

TALLAHASSEE COMMUNITY 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>
Dr. Dana G. Callen, Vice Chair to 8-19-12, Chair from 8-20-12	Leon
Eugene Lamb, Vice Chair from 5-20-13 (1)	Gadsden
Dr. J. Allison DeFoor, II, Chair to 8-19-12	Wakulla
Dr. Kimberle Moon, Vice Chair from 8-20-12 to 4-1-13 (2)	Gadsden
Donna G. Callaway	Leon
Frank S. Messersmith	Wakulla
Karen B. Moore	Leon

Dr. James T. Murdaugh, President

- Notes: (1) Vice Chair position remained vacant from April 2, 2013, through May 19, 2013.
(2) Board member resigned effective April 1, 2013, and position remained vacant through June 30, 2013.

The audit team leader was Stellar Lee, CPA, and the audit was supervised by Karen L. Revell, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

TALLAHASSEE COMMUNITY COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures relating to electronic funds transfers.

STUDENT RECEIVABLES

Finding No. 2: The College needed to enhance its procedures related to the collection of student receivables.

STUDENT ENROLLMENT

Finding No. 3: The College needed to improve its controls over reporting student enrollment for State funding purposes.

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.

STUDENT TUITION AND FEES

Finding No. 5: The College needed to enhance procedures for assessing and reporting distance learning course fees.

PERSONNEL AND PAYROLL

Finding No. 6: The College needed to enhance controls over terminal leave payments.

CONSTRUCTION ADMINISTRATION

Finding No. 7: The College's procedures for monitoring change orders and final payment for construction projects administered by a construction management entity needed improvement.

Finding No. 8: The College needed to enhance its procedures for monitoring architect payments.

Finding No. 9: College procedures for documenting the selection of a professional architectural firm for construction projects needed improvement.

INFORMATION TECHNOLOGY

Finding No. 10: Information technology (IT) access privileges of some former College employees were not timely deactivated.

Finding No. 11: College IT security controls related to user authentication and data loss prevention needed improvement.

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 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 a 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 10,947 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

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 colleges and other entities.

According to College records, \$8 million of electronic funds transfers (EFTs) were made during the 2012-13 fiscal year for transactions, such as transfers and payments to employees and vendors. The College had controls in place to monitor and control EFTs, such as separating the duties of initiation and authorization, as well as independent review of each transaction and written procedures addressing these transactions. In addition, the Board has a policy that provides for the receipt or transfer of public funds to, from, or within its established bank accounts for purposes of investment, payment of College expenses, or direct deposit of funds provided adequate internal controls are maintained. However, the Board policy does not prescribe the accounting and control procedures for EFTs or address the use of electronic signatures when conducting electronic transactions with other entities.

While the College had established 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. A similar finding was noted in our report No. 2012-030.

Recommendation: The Board should enhance its written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures.

Student Receivables

Finding No. 2: Collection Procedures

Section 1010.03, Florida Statutes, states 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. Effective internal controls to ensure that amounts due to the College are timely collected should include the timely use of a collection agency to assist in the collection of amounts due to the College. The College’s student receivables collection procedures provide for the creation of invoices and a follow-up notice

every 30 days for three months. After the third follow-up notice is sent to the student, for outstanding student receivables of \$250 or more, the student’s account is assigned to a collection agency.

The College reported student receivables, totaling \$1.3 million, net of allowance, for the fiscal year ended June 30, 2013. On June 17, 2013, the Board approved the write-off of \$165,456 in student receivables that were deemed uncollectible. Previously, in March 2010, the College entered into a five-year contract with a collection agency to assist in collecting student delinquent accounts.

Our test of 25 student receivables, totaling \$88,250, disclosed that 15 of the 25 student receivables, ranging from \$2,775 to \$4,678, totaling \$51,789, were 155 days to over 2 years past due and these accounts had not been assigned to the collection agency, contrary to College procedures. The most recent assignment of past due student accounts to the collection agency was in May 2012. In response to our inquiry, College personnel indicated that the delay in assigning past due accounts to the collection agency was due to a shortage in College personnel and unresolved procedural problems with the collection agency relating to the collection of partial payments. College personnel further advised us that once the College resolves the procedural problems with the collection agency or contracts with a different collection agency, the College plans to utilize the collection agency in collecting delinquent student accounts on a more frequent and regular basis.

