

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-008
August 2016

SOUTH FLORIDA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period April 2015 through March 2016, Dr. Thomas C. Leitzel served as President of the South Florida State College and the following individuals served as Members of the Board of Trustees:

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Tamela C. Cullens	Highlands
Dr. Louis H. Kirschner	DeSoto
Lana C. Puckorius	Highlands
P. Joseph Wright	Highlands

The team leader was Mark A. Arroyo, CPA, and the audit was supervised by David A. Blanton, CPA.
Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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SOUTH FLORIDA STATE COLLEGE

SUMMARY

This operational report of South Florida State College (College) focused on selected College processes and administrative activities and included a follow-up on the finding noted in our report No. 2014-010. Our operational audit disclosed the following:

Finding 1: The College needs to enhance its textbook affordability procedures.

BACKGROUND

South Florida State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Arcadia, Avon Park, Bowling Green, and Lake Placid, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout DeSoto, Hardee, and Highlands Counties. The College reported enrollment of 2,168 full-time equivalent students for the 2015-16 fiscal year.

This operational audit focused on selected College processes and administrative activities and included a follow-up on the finding noted in our report No. 2014-010. The results of our financial audit of the College for the fiscal year ended June 30, 2016, 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, 2016, will be presented in a separate report.

FINDING AND RECOMMENDATION

Finding 1: Textbook Affordability

State law¹ required colleges to post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) rules² require colleges to collect and maintain, before each textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional materials ordered will be used, particularly each individual item sold as part of a bundled package. Further, the Textbook Affordability

¹ Section 1004.085(3), Florida Statutes (2015).

² SBE Rule 6A-14.092(3), Florida Administrative Code.

Workgroup (Workgroup)³ recommended that each college reduce textbook costs by developing and monitoring policies and guidelines for textbook adoption, such as a course-wide adoption of textbooks for the same course.

During the period April 2015 through March 2016, the College adopted 2,073 textbooks, including 257 textbooks for the Summer 2015 term, 919 textbooks for the Fall 2015 term, and 897 textbooks for the Spring 2016 term. The College contracted with a vendor to manage and operate the College Bookstore, as well as to compile and post a list of adopted textbooks on the College Bookstore Web site.

As part of our audit, we reviewed the records for 30 of the 2,073 adopted textbooks and found that the College timely adopted the textbook information. However, although we requested, College records could not be provided to demonstrate that the required textbook information was timely posted on the College Bookstore Web site. College personnel indicated they did not maintain a record documenting the date the textbook information was posted on the Web site nor was the bookstore vendor able to produce such information.

The timely posting of required textbook information on the College Bookstore Web site is necessary for students to understand course textbook requirements and have sufficient time to consider textbook purchase options and limit their textbook costs. Without evidence of the timely posting of textbook information on the College Bookstore Web site, the College cannot demonstrate compliance with State law. Effective July 1, 2016, State law⁴ was revised to require each college to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the college during the upcoming term.

Recommendation: The College should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks and instructional materials are timely posted in accordance with State law.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2014-010.

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 March 2016 to July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

³ The Workgroup, consisting of membership from the Florida College System, in cooperation with the Florida Department of Education, Division of Florida Colleges, issued a report dated December 1, 2009, that contained certain recommendations.

⁴ Section 1004.085(6), Florida Statutes (2016).

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 action for the finding included in our report No. 2014-010.
- 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 transactions, as well as events and conditions, occurring during the audit period of April 2015 through March 2016, and selected College actions taken prior and subsequent thereto. 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 the College's written information technology (IT) policies and procedures for the audit period to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed College procedures for maintaining and reviewing employee access to IT resources. Specifically, for the audit period, we examined access privileges to the database and finance and human resources applications for 31 of the 225 total employees to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned and managed.
- Reviewed College procedures to prohibit former employees' access to electronic data files. From the population of 80 employees who separated from College employment during the audit period, we examined the access privileges for 31 selected former employees to determine whether their access privileges had been timely deactivated.
- Evaluated the appropriateness of the College's comprehensive IT disaster recovery plan to determine whether it was in place during the audit period and had been recently tested.
- Reviewed operating system, database, network, and application security settings for the audit period to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- 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.
- Determined whether a comprehensive IT security awareness and training program was in place during the audit period.
- Reviewed the data center's physical access controls to determine whether vulnerabilities existed.
- Examined the written agreement between the College and its data center. Reviewed the payments totaling \$59,000 made to the data center for the audit period to determine whether the payments were made in accordance with the terms of the agreement.
- Evaluated Board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period, and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records to determine whether, during the audit period, 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 examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.

