

Report No. 2017-058
December 2016

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

**FLORIDA SOUTHWESTERN STATE
COLLEGE**



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period April 2015 through March 2016, Dr. Jeffery S. Allbritten served as President of Florida SouthWestern State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Brian G. Chapman, Jr., Chair from 9-22-15, Vice Chair to 9-21-15	Lee
Tristan Chapman, Vice Chair from 9-22-15	Hendry
Sankey "Eddie" Webb, III, Chair to 9-21-15	Charlotte
Byron Donalds	Collier
Eric Loche	Charlotte
Julia G. Perry	Glades
Braxton C. Rhone	Lee
Marjorie Starnes-Bilotti, J.D.	Lee
Christopher T. Vernon, J.D.	Collier

The team leader was Cesar A. Mayorga and the audit was supervised by Deirdre F. Waigand, CPA.

For the information technology portion of this audit, the team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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.

This report and other reports prepared by the Auditor General are available at:

<http://www.myflorida.com/audgen>

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

FLORIDA SOUTHWESTERN STATE COLLEGE

SUMMARY

This operational report of Florida SouthWestern State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-012. Our operational audit disclosed the following:

Finding 1: College textbook affordability procedures could be enhanced.

Finding 2: The College did not always promptly request payment from students with accounts receivable balances.

Finding 3: The College needs to enhance procedures to require documentation of supervisory review and approval of records of exempt employee time worked.

Finding 4: College procedures need improvement to ensure that subcontractors, used by construction management entities for guaranteed maximum price (GMP) projects, are selected using a competitive selection process and that documentation of the selection process is maintained.

Finding 5: The College did not document that subcontractors were appropriately licensed before work commenced on GMP projects.

Finding 6: College controls over negotiating GMP project general conditions costs need improvement.

Finding 7: Certain inappropriate information technology (IT) access privileges were noted that increased the risk that unauthorized disclosure, modification, or destruction of College data and IT resources may occur. In addition, the College did not have procedures for the review of the College's Enterprise Resource Planning system applications' supporting infrastructure to timely detect inappropriate or unnecessary access privileges.

Finding 8: College security controls related to user authentication and logging and monitoring of system activity need improvement to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

BACKGROUND

Florida SouthWestern State College (College), formerly Edison State 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 Fort Myers, LaBelle, Naples, and Punta Gorda, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Charlotte, Collier, Glades, Hendry, and Lee Counties. The College reported enrollment of 10,353 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 findings noted in our report No. 2014-012. 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.

FINDINGS AND RECOMMENDATIONS

Finding 1: Textbook Affordability

State law¹ requires 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.

The Textbook Affordability 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. Additionally, the Board's collective negotiations agreement with faculty for the period July 2013 through June 2016 stipulates, where feasible, faculty members shall attempt to establish Collegewide standardization of textbooks used in general education and sequential courses.

Although College procedures provide that a list of textbooks be posted on the College Bookstore Web site, College personnel indicated that the College had not adopted the Workgroup's recommendation for course-wide textbook adoption as of June 10, 2016. Our audit procedures also disclosed that:

- The College had not established monitoring procedures to ensure that textbook information was posted on the College Bookstore Web site at least 30 days prior to the first day of classes. The College contracted with a vendor to manage and operate the College Bookstore, as well as compile and post a list of adopted textbooks on the Bookstore's Web site. During the 2015-16 fiscal year, the College adopted 1,775 textbooks, including 416 textbooks for the Summer 2015 term, 693 textbooks for the Fall 2015 term, and 666 textbooks for the Spring 2016 term. As part of our audit, we reviewed the dates the vendor posted textbook information to the College Bookstore Web site for the 1,775 textbooks and identified 110 textbooks, or 6 percent, for which information was not timely posted. These untimely postings included information for 64 textbooks posted less than 30 days prior to the first day of classes (9 to 30 days late) and 46 textbooks posted after the first day of classes (17 to 39 days late). In

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

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

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

response to our inquiries, College personnel indicated that the delays occurred because the College did not have online adoption tracking in place.

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.

- The costs of textbooks and other instructional materials for 30 courses varied for the same course by as much as \$121 for new and \$90 for used items. Table 1 provides examples of price differences that exceeded \$65 for textbooks and other instructional materials that were utilized in the same course.

Table 1
Cost of Textbooks and Other Instructional Materials
2015-16 Fiscal Year

Course	Cost of New			Cost of Used		
	High	Low	Difference	High	Low	Difference
CHM2025	\$206	\$85	\$121	\$154	\$64	\$90
ECO2013	223	114	109	167	99	68
ENC1101	164	78	86	124	58	66

Source: College records.

In response to our inquiries, College personnel indicated that different requirements or disciplines resulted in the textbook price differences. According to College personnel, for CHM2025 and ECO2013, the textbook adoption process for online and traditional classroom courses were different, resulting in different textbook and other instructional materials requirements. College personnel further stated that all ENC1101 courses have a common handbook but may have different companion texts. Notwithstanding this response, when different textbooks are used for the same course, instructional costs paid by students may not be fair and equitable.

Recommendation: The College should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks and materials are timely posted in accordance with State law. In addition, the College should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