The effective use of a collection agency would improve the College’s collection of amounts due from students.

Recommendation: The College should continue its efforts to ensure that delinquent accounts are timely assigned to the collection agency.

Student Enrollment

Finding No. 3: Reporting Full-Time Equivalent Students

Section 1011.84(1)(a), Florida Statutes, requires that the Florida Department of Education (FDOE) determine the State financial support and the annual apportionment to each college district through the Florida College System Program Fund (FCSPF) considering several components, including full-time equivalent (FTE) students. Sections 1009.22(11) and 1009.23(9), Florida Statutes, provide that any college that reports students who have not paid fees in an approved manner in calculations of the FTE enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. Such penalty shall be charged against the following year’s allocation from the FCSPF and shall revert to the General Revenue Fund.

Section 1009.23(9), Florida Statutes, requires that the State Board of Education shall specify, as necessary, by rule, approved methods of student fee payment. Such methods shall include, but not be limited to, student fee payment; payment through Federal, State, or institutional financial aid; and employer fee payments. State Board of Education Rule 6A-14.054 (Rule), Florida Administrative Code, provides that each college board of trustees shall establish, publish, collect, and budget student fees, and shall establish dates for paying fees that are not later than the last day of the drop and add periods established by the boards. Additionally, the Rule provides, in part, that payment of registration fees may be deferred under certain conditions for veterans; for students awarded financial aid when such aid is delayed; or when a college has a written promise of payment from a business, industry, government, nonprofit, or civic organization.

The College reported 12,219 and 10,947 fundable FTE students for the 2011-12 and 2012-13 fiscal years, respectively. The College’s aged account receivable report dated March 4, 2013, included 4,264 students. We tested 17 of these

students, with receivables totaling \$60,960. Nine of the 17 student receivables were for unpaid tuition and fees related to the 2011-12 and 2012-13 academic years due to the student being declared ineligible for, and the cancellation of, financial aid prior to the end of the established drop and add period. These 9 students, for which College records did not evidence the payment of fees or a fee deferment in the manner authorized by the Rule, were incorrectly reported for State funding purposes for the corresponding reporting year, contrary to Florida Statutes. According to College personnel, this error was caused by not timely updating student enrollment records for those students that had been subsequently denied student financial aid prior to the last date to add or drop enrollment. As such the College's FCSFP funding may be subject to adjustment by the FDOE for two times the value of the enrollment reported for the students.

In response to our inquiry, College personnel indicated that the College subsequently identified all students that had not paid their fees by the required date and resubmitted the correct FTE enrollments for the 2011-12 and 2012-13 academic years to the FDOE.

Recommendation: The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. The College should also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students that had not paid fees in an approved manner.

Finding No. 4: 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 the 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 procedures for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall 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 90,735 instructional contact hours for 591 students enrolled in adult general education classes during the Fall and Spring terms. Our review of 2,460 hours reported for 15 students enrolled in 54 adult general education classes during the Fall 2012 term disclosed errors in reporting instructional contact hours, as follows:

- College personnel inadvertently input incorrect hours in the field, "standard clock hours," which was used to calculate each student's instructional contact hours. Reasons for the miscalculated standard clock hours were, for example, including holidays as scheduled attendance days and incorrectly identifying the number of class days per week or class length. As a result, 790 total hours were over reported for the 15 students tested.
- For 6 of the 15 students tested, 181 hours were over reported because College personnel used incorrect withdrawal dates. Instead of using the day after the last date of attendance as the student's withdrawal date in accordance with instructions from the FDOE, College personnel used the date that the instructor notified adult general education staff of the student's nonattendance.

Subsequent to our inquiry, the College made corrections and resubmitted the Fall 2012 term hours to the FDOE during the Spring 2013 reporting period. Our review of the revised contact hours resubmitted to the FDOE disclosed

that the contact hours reported for these same 15 students ranged from 266 hours over reported to 18 hours under reported for 35 courses. These reporting errors were caused by the College incorrectly including vacation days as scheduled attendance days and using incorrect withdrawal dates.

