

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-089
February 2016

GULF COAST STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

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Notes: ^a Board member served beyond the end of term, May 31, 2014, reappointed by Governor to serve from February 13, 2015.

^b Board member served beyond the end of term, May 31, 2015.

The team leader was Melissa F. Hall, CPA, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Jaime Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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GULF COAST STATE COLLEGE

SUMMARY

This operational audit of Gulf Coast State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-042. Our operational audit disclosed the following:

Finding 1: The College did not always perform background screenings for applicable individuals in positions of special trust and responsibility.

Finding 2: The College needs to establish a mechanism to provide for review and approval of supervisor time worked.

Finding 3: The College needs to strengthen controls over cash collections.

Finding 4: The College needs to enhance its procedures related to the collection of student receivables. A similar finding was noted in our report No. 2014-042.

Finding 5: The College did not provide for supervisory review and approval of all journal entries.

BACKGROUND

Gulf Coast 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 Panama City and Port St. Joe, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Bay, Gulf, and Franklin Counties. The College reported enrollment of 3,990 full-time equivalent students for the 2014-15 fiscal year.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-042. The results of our financial audit of the College for the fiscal year ended June 30, 2015, 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, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Background Screenings

Although not specific to colleges, State law¹ provides for background screenings for employees in positions of special trust and responsibility. For example, a level 2 background screening² is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. College policy³ and procedures require State and national criminal background checks for all College personnel except for the College Corporate College instructors who teach courses that last less than a week. The Corporate College provides services such as community education programs for persons under age 18 in the Kids' College, industry certifications, business education, and continuing education.

As College policy does not require such screenings, College records and personnel indicated that background screenings were not performed for the 6 Kids' College instructors who taught courses that lasted less than a week during the 2014-15 fiscal year. However, the brief time that these instructors had direct access to persons under age 18 did not eliminate the need to perform background screenings of these instructors.

To determine whether other individuals had undergone background screenings, we selected and examined records for 29 individuals (28 employees and 1 dual-enrolled instructor) from the population of 839 employees and 2 dual-enrolled instructors. Although requested, College records could not be provided to evidence background screenings for 2 information technology employees, 2 adjunct instructors, and 1 library assistant. The lack of these records, according to College personnel, was because of Human Resource Department personnel changes. Subsequent to our inquiry, background screenings were performed for 3 of the 5 employees; however, background screenings were not performed for the remaining 2 individuals since both are no longer employed by the College.

When individuals who work in positions of special trust and responsibility are not required to have background screenings, there is an increased risk that the individuals may have backgrounds that are not suitable for such employment.

Recommendation: The College should continue efforts to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust and responsibility, including those who have direct contact with persons under age 18.

Finding 2: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The College pays

¹ Sections 409.175, 110.1127, and 1012.32(2)(a), Florida Statutes.

² A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

³ Policy No. 6.096, *Fingerprinting and Criminal Background Checks of Employees and Applicants*.

exempt employees (i.e., technical, executive, and administrative employees and faculty) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period. To document time worked, College procedures require that all employees other than those reporting directly to the President, prepare monthly time sheets and the time sheets provide for supervisory review and approval. However, College procedures allow supervisors to approve their own time sheets rather than requiring the time sheets be submitted to the next level of management for review and approval.

During the 2014-15 fiscal year, the College reported salary costs of \$14.1 million for exempt employees. From the population of 300 exempt employees, we selected and examined time sheets for 21 employees compensated a total of \$1.1 million to determine whether the records evidenced independent management review and approval of time worked. We found that the time sheets for 3 supervisors did not evidence independent management review and approval because, according to College personnel, they believed existing procedures were adequate based on the level of trust established for the supervisor positions. College personnel also indicated that, during the 2014-15 fiscal year, there were 56 supervisors compensated a total of \$3.7 million and independent management review and approval of their time sheets was not performed.

Without independent management review and approval, there is limited assurance that the supervisors provided services consistent with Board expectations. In addition, without management review and approval of time worked, there is an increased risk that these employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The College should implement procedures requiring management to document the review and approval of supervisor time worked.

Finding 3: Cash Collections

The Business Office and nine decentralized locations collected cash, checks, and credit card payments for student tuition and fees and other revenues. College policy⁴ requires that persons or groups that collect moneys for College services remit the collections to the Business Office or designee and obtain a receipt for the remittances. In addition, effective controls over such collections require, in part, that prenumbered receipts be issued promptly when cash is collected, collections be properly secured and timely deposited, and the incompatible duties of collecting cash and billing customers be appropriately separated. If a sufficient number of staff are not available to appropriately separate duties, compensating controls, such as independent reconciliations of deposits to supporting documentation, are necessary.

