

# DAYTONA STATE COLLEGE

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## 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>
Dwight D. Lewis, Chair	Volusia
Mary Ann Haas, Vice Chair from 8-23-12 (1)	Flagler
Dr. Christina Frederick-Recascino, Vice Chair to 8-22-12	Volusia
Bob Davis (1) (2)	Volusia
Lloyd J. Freckleton	Flagler
Betty J. Holness	Volusia
Forough B. Hosseini	Volusia
John W. Tanner (3)	Flagler
Vacancy (4)	

Dr. Carol Eaton, President

- Notes: (1) Board members served beyond the end of their term, May 31, 2013.
- (2) Appointed as Robert C. Davidson, known as Bob Davis.
- (3) Board member resigned May 3, 2013, and position remained vacant through June 30, 2013.
- (4) Position remained vacant from July 1, 2012, through June 30, 2013.

The audit was conducted by Keith A. Wolfe, 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.

DAYTONA STATE COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

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

Finding No. 2: The College needed to enhance its textbook affordability policies and procedures to ensure that students obtain textbooks and course materials for the lowest and best price within acceptable quality.

STUDENT ENROLLMENT

Finding No. 3: 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.

STUDENT TUITION AND FEES

Finding No. 4: The College’s procedures for assessing user fees needed improvement.

BACKGROUND

Daytona 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 nine 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 Daytona Beach, DeLand, Deltona, New Smyrna Beach, and Palm Coast, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Flagler and Volusia Counties. The College reported enrollment of 12,449 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.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each college 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. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between the colleges and other entities.

According to the College's records, \$120 million of electronic funds transfers (EFTs) were made during the 2012-13 fiscal year for transactions such as employee payments, retirement payments, investment transactions, and vendor payments. In response to our inquiry, College personnel stated that they did not have a Board-approved policy for EFTs; however, they had controls in place to monitor and control EFT transactions, such as separating the duties of initiation and authorization as well as independent review of each transaction, and had written procedures addressing these transactions. While the College had controls over EFTs, the lack of specific guidance in the form of Board-approved written policies and procedures increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes. Subsequent to our inquiry, College personnel indicated that the College developed a policy and are in the process of obtaining Board approval.

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

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**Finding No. 2: Textbook Affordability**

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Section 1004.085(3), Florida Statute, requires that colleges post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) Rule 6A-14.092(3), Florida Administrative Code (FAC), requires colleges to collect and maintain, before each textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional items ordered will be used, particularly each individual item sold as part of a bundled package, and to document the extent to which a new edition differs significantly and substantively from earlier versions, along with the value of changing to a new edition. The SBE created the Textbook Affordability Workgroup (Workgroup), which has issued recommendations for textbook affordability for students. The recommendations included a provision that each college develop and monitor policies and guidelines for textbook adoption.

Although the College had procedures in place for posting textbooks on the College's Web site, our test of textbook information for 25 courses offered during the 2012-13 fiscal year Summer semester disclosed the following:

- Three courses did not have the textbook information posted at least 30 days prior to the first day of classes. The textbook information for these three courses was posted 20 days late. Additionally, one of these courses, Oral Communications, had two textbooks listed as well as instructions to the students to wait until the first day of class before purchasing a textbook, as the instructor would then inform them of which textbook to buy. By delaying the purchasing decision to the first day of class, the student would be limited in searching for the best price for this textbook.
- According to College personnel, required instructor certifications attesting that all textbooks and other instructional items ordered would be used were not prepared. In response to our inquiry, College personnel obtained the required certifications from instructional personnel for the 25 courses tested stating that the textbooks would be used in the courses. Failure to timely obtain the required certifications from instructors increases the risk that students may unnecessarily purchase textbooks or other instructional material that are not going to be used for their courses.
- The Workgroup noted that one practice that could reduce textbook costs would be to use course-wide adoptions of textbooks for the same course. The College had not established policies and procedures to implement the Workgroup's recommendation on course-wide textbook adoption. As a result, different sets of textbooks or instructional materials for the same course have been adopted. Our review of instructional materials posted on the College Web site disclosed price differences, as follows:

Course	Cost of New			Cost of Used		
	Textbooks and Materials			Textbooks and Materials		
	High	Low	Difference	High	Low	Difference
English 1101	\$ 104	\$ 32	\$ 72	\$ 75	\$ 24	\$ 51
Humanities 2210	145	103	42	109	78	31
Psychology 1012	197	119	78	148	148	-

As noted above, the costs of new or used textbooks and course materials for students enrolled in these three courses may differ by as much as \$78 for new, and \$51 for used, textbooks for the same classes, depending upon the course section for which students were enrolled.