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 enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. In addition, the College should review the instructional contract hours for the Spring 2013 term to determine whether the instructional contract hours for that term hours were properly reported to the FDOE. Further, the College should contact the FDOE to determine what corrective actions are necessary regarding the over and under reported hours for the Fall 2012 and any reporting errors noted for the Spring 2013 term.

Student Tuition and Fees

Finding No. 5: Distance Learning Course Fee

Section 1009.23(16)(a), Florida Statutes, provides in part that each college may assess a per-credit-hour distance learning course fee. Section 1009.23(16)(b), Florida Statutes, provides that the amount of the distance learning course 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 FDOE, Division of Florida Colleges (DFC), the total amount of revenue generated by the distance learning course fee for the prior fiscal year and how the revenue was expended.

During the 2011-12 and 2012-13 fiscal years, the College assessed a \$10 per-credit-hour distance learning course fee and collected fees totaling \$464,090 and \$463,748, respectively. Our review of the College's distance learning course fee assessments and the most recent annual report submitted to the DFC disclosed the following:

- On the most recent annual report submitted to the DFC for the 2011-12 fiscal year, reported distance learning course fee revenues, totaling \$150,360, appeared to be significantly understated when compared to estimated revenues based on actual enrolled credit hours. In response to our inquiry, College personnel advised us that some distance learning course fees collected were incorrectly coded as laboratory fees. Therefore, these fees, totaling \$313,730, were not included in the report submitted to the DFC. Subsequent to our inquiry, the College submitted a revised report to the DFC on May 8, 2013, reporting distance learning course fee revenues totaling \$464,090 for the 2011-12 fiscal year. Effective monitoring of account coding for recording transactions and adequate supervisory review over required financial reporting would provide the College assurance that the amounts collected for distance learning course fees are accurately reported to the DFC.
- The College did not assess a distance learning course fee for 35 classes for the 2011-12 fiscal year and two classes for the 2012-13 fiscal year, resulting in \$32,900 in lost revenues for the College. In response to our inquiry, College personnel indicated that some departments did not properly inform the Center for Distance Learning of new distance learning courses and, consequently, those courses were not identified as courses for which a distance learning course fee was to be assessed. Effective supervisory review and approval of distance learning courses should include the monitoring of such courses to ensure that appropriate fees have been assessed.

Recommendation: The College should enhance monitoring procedures to ensure that distance learning course fees are assessed to students enrolled in the distance learning courses and that required financial reports are accurate and complete.

Personnel and Payroll

Finding No. 6: Terminal Leave Payments

Section 1012.865(2)(d), Florida Statutes, provides that a college board of trustees may establish rules to provide terminal pay for accumulated unused sick leave to be paid to any full-time employee. Board Policies 04-25, *Separation Pay*, and 07-06, *Attendance and Leave*, provide for the payment of accrued sick leave upon termination, not to exceed 480 hours of accrued sick leave at a maximum of 50 percent of accrued sick leave based on years of service, at a pay rate based on the daily rate of pay at the time of termination. In addition, these Policies provide for terminal annual leave calculations and payments, up to a maximum of 30 days or 240 hours of annual leave for regular employees and 480 hours of annual leave for senior management, at a pay rate based on the daily rate of pay at the time of termination.

Our tests of terminal leave payments to 21 former employees, totaling \$257,250, during the 2012-13 fiscal year, disclosed 8 employees whose terminal leave payments were not correctly calculated, as follows:

- Seven overpayments, totaling \$2,398 (ranging from \$104 to \$785), were the result of errors from using inaccurate accumulated leave balances in calculating the terminal leave payments. College personnel indicated that the inaccurate leave balances were mostly caused by departments not timely recording leave used in the payroll leave system and not timely submitting timesheets.
- One underpayment of \$361 was the result of using an incorrect percentage of eligible sick leave and incorrect annual leave balance.