- From the population of 120 reimbursements totaling \$783,065 during the audit period made by the direct-support organization to the College, examined College records for 6 reimbursements totaling \$349,578 to determine whether the reimbursements were timely made.
- From the population of 396 student receivables totaling \$176,583 and recorded as of March 31, 2016, examined documentation relating to 30 selected student receivables totaling \$27,983 to determine whether the student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies.
- From the population of 396 student receivables totaling \$176,583 and recorded as of March 31, 2016, examined documentation relating to 30 selected delinquent student receivables totaling \$27,983 to determine whether the College's collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts.
- Examined College records to determine whether uncollectible accounts totaling \$56,347 and written-off during the period April 2015 through April 2016 were properly approved.
- From the population of 2,898 students enrolled as Florida residents during the Summer 2015, Fall 2015, and Spring 2016 terms, examined College records for 30 selected students 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.
- Examined the contract for auxiliary operations, which generated revenue totaling \$163,320 for the audit period, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
- From the population of 2,073 textbooks added during the audit period, examined supporting documentation for 30 selected textbooks to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- From the population of 712 employees compensated a total of \$14,938,995 for the audit period, examined records for 31 selected employees compensated a total of \$83,082 to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports.
- Evaluated 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 28 employees who separated from College employment during the audit period and were paid \$253,936 for terminal leave, we selected and examined the supporting records for 7 employees' terminal payments totaling \$156,465 to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined severance pay provisions in the one employee contract containing such provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined records for the College President's compensation for the 2014-15 and 2015-16 fiscal years to determine whether the remuneration totaling \$241,237 and \$241,444, respectively, did not exceed limits established in Section 1012.885, Florida Statutes.
- Evaluated the College's policies and procedures for obtaining personnel background screenings to determine whether employees in positions of special trust and responsibility, such as positions

with direct contact with persons under age 18, had undergone the appropriate background screenings.

- Examined College expenditure documentation to determine whether the expenditures were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and Board policies; and applicable vendors were properly selected and carried adequate insurance. Specifically, from the population of expenditures totaling \$23,417,905 for the audit period, we examined:
 - Documentation related to 30 selected payments for general expenditures totaling \$13,656.
 - Documentation related to 7 selected contractual service payments totaling \$175,960.
 - Documentation related to 2 selected payments totaling \$184,509 and expended from technology fees.
 - Documentation related to 30 selected payments totaling \$333,471 and expended from capital improvement fees.
- From the population of 7,559 purchasing card (P-card) transactions totaling \$3,450,834 for the audit period, examined College records supporting 54 selected P-card transactions totaling \$258,190 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Examined P-card records for 8 of the 16 cardholders who separated from College employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- From the population of \$113,804 travel expenses for the audit period, examined 45 selected travel reimbursements totaling \$24,801 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 1,443 adult general education instructional students reported for 437,362 contact hours during the 2015-16 fiscal year, examined College records supporting 2,565 reported contact hours for 34 selected students to determine whether the College reported the instructional contact hours in accordance with Florida Department of Education requirements.
- From the population of 274 industry certifications reported for performance funding that were attained by students during the 2014-15 and 2015-16 fiscal years, examined 44 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- 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 the Auditor General to conduct an operational audit of each State 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



OFFICE OF THE PRESIDENT

August 24, 2016

Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Preliminary and Tentative – Operational Audit

Dear Ms. Norman,

This letter is in response to the preliminary and tentative audit finding and recommendation dated August 10, 2016. The College's response to the finding is as follows:

Finding:

State law required colleges to post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) rules require colleges to collect and maintain, before each textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional materials ordered will be used, particularly each individual item sold as part of a bundled package. Further, the Textbook Affordability Workgroup (Workgroup) recommended that each college reduce textbook costs by developing and monitoring policies and guidelines for textbook adoption, such as a course-wide adoption of textbooks for the same course.

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Recommendation:

The College should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks and instructional materials are timely posted in accordance with State law.

SFSC Response and Corrective Action Plan: South Florida State College, in conjunction with our third-party vendor, will implement procedures to more appropriately document our timely posting of required and recommended textbooks.

Estimated Corrective Action Date: September 1, 2016

SFSC Contact and Telephone Number: Glenn Little - 863.784.7218

Should you have any questions or concerns, please feel free to call me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas Leitzel".

Thomas Leitzel, Ph.D.
President

600 West College Drive, Avon Park, Florida 33825-9356 | 863-784-7111
www.southflorida.edu | thomas.leitzel@southflorida.edu