Our discussions with College personnel and review of College records supporting cash collections at the Business Office and two decentralized locations (the Dental Clinic and Culinary Department) for the 2014-15 fiscal year disclosed that:

- The Business Office collected \$12.3 million for student tuition and fees and \$3.7 million for sales and services. While Business Office personnel scan and deposit checks daily into the bank, cash

⁴ Policy No. 5.050, *Receipt and Deposit of Funds*.

deposits are made weekly using a bank courier service. Collection logs for the period August 26, 2014, to April 21, 2015, indicate that, weekly, the courier picked up the cash collections ranging from \$1,500 to \$45,000. Between weekly pickups and after operating hours, personnel stored the cash in a locked cabinet within the Business Office vault. However, during operating hours, neither the cabinet nor vault was locked to prevent unauthorized individuals from accessing the cash. Without the appropriate safeguarding of collections, the risk of theft increases.

- The Dental Clinic charged fees (ranging from \$2 to \$42) for specific dental procedures and reported collections totaling \$22,000. We examined College records supporting two selected remittances totaling \$3,975 made from the Clinic to the Business Office for 17 daily collections and found that:
 - Dental Clinic personnel did not issue prenumbered receipts for cash collected. In addition, coupons for free dental services were not prenumbered or identified by other means, such as bar codes, to properly account for these services. Without prompt issuance of prenumbered receipts and a process to provide accountability for free dental services, the risk that errors or fraud could occur without timely detection is increased.
 - For 15 daily collections (ranging from \$64 to \$410), Dental Clinic personnel kept collections for 2 to 11 business days in a locked cash box in a cabinet drawer until collections were remitted to the Business Office. However, the key to the box was kept beside the box and accessible to individuals in the reception area. Also, while Business Office personnel generated a prenumbered receipt, it was not provided to the Dental Clinic when the collections were remitted. Having unsecured access to cash increases the risk of theft and prompt remittances to the Business Office for deposit and promptly-issued receipts enhance the safeguarding of collections.
 - An independent reconciliation of collections totaling \$3,975 to supporting daily production reports, coupons used, and patient accounts was not performed. Such a reconciliation would provide additional assurance that cash collections are appropriately accounted for and reported.
- The Culinary Department charged \$10 for lunch and \$20 for dinner and reported collections totaling \$8,100. Our examination of College records supporting selected collections totaling \$1,962 found that controls were not in place to prevent cash from being diverted for unauthorized uses or to timely detect errors or theft. For example, prenumbered receipts were not issued at the point-of-sale to document cash received, there was an inappropriate separation of duties as the employee responsible for cash collections also billed customers, and an independent reconciliation of cash collections to meals served was not performed.

College personnel indicated that, due to the cost of bank courier pickups, they chose to only make weekly deposits and that the vault and cabinet were unlocked during operating hours for convenience. College personnel also indicated that the noted control deficiencies at the Dental Clinic and the Culinary Department are due to the limited number of staff and lack of established procedures for these locations. Notwithstanding these explanations, effective controls established to adequately safeguard cash collections are necessary to promote accountability and to limit the risk that loss or theft of collections could occur and not be timely detected.

Recommendation: The College should enhance procedures to ensure that all cash collections are adequately safeguarded. Such procedures should require that prenumbered receipts be issued promptly when cash is collected, cash be properly secured and timely deposited, and the incompatible duties of collecting cash and billing customers be appropriately separated. If a sufficient number of staff are not available to appropriately separate duties, compensating

controls, such as independent reconciliations of deposits to supporting documentation, should be implemented to verify the accuracy of cash collections.

Finding 4: Student Accounts Receivable

College policy⁵ requires College personnel to analyze delinquent accounts that have been outstanding more than 24 months and to write off student accounts determined to be uncollectible. The policy also allows the College to obtain the services of a collection agency to collect student accounts receivables. College personnel indicated that, when an account becomes delinquent, the College places a hold on the student's account and transcripts and sends the student a letter requesting payment. College controls prevent students from re-enrolling until amounts owed are paid; however, a student account may remain delinquent for approximately 2 semesters (approximately 10 months) before College personnel submit the account to a collection agency. When collection agency services are obtained, the College notifies the applicable students by letter.