College personnel indicated the terminal leave payments will be corrected, the underpaid amount will be reimbursed, and attempts will be made to recover any overpayments. Effective controls, including the independent verification of the calculation of terminal leave payments prior to making payment to the employee, would ensure the accuracy of terminal leave payments.

Recommendation: The College should enhance its procedures to ensure the accuracy of terminal leave payments. In addition, the College should take action, as appropriate, to remedy the over and under payments.

Construction Administration

Section 1013.45(1)(c), Florida Statutes, authorizes the College to contract for the construction or renovation of facilities with a construction management entity (CME). On December 13, 2007, the College entered into a contract with a CME for the construction of the Ghazvini Center for Healthcare Education. On August 17, 2009, the Board approved the final amendment to the CME contract to include a guaranteed maximum price (GMP) for the project of \$22.6 million and the College issued a notice to proceed on October 5, 2009. Under GMP contracts, the College may realize cost savings if the cost of the construction is less than the GMP. The GMP provision allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned or shared with the College.

Our review disclosed that the College’s construction administration procedures could be improved, as discussed in Finding Nos. 7 through 9 below.

Finding No. 7: Project Completion

Pursuant to Section 1013.47, Florida Statutes, College construction contracts must contain a time limit in which construction is to be completed and the penalty to be paid by the contractor for failure to comply with the terms of the contract, and may provide an incentive for early completion. Pursuant to Section 1013.48, Florida Statutes, the Board may authorize the College President or other designated individual to approve change orders in the name of the Board for predetermined amounts. Such delegated approvals must be for the purpose of expediting the work in progress and must be reported to the Board and entered into the official minutes. Section 1013.50, Florida Statutes, provides that the final payment to the contractor must not be made until the construction project has been inspected by the architect and until the architect has issued a written certificate that the project has been constructed in accordance with the approved plans, specifications, and approved change orders and until the Board, acting on these recommendations, has accepted the project.

As shown in Table 1 below, the Ghazvini Center for Healthcare Education GMP contract provided for three phases (building, parking lot, and road relocation) of the project. The original contract was reduced from \$20.4 million to \$17.1 million after change orders and deducting the College’s owner-direct purchases of construction materials.

Table 1

Guaranteed Maximum Price Summary	
Description	Amount
Building	\$ 19,432,016
Parking Lot	945,624
Original Contract	20,377,640
Road Relocation Change Order	2,220,002
Original GMP	22,597,642
Additional Change Orders	538,051
GMP before Direct	
Purchase Change Orders	23,135,693
Direct Purchases Change Orders	(6,074,031)
Final GMP	<u>\$ 17,061,662</u>

Change Orders

Board Policy No. 11-10, *Construction Change Orders*, states that change orders are not approved until Board action takes place. However, the Policy authorizes the President or designee to approve change orders up to \$325,000 between Board meetings and to report such change orders to the Board for ratification at the next scheduled meeting.

There were a total of 148 change orders, 16 of which increased or decreased the contract amount and 132 that were funded from the project contingency balance (included in the GMP contract amount) and did not increase or decrease the contract amount. Our review disclosed that 3 of the 148 change orders requested by the CME were to extend the number of contract days and the substantial completion date a total of 76 days. College records indicated that the substantial completion date was determined based on these change orders; however, contrary to Board Policy No. 11-10, College records did not evidence approval of the 3 change orders by the architect, the College President or designee, or the Board.

Absent Board approval of changes orders, there is an increased risk that construction project changes may not be consistent with the Board's intent.

Project Completion

The Ghazvini Center for Healthcare Education project GMP contract provided for planned substantial completion dates and planned final completion dates, and the assessment of liquidated damages for failure to meet the planned dates. The substantial completion date represents the date the project is substantially completed, as determined by the architect, and the date the College may occupy the project facility with furniture, equipment, and accessories required for the operation of the facility. The final completion date represents the date the project, including the correction of all deficiencies and incomplete punch list items noted at the substantial completion date, is complete in all of its detail and to the satisfaction of the architect and the College's project manager. The GMP contract provided for:

- A substantial completion date of December 21, 2010 (517 calendar days) and a final completion date of February 4, 2011, 45 days after the date of substantial completion.
- Liquidated damages of \$1,500 for each day the actual substantial completion date exceeded the contracted substantial completion date, with additional liquidated damages of one quarter of the rate (\$375) for each day the actual final completion date exceeded the contracted final completion date.

