business with the College and made donations to the College's direct-support organization.

EXHIBIT B  
MANAGEMENT'S RESPONSE



OFFICE OF THE PRESIDENT

September 17, 2013

David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The following is the College's response to the preliminary and tentative finding to be included in the operational audit report for the fiscal year ended June 30, 2013.

**Collection Procedures**

Recommendation: The College should establish written policies and procedures over its collection efforts to enhance the collection of amounts due from students. The College should also ensure that collection efforts are consistently applied and progressively stronger to improve the collection of delinquent accounts.

Response: The College will review its collection procedures and develop written documentation to support its collection efforts. The College will ensure that collection efforts are consistently applied and progressively stronger.

Please contact me should you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas C. Leitzel", is written over a light blue circular scribble.

Thomas C. Leitzel, Ph.D.  
President

c: David Blanton, Audit Supervisor