In April 2015, we selected and examined 30 student accounts receivable totaling \$19,195 and found that:

- Eleven of the student accounts (37 percent of those tested) totaling \$6,411 had balances outstanding over 12 but less than 24 months; however, the College had not submitted the accounts to a collection agency. In response to our inquiry, College personnel indicated that the accounts had not been submitted because of time constraints and the existence of other more urgent issues.
- Three of the student accounts (10 percent of those tested) totaling \$1,064 had balances outstanding over 9 but less than 36 months; however, the College had not sent letters requesting payment for the accounts. In response to our inquiry, College personnel indicated that letters were not sent due to an oversight.

On June 25, 2015, the Board approved the write-off of uncollectible student accounts receivable totaling \$372,767 that were at least 2 years old. As of June 30, 2015, the College reported student accounts receivable, totaling \$312,830. Prompt collection letter notifications to students who have receivable balances followed by the timely use of collection agencies could improve collections and reduce the amount of student accounts receivable written off as uncollectible. A similar finding was noted in our report No. 2014-042.

Recommendation: The College should improve efforts for collecting student accounts receivable by promptly sending collection letter notifications to students who have receivable balances and timely using collection agencies.

Finding 5: Journal Entries

The College's Department of Administration and Finance was responsible for maintaining financial records, including recording journal entries of adjustments to account balances and transactions, and the related financial reporting. The College designated to three individuals the supervisory authority to approve journal entries and College personnel indicated that supervisory approval is only required when the same individual both prepares and records the journal entry in the accounting system.

⁵ Policy No. 5.056, *Delinquent Accounts, Bad Checks, and Other Financial Obligations*.

From the population of 530 journal entries totaling \$123.7 million and recorded in the accounting system for the last 3 months of the 2014-15 fiscal year, we selected and examined 30 journal entries totaling \$11.8 million to determine whether College records evidenced appropriate supervisory review and approval of the entries. We found that 25 journal entries totaling \$1.6 million (ranging from \$40 to \$427,932) did not evidence supervisory review and approval. Examples of the 25 journal entries included transactions to transfer cash between College accounts, correct errors, and disburse scholarship funds. Although some employees prepared the entries and other employees recorded the entries in the accounting system, the employees who recorded the entries were not responsible for evaluating the accuracy or basis for the entries.

While our procedures did not disclose any inappropriate or inadequately supported journal entries, our procedures cannot substitute for management's responsibility to implement adequate controls over journal entries. Appropriate supervisory review and approval of journal entries is necessary to reduce the risk of, and timely detect, errors or fraud and to promote the accuracy of the financial data maintained by the accounting system.

Recommendation: The College should establish procedures to require the documented supervisory review and approval of all journal entries.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 4, the College had taken corrective actions for findings included in our report No. 2014-042. Finding 4 was also noted in prior audit report No. 2014-042, as finding No. 4.

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 2015 to December 2015 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, and safeguarding of assets, and identify weaknesses in those controls.

- Determine whether management had taken corrective actions for findings included in our report No. 2014-042.
- 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, weaknesses 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.

As described in more detail below, 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.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically 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 management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed procedures for maintaining and reviewing employees' access granted to College information technology (IT) resources to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined access privileges for 13 of the 34 individuals who had access to the finance and human resources applications to evaluate the appropriateness of the access privileges.
- Evaluated the College's written security policies and procedures governing the classification, management, and protection of sensitive and confidentiality information.
- Reviewed Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies in effect during the 2014-15 and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).

- Examined College records to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information, as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policies.
- Analyzed the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balances at June 30, 2015. We also performed analytical procedures to determine whether financial transactions in other funds may require resources from unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.
- Determined whether the College's established controls included supervisory review and approval of journal entries.
- Evaluated whether the two payments totaling \$40,810 made by the College to its direct-support organization during the 2014-15 fiscal year were authorized by Section 1004.70(1)(a)2, and (3), Florida Statutes.
- From the population of 434 textbooks added during the Summer 2015 term, selected and examined documentation for 30 textbooks to determine whether the College's policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.
- 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.
- From the population of 804 electronic funds transfers and payments totaling \$147.1 million made during the 2014-15 fiscal year, selected and examined 30 electronic funds transfers totaling \$28.9 million to determine whether the transfers and payments were adequately supported and properly authorized.
- Evaluated Board investment policies and procedures to determine whether the Board complied with Section 218.415, Florida Statutes, and to determine whether investments during the 2014-15 fiscal year were in accordance with those policies and procedures.
- Determined whether student accounts receivable were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policy.
- Determined whether uncollectible accounts written-off were properly approved.
- Evaluated the effectiveness of the College's controls to ensure students who had not paid fees in an approved manner were not considered in the calculation of full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 8,662 students paying in-State tuition totaling \$7.7 million for the Fall and Spring semesters of the 2014-15 fiscal year, selected and examined documentation for 32 students who paid in-State tuition totaling \$48,399 to determine whether the College affirmatively determined student residency in accordance with Section 1009.21(3)(c), Florida Statutes.
- From the population of 340 distance learning courses with fee revenue totaling \$433,375 during the 2014-15 fiscal year, examined College records supporting the flat fee assessed to all distance learning courses to determine whether the distance learning fee was assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.