Our review disclosed that the architect and College personnel approved substantial completion of the project as of May 21, 2011, or 151 days after the contracted substantial completion date. The Certificate of Final Inspection was signed by the architect on November 2, 2012, or one year and six months (530 days) after the May 21, 2011, Certificate of Substantial Completion date, and final payment of \$149,084 was made on November 6, 2012. The Certificate of Final Inspection was approved by the Board on November 19, 2012, 13 days after the final payment was made on the contract. Our review disclosed the following:

- College records did not evidence Board approval of the Certificate of Substantial Completion or final payment on the contract.
- The Certificate of Substantial Completion indicated that the work on the punch list was to be completed within 30 days (June 20, 2011). College personnel indicated that the work was completed in 32 days; however, the punch list did not evidence the date of completion of the punch list items and College records did not evidence the architect's certification that the punch list was satisfactorily completed. In addition, the punch list was incomplete and did not include items for the third floor of the building. Subsequent to our inquiry, an additional two-page list was provided that included some items for the third floor; however, this list also did not evidence the date of completion of the punch list items and College records did not evidence the architect's certification that the additional punch list was satisfactorily completed.
- The week after the architect and College personnel approved substantial completion, but prior to acceptance of final completion of the project, College personnel became aware that the chiller was not working and, while moving furniture into the building, that the third floor was not level. College records indicated that the CME corrected the third floor issue two months after College personnel became aware of the issue. Board notification of the chiller issue was not until three months after College personnel became aware of the issue, as evidenced in the August 15, 2011, Board meeting minutes, and College records did not evidence that the Board was notified of the third floor issue. In response to our inquiry, College personnel indicated that the Board was not notified of the third floor issue because the CME acted promptly to correct the third floor issue at no additional cost and without delaying the project.
- Although the Certificate of Final Inspection was issued one year and six months after the Certificate of Substantial Completion as a result of the chiller issue, the College did not assess liquidated damages and College records did not evidence that the Board was timely apprised of the reasons for the construction delays and the potential for liquidated damages for its consideration.

Failure to timely notify the Board of construction delays and making final payments on projects prior to the Board's approval of substantial completion, and final inspection and acceptance of projects, may limit the Board's assessment of liquidated damages when contractors fail to complete projects in all detail, and may result in unnecessary delays in final completion of the projects.

Recommendation: The College should enhance its monitoring procedures over construction activities to ensure that the Board is provided timely information on all contract changes and completion dates. The College should also enhance procedures to ensure that the Board is timely advised of construction delays and that the Board makes the determination on whether liquidated damages should be assessed when planned completion dates are not met.

Finding No. 8: Architect Payments

On November 16, 2009, the College entered into a contract with an architect to provide architectural services for the Ghazvini Center for Healthcare Education project. Section 1.5.1 of the contract provided for a fee for (basic) architectural services of 6.3 percent of construction costs. The contract provided for payments totaling \$996,981, including \$910,350 for basic services, \$81,382 for reimbursing the architect for the architect's use of consultants, and \$5,249 for other reimbursable expenses. Final net change orders to the GMP contract between the College and the CME established a final construction cost of \$23,135,693¹ and the architect was entitled to and paid a total fee for basic services of \$1,457,549, in accordance with the architectural services contract. In addition, the architect was paid \$279,447 as reimbursement for the architect's use of consultants. Inquiry of College personnel, and review of College records, disclosed that the consultants were primarily used for the preparation and development of various construction plans.

Section 1.2.2.4 of the architect contract provided for College authorization of consultants services as a "Change in Services of the Architect" when such services are requested by the architect and are reasonably required by the scope of the project. Section 1.3.3 provided for the circumstances in which changes may be accomplished, the first being "if mutually agreed in writing."