College personnel stated the College was in the process of developing and implementing policies and procedures to comply with the Workgroup recommendations. Establishing policies and procedures, reflecting compliance with Section 1004.085, Florida Statutes, SBE Rule 6A-14.092(3) FAC, and the Workgroup recommendations would assist the College in improving textbook affordability for its students.

**Recommendation:** The College should continue development and implementation of its textbook affordability policy and procedures to ensure textbooks and other required instructional materials are available to its students at the lowest and best prices within acceptable quality. The College should also ensure that textbook information is timely posted to its Web site, and required certifications are obtained from instructors.

**Student Enrollment**

**Finding No. 3: Adult General Education**

Section 1004.02(3), Florida Statutes, defines adult general education, 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 2012-118, Laws of Florida, Specific Appropriation 108, 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.

FDOE procedures 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. FDOE procedures also provided that colleges develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2012-13 fiscal year, the College reported to the FDOE 433,832 instructional contact hours for 2,362 students enrolled in adult general education courses during the Fall semester. Our review of 2,905 hours reported for 20 students enrolled in 52 adult general education classes during the Fall semester disclosed contact hours were over reported by 65 hours for 2 students enrolled in 2 classes. In response to our inquiry, College personnel stated an established procedure to request a computer generated withdrawal, or “stop out,” report at the end of the semester had not been performed. The withdrawal report identifies students with at least six consecutive absences in a class, and would require a procedural withdrawal from the class. As a result, reported contact hours for students who had at least six consecutive absences through the end of the semester were over reported. In addition, contact hours for

students who were previously withdrawn for nonattendance, but subsequently returned to class prior to the end of the semester, were under reported for their contact hours.

Subsequent to our inquiries, the College generated a withdrawal report for the Fall 2012 semester. Changes in reported contact hours based upon this report resulted in a reduction of 2,497 contact hours for 119 students who were not procedurally withdrawn for the Fall 2012 semester, contrary to the FDOE instructional reporting procedures. These contact hours were corrected in the College’s June 17, 2013, report submitted to the FDOE. Additionally, College personnel indicated the withdrawal reports will be automatically computer generated for subsequent reporting periods.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the College report accurate data.

**Recommendation:** The College should continue its efforts to strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE.

**Student Tuition and Fees**

**Finding No. 4: User Fees**

Section 1009.23(12), Florida Statutes, authorizes college boards of trustees to establish certain specified user fees, such as access fees, that are not to exceed the cost of services provided and may only be charged to persons receiving the service. College revenues from such fees totaled \$2.4 million for the 2012-13 fiscal year.

The College assessed all students an access fee of \$7.90 per credit hour, which was to offset the costs of providing access to College resources, such as the Academic Support Centers and parking and pedestrian areas (for maintenance and security and safety costs), and use of the College’s Web site. In response to our inquiry, College personnel advised us that the College was developing a process for students to demonstrate they are not using the Academic Support Centers or the parking or pedestrian areas and request a proportionate refund of the access fee. Since all students may not use all of the services related to the access fee, the College is at risk of assessing fees to students not receiving these services, contrary to State law. A similar finding was noted in our report No. 2012-031.

**Recommendation:** The College should ensure that user fees are charged only to persons receiving services, in accordance with State law.

**PRIOR AUDIT FOLLOW-UP**

The College had taken corrective actions for findings included in our report No. 2012-031, except that finding No. 4 was also noted in prior audit report No. 2012-031, as finding No. 5.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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 March 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. 2012-031.
- 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
Deactivation of employee information technology (IT) access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT logical access controls and user authentication.	Reviewed selected operating system, data base, 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).
Fraud policy and related procedures.	Examined written policies and procedures related to the College's fraud policy and related procedures.
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.
Direct-support organizations.	Tested payments, transfers, and loans between the College and its direct-support organization to determine the legal authority of such payments.
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.
Related-party transactions.	For selected College officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and College records to identify whether there were any potential relationships that represent a conflict of interest with vendors used by the College.
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.