- From the population of 223 laboratory and other user fees with revenues totaling \$345,421 during the 2014-15 fiscal year, selected and examined 31 laboratory and other user fees with revenues totaling \$3,799 to determine whether the fees were properly calculated and the fees assessed were less than or equal to the additional cost of the services in accordance with Section 1009.23(12)(a), Florida Statutes.
- Reviewed the College's procedures regarding the assessment of a \$3.95 per credit hour access fee with revenues totaling \$420,590 for the 2014-15 fiscal year to determine whether the fee was adequately supported and properly calculated in accordance with Section 1009.23(12)(a), Florida Statutes.
- From the population of 178 industry certifications eligible for performance funding that were attained during the 2013-14 and 2014-15 fiscal years, examined documentation supporting 26 selected certifications to determine whether the College maintained documentation of student attainment of the industry certifications.
- From the population of 9 decentralized collection locations, selected 2 decentralized collection locations to evaluate cash collection procedures and examined College records of the daily collections to evaluate the effectiveness of the College's collection procedures. We also evaluated the effectiveness of the Business Office collection procedures.
- Examined the College's one auxiliary operations vendor contract for the 2014-15 fiscal year to determine whether the College properly monitored compliance with the contract terms for insurance and other provisions.
- Evaluated College policies and procedures related to dual-enrollment programs. We examined the College's 5 dual-enrollment program agreements, with revenues totaling \$40,957 during the 2014-15 fiscal year, to determine whether revenues collected for dual-enrolled students were consistent with the applicable dual-enrollment program agreement and Section 1007.271, Florida Statutes.
- From the population of 838 employees compensated a total of \$11.5 million during the period of July 1, 2014 to March 31, 2015, selected and examined records for 30 employees compensated a total of \$53,957 to determine the accuracy of the rate of pay and whether payroll procedures were designed properly and operating effectively.
- From the population of 300 exempt employees compensated during the period of July 1, 2014 to March 31, 2015, selected and examined 21 exempt employees' time sheet records to determine whether College records provided for supervisory review and approval of time worked and leave used.
- Reviewed the College's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. From the population of 63 former employees paid terminal leave pay totaling \$290,027 during the 2014-15 fiscal year, we selected and examined terminal leave payments totaling \$182,195 made to 28 employees and evaluated the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Reviewed severance pay provisions in the President's contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records for the President's compensation totaling \$205,789 for the 2014-15 fiscal year to determine whether the amounts paid complied with the President's employment contract and limitations imposed by Section 1012.885, Florida Statutes.
- Evaluated the College's policies and procedures for obtaining background screenings to determine whether individuals in positions of special trust and responsibility, such as positions in direct contact with persons under age 18, had undergone the appropriate background screenings.

- Reviewed College policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon employee separation from employment. Also, we determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of payments totaling \$92,994 made to employees for other than travel and compensation for the period July 1, 2014, to March 31, 2015, selected 10 payments totaling \$23,988 and examined the related documentation to determine whether such payments were reasonable, adequately supported, for valid College purposes, and whether such payments were for employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- From the population of 106 purchasing card (P-card) payments totaling \$301,585 during the 2014-15 fiscal year, selected and examined all transactions related to 8 of the P-card payments totaling \$83,871, to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Determined whether the P-card was timely canceled for the only employee who had been assigned a P-card and separated from College employment during the 2014-15 fiscal year.
- From the population of Public Education Capital Outlay (PECO) and other restricted capital outlay payments totaling \$2.7 million, selected and examined 6 payments totaling \$721,777 to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- Reviewed College records to determine whether PECO funds were properly encumbered by the required reversion date or returned as required by Section 216.301(2)(a) and (c), Florida Statutes.
- Evaluated College policies and procedures related to identifying potential conflicts of interest. For selected College officials, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and College records to identify any relationships that represent a potential conflict of interest with vendors used by the College.
- From the population of \$379,755 in travel expenses for the period of July 1, 2014, to March 31, 2015, selected and examined 30 payments totaling \$44,689 to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of \$817,861 paid for contractual services for other than construction services for the period July 1, 2014, to March 31, 2015, selected and examined 9 payments totaling \$204,503 to determine whether the contractual services were Board-approved, properly awarded and executed, and compliance with contract terms.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each College on a periodic basis. 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