Although the original architect services contract provided for the architect to be reimbursed \$81,382 for consulting services, a December 2, 2009, change order increased the amount of allowable reimbursement to \$205,000. Our test of payments to the architect disclosed that the architect was reimbursed a total of \$279,447 for consultant services. Although the architect provided the College documentation supporting the total amounts paid for consultant services, the amount paid to the architect exceeded the final contract amount by \$74,447.

Recommendation: The College should improve its procedures for monitoring payments to architects to ensure that payments are made in accordance with the architect's contract. Additionally, the College should document that the additional \$74,447 paid to the architect was for additional consultant services requested, or seek recovery of these funds from the architect.

Finding No. 9: Architect Selection

The College is required to procure architect services using the competitive selection process prescribed by Section 287.055, Florida Statutes. Pursuant to Section 287.055(3), Florida Statutes, the College must publicly announce, in a uniform and consistent manner, each occasion when architect services are needed for a project in which the basic

¹ Original GMP of \$22,597,642 plus change orders totaling \$538,051.

construction cost is estimated to exceed \$325,000. Pursuant to Sections 287.055(4) and (5), Florida Statutes, the College must select, in order of preference, no fewer than three firms deemed to be the most highly qualified to perform the required services for the proposed project. Should the College be unable to negotiate a satisfactory contract with the firm considered to be the most qualified at a price the College determines to be fair, competitive, and reasonable, negotiations with that firm must be formally terminated, and the College must then undertake negotiations with the second most qualifying firm. Failing accord with the second most qualified firm, the College must then undertake negotiations with the third most qualifying firm.

On March 22, 2013, the College issued a request for qualifications (RFQ) for professional architectural services for the Wakulla Environmental Institute, Building One project. The RFQ anticipated that construction costs would be less than \$3 million and project completion would be during the summer of 2014. Section 9 of the RFQ provided for a staff evaluation committee, composed of College employees, to initially evaluate the written proposals and recommend a minimum of three firms to be interviewed by a Board selection committee comprised of members of the Board. The Board selection committee was to evaluate the three firms and recommend the highest ranking firm to the Board for its approval. Section 10 of the RFQ provided for the staff evaluation committee to use specific criteria to rate each proposal submitted on the basis of a point scale.

On May 1, 2013, as part of evaluation instructions provided to the committee, score sheets were included that provided the maximum possible points for certain criteria. The five member staff evaluation committee met on May 8, 2013, to evaluate proposals submitted by five firms and, on May 9, 2013, recommended the three highest ranked firms for interview by the Board selection committee. On May 24, 2013, the Board selection committee interviewed, reviewed, evaluated, and ranked the three firms. The top ranked firm was approved by the Board on June 17, 2013.

College personnel did not retain the score sheets used by the staff evaluation committee members to evaluate the proposals. In addition, minutes were not prepared for the May 8, 2013, meeting documenting the staff evaluation committee's review of the individual score sheets and ranking of the firms. In response to our inquiry, College personnel provided a tabulation of scores; however, College records did not evidence who prepared or witnessed the tabulation of the five individual score sheets.

College personnel indicated that it was their understanding that there was no requirement by Statutes or Board policy to retain the score sheets, and that score sheets are not typically retained in College processes. However, absent complete documentation supporting the selection of the architectural firm, College records did not evidence the evaluation process, which ultimately impacted the contract award pursuant to Sections 287.055(4) and (5), Florida Statutes. In addition, the College may be limited in its ability to demonstrate that the firm was properly selected in the event of legal disputes by firms not selected.

Recommendation: The College should establish procedures to ensure that the selection of professional architectural firms is adequately documented to demonstrate compliance with Florida Statutes.