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

Scope (Topic)	Methodology
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.
Student fees.	Tested student fees to verify the authority for student fees assessed; the accuracy of calculations of fees assessed; the proper collection of late fees, if appropriate; the issuance of a receipt; and the deposit of collections to the central cashier's records. Also, tested to verify that registration was cancelled if the fees were not paid when due, that student status and residency was supported, and that deferred fees were recorded as a receivable.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Laboratory and other user fees.	Reviewed the College's procedures and determined whether they 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.
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.
Payroll and personnel.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports.
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.
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.

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

Scope (Topic)	Methodology
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 selected contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, and that contract terms were adequately supported.
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.
Capital outlay purchases.	Tested capital outlay purchases to determine whether the asset was properly capitalized or expensed, and the funds used were an allowable use of restricted capital outlay resources.
Property deletions and disposals.	Examined Board minutes related to approval of surplus property deletions and disposals, obtained lists of surplus property items approved by the Board for disposal, and reviewed control procedures with applicable College personnel.
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.
Purchasing policies and procedures.	Tested transactions to determine whether College expenses were properly approved, paid timely, for a valid public purpose, were properly coded and recorded in the accounting records, appeared reasonable, and in accordance with applicable laws, rules, and Board policies and procedures.
Student loan program.	Reviewed College records to determine whether the student loan program and transfers to fund the program were approved by the Board.
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.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



*Office of the President*

October 14, 2013

Mr. David W. Martin, CPA  
State of Florida Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1459

RE: Daytona State College Operational Audit  
For the Fiscal Year Ended June 30, 2013

Dear Mr. Martin,

Attached please find the response of Daytona State College to the preliminary and tentative findings and recommendations in the operational audit for the fiscal year ended June 30, 2013. The College concurs with the findings and has aggressively implemented control mechanisms as set forth in the response to comply with the recommendations rendered.

On behalf of Daytona State College, I want to thank Jim Stultz and Keith Wolfe for their assistance in this matter.

Sincerely,

Carol W. Eaton  
President

Attachment

cc: District Board of Trustees

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Finding No.1: Electronic Transfers**

**Recommendation:** The Board should adopt policies and procedures related to electronic fund transfers.

**College's Response:** The College acknowledges the finding and has developed policies and procedures to comply with Florida State Statutes and the State Board of Education Rule. The District Board of Trustees officially approved Policy 5.07 outlining the process for Electronic Fund Transfers (EFT) on August 13, 2013.

**Finding No.2: Textbook Affordability**

**Recommendation:** The College should continue development and implementation of its textbook affordability policy and procedures to ensure textbooks and other required instructional materials are available to its students at the lowest and best prices within acceptable quality. The College should also ensure that textbook information is timely posted to its Web site, and required certifications are obtained from instructors.

**College's Response:** The College acknowledges the finding. The anomaly in the technical system that did not allow textbook upload to the website for the DeLand Campus was diagnosed by IT and Follett Bookstore and was remedied on May 10, 2013. In addition, a new timeline was developed in Academic Affairs in collaboration with Follett Bookstore to ensure that textbooks are adopted and published according to College Policy 4.08. The book adoption procedure is being reviewed for additional guidance regarding the use of course-wide textbooks. The College will develop a procedure for instructor certification regarding the textbooks and instructional items.

**Finding No.3: Adult General Education**

**Recommendation:** The College should continue its efforts to strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to FDOE.

**College's Response:** The College acknowledges the finding. The following measures were put in place in the 2013-2014 reporting year to ensure accurate reporting of student contact hours to FDOE.

1. Weekly stop-out program that had been run manually has been added to the scheduled nightly processes and will run automatically.
2. Prior to running the end of term processes, adult education staff manually re-run the stop-out program until the list of names of identified students is zero.
3. Institutional Research has developed a series of edit reports that they will generate throughout the semester and at the end of the term to ensure all processes are running to completion and data concerns are immediately addressed.

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**Finding No.4: User Fees**

**Recommendation:** The College should ensure that user fees are charged only to persons receiving services, in accordance to State law.

**College's Response:** The College acknowledges the finding and has implemented a corrective action to comply with FS 1009.23(12). An Access Fee Exemption form has been developed and made available and accessible to all students on the website and at all campus locations. Additionally, a procedural process which includes an end of semester review of all submissions by the Department of Finance will be conducted.