February 12, 2016

Ms. Sherrill F. Norman, CPA
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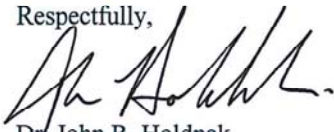
Re: Response to Preliminary & Tentative Audit Findings

Dear Ms. Norman:

Attached are Gulf Coast State College's responses to the preliminary and tentative findings resulting from the operational audit for 2015.

Should you have any questions or need additional information, please contact John Mercer, vice president of administration & finance at (850) 872-3807 or jmercerc@gulfcoast.edu.

Respectfully,



Dr. John R. Holdnak
President

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Gulf Coast State College
Responses to Preliminary and Tentative Findings of the
Operational Audit for the Fiscal Year Ended June 30, 2015

Background Screenings

Finding No. 1: The College should continue efforts to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust and responsibility, including those who have direct contact with persons under age 18.

College staff agrees with this finding and is currently amending, through its established approval process, Manual of Policy 6.096 to require fingerprinting and background screening of all employees that have access to cash, keys to facilities, or direct contact with persons under the age of 18, regardless of type or length of employment. College Policy 6.096, amended to meet these requirements and attached as documentation, will be presented to the District Board of Trustees on February 11, 2016 for tentative approval and April 21, 2016 for final approval.

Payroll Processing – Time Records

Finding No. 2: The College should implement procedures requiring management to document the review and approval of supervisor time worked.

The current procedure has been in place for years and all of the supervisors are salaried employees. However, in an effort to mitigate any potential risk, college staff is currently evaluating changes to the existing procedure to ensure compensating controls are sufficient. Changes will be implemented by June 30, 2016.

Cash Collections

Finding No. 3: The College should enhance procedures to ensure that all cash collections are adequately safeguarded. Such procedures should require that pre-numbered receipts be issued promptly when cash is collected, cash be properly secured and timely deposited, and the incompatible duties of collecting cash and billing customers be appropriately separated. If a sufficient number of staff are not available to appropriately separate duties, compensating controls, such as independent reconciliations of deposits to supporting documentation, should be implemented to verify the accuracy of cash collections.

College staff agrees with this finding and has already implemented the changes necessary to all of the identified deficiencies within the business office. Although the amounts of cash collected in the dental clinic and the culinary program are relatively small, college staff has also implemented the changes necessary to all of the identified deficiencies by implementing appropriate segregation of duties and changes to work stations. In addition, college staff will continue to strengthen controls in all areas handling cash by segregation of duties or implementation of compensating controls.

Student Accounts Receivable

Finding No. 4: The College should improve efforts for collecting student accounts receivable by promptly sending collection letter notifications to students who have receivable balances and timely using collection agencies.

College staff agrees with this finding that timeliness and documentation of collection efforts could be improved. Since the auditors completed their field work, all delinquent accounts through the summer 2015 term have been submitted to collections and additional follow up with past due accounts from the fall 2015 term are underway. The business office has traditionally waited until after the beginning of the following term to refer accounts to collections as many students will fulfill their obligations to return to classes the following semester. However, business office staff is implementing a more aggressive timeline for contact letters and submittals to collections to ensure that the college process does not inadvertently contribute to the situation and increase the amount of accounts that have to be approved to be written off by the board.

Journal Entries

Finding No. 5: The College should establish procedures to require the documented supervisory review and approval of all journal entries.

Although audit procedures did not disclose any inappropriate or inadequately supported journal entries, College staff concurs that each additional layer of review may further reduce the risk of fraud or errors affecting the accuracy of financial information. Accordingly, the College has amended its journal entry procedures to include preparation, supervisor review and approval, and entry into the accounting records by three different employees holding appropriate positions within the Administration & Finance department.