Information Technology

Finding No. 10: Timely Deactivation of Access Privileges

Effective management of system access privileges includes the timely deactivation of employee information technology (IT) access privileges when employment is terminated. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

When an employee terminates employment from the College, the employee's department head or authorized representative submits a request to deactivate employee access privileges to the College's network, e-mail, intranet, and the College's Enterprise Resource Planning (ERP) application. The deactivation of access privileges to the College's network prevents the former employees from being able to access the ERP application. The College had established procedures that provided instructions for a programmer to deactivate ERP application access in addition to network access. Our test of 224 employees who terminated from the College during the period July 1, 2012, through June 30, 2013, disclosed that network access privileges for 27 former employees (12 instructional employees and 15 noninstructional employees) remained active from 28 to 245 days after termination of employment. The College's network allows access to certain critical application systems and confidential or sensitive information stored within documents of individual network users. Of these 27 former employees, 14 had read access only and 13 had update access to the various ERP application modules including student records, financial aid, finance, and human resource systems. In addition, the system record indicated logon activities by 14 of these 27 former employees after their last day of employment.

In response to our inquiry, College personnel indicated that access for adjunct instructors was not deactivated because they could be reemployed with the College within a year. Subsequent to our inquiry, College personnel deactivated the network access for the former employees noted above.

When access privileges of former employees are not timely deactivated, there is an increased risk of unauthorized use, modification, or destruction of College data and IT resources by the former employees or others. A similar finding was noted in our report No. 2012-030.

Recommendation: The College should ensure that the access privileges of former employees are deactivated in a timely manner.

Finding No. 11: Security Controls - User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain College security controls related to user authentication and data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls related to user authentication and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised. A similar finding was communicated to College management in connection with our report No. 2012-030.

Recommendation: The College should improve IT security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for findings included in our report No. 2012-030, except that finding Nos. 1, 10, and 11, were also noted in prior audit report No. 2012-030, as finding Nos. 2, 3, and 7, respectively.

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 2013 to September 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. 2012-030.
- 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 2011-12 and 2012-13 fiscal years. 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 data loss prevention.	Reviewed written security policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
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.
IT security incident response.	Reviewed the College's written policies and procedures, plans, and forms related to security incident response and reporting.
IT logical access controls and user authentication.	Reviewed selected operating systems, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Board and committee meetings.	Reviewed Board and committee 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. Determined whether students who had not paid fees in an approved manner were included in calculations of full-time equivalent enrollments for State funding purposes.
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.

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

Scope (Topic)	Methodology
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.
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.
President’s 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.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules. Also, for construction management contracts, determined whether the College monitored the selection process of architects.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
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



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

November 1, 2013

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

Re: Operational Audit

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, 2013, we submit the following statements of explanation and correction.

Finding No. 1: Electronic Funds Transfers

Recommendation: The Board should enhance its written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures.

Response: In response to this finding, the College has revised its policies to address the statutory requirements and will submit them for approval in the next Board of Trustees meeting.

Finding No. 2: Collection Procedures

Recommendation: The College should continue its efforts to ensure that delinquent accounts are timely assigned to the collection agency.

Response: College procedure does not require accounts to be assigned to the collection agency within an identified period of time. The College has resolved the inefficiency issues with the collection agency and has recently assigned student accounts to the collection agency. However, the College did not violate any established law, rule, regulation or policy in not assigning accounts to the collection agency during the period in which records were being reconciled. During this time, the student's debt remained in the College's records and the students were prevented from registering to attend the College or receive a transcript to attend another higher educational institution. The College will continue to assign accounts to the collection agency to assist in collecting student delinquent accounts.

Finding No. 3: Reporting Full-Time Equivalent Students

Recommendation: The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. The College should also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students that had not paid fees in an approved manner.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Mr. David Martin
Page Two
November 1, 2013

Response: The College has modified the process that creates the state database to additionally exclude students that have unpaid receivables due to tuition. The College has verified the accuracy of FTE reported for academic year 2012-13. The College is also in communication with Florida Department of Education (FDOE) on any corrective actions necessary regarding the reporting of FTE for academic year 2011-12.

Finding No. 4: Adult General Education

Recommendation: The College should enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. In addition, the College should review the instructional contact hours for the Spring 2013 term to determine whether the instructional contact hours for that term hours were properly reported to the FDOE. Further, the College should contact the FDOE to determine what corrective actions are necessary regarding the over and under reported hours for the Fall 2012 and any reporting errors noted for the Spring 2013 term.

Response: For 2013-14, Adult Ed reporting for withdrawal dates, TCC has new programming that will allow the actual withdrawal date to be entered into the system. The solution has been implemented since September 2013. Further, for vacation days in clock-hour calculations, the College corrected the inaccuracy of reporting for 2012-13. To ensure the accuracy of reporting in the future, the College has provided necessary staff training. Further, the College will seek guidance from FDOE on any corrective actions necessary regarding the over and under reported hours for the Fall 2012 and any reporting errors noted for the Spring 2013 term.

Finding No. 5: Distance Learning Course Fee

Recommendation: The College should enhance monitoring procedures to ensure that distance learning course fees are assessed to students enrolled in the distance learning courses and that required financial reports are accurate and complete.

Response: The College has improved its processes to ensure proper account coding and more detailed course descriptions for recording transactions has been added to each distance learning course request. This improved process will allow for more accurate recording and monitoring of distance learning course fees. The College has also modified its procedures for assessing and reporting distance learning course fees to ensure the accuracy of reporting. An electronic task list system that sends automatic messages, dates and timelines to the Deans now includes the course fee procedure. The detailed information is included in the College's procedures.

Finding No. 6: Terminal Leave Payments

Recommendation: The College should enhance its procedures to ensure the accuracy of terminal leave payments. In addition, the College should take action, as appropriate, to remedy the over and under payments.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Mr. David Martin
Page Three
November 1, 2013

Response: The College has enhanced its procedures related to terminal leave payments to ensure the accuracy of payments. The College will seek reimbursement of the overpayments. The College will also make the necessary correction and process payment for the underpayment.

Finding No. 7: Project Completion

Recommendation: The College should enhance its monitoring procedures over construction activities to ensure that the board is provided timely information on all contract changes and completion dates. The College should also enhance procedures to ensure that the Board is timely advised of construction delays and that the Board makes the determination on whether liquidated damages should be assessed when planned completion dates are not met.

Response: The College will modify its monitoring procedures to ensure Board approval and acceptance for all change orders and before final payment is made on a construction project. We will also ensure Board approval for the application or waiver of liquidated damages is obtained and properly documented.

Finding No. 8: Architect Payments

Recommendation: The College should improve its procedures for monitoring payments to architects to ensure that payments are made in accordance with the architect's contract. Additionally, the College should document that the additional \$74,447 paid to the architect was for additional consultant services requested, or seek recovery of these funds from the architect.

Response: The College is instituting procedures to ensure that the architect/engineer contracts are promptly modified to reflect approved additional services before work is completed and invoices are present to the Board for approval. In the case of the referenced payments to the architect, the additional services were verified each month before the invoices were sent to the Board for approval; therefore, the College does not need to seek recovery of these funds.

Finding No. 9: Architect Selection

Recommendation: The College should establish procedures to ensure that the selection of professional architectural firms is adequately documented to demonstrate compliance with Florida Statutes.

Response: While we can find no Florida Statutes requiring the College to keep individual scoring sheets for solicitations, the College has made a decision to maintain, when available, individual scoring sheets in the future. In going forward, if there are individual scoring sheets for a solicitation, they will be kept in the bid file for the mandatory document retention period.

Finding No. 10: Timely Deactivation of Access Privileges

Recommendation: The College should ensure that the access privileges of former employees are deactivated in a timely manner.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Mr. David Martin
Page Four
November 1, 2013

Response: The College will implement a process to automate the lifecycle of the employee's account. This process will be driven by the Human Resource system, so that when an employee is marked as no longer active, their account will be disabled. This process will be in place no later than the end of the Fall 2013 term.

Finding No. 11: Security Controls – User Authentication and Data Loss Prevention

Recommendation: The College should improve IT security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response: The College has completed changes to the security systems to correct for issues in the confidential findings that relate to user authentication. Data loss prevention is addressed in Policy 3-26. The College will update the HR Acknowledgement of Receipt form completed at onboarding of employees to include a statement informing the employee of their responsibility to ensure the protection of confidential or sensitive data that may be copied, downloaded or printed and that data will not be accessed for personal gain. All current employees will complete the Acknowledgement form, also.

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,



Jim Murdaugh, Ph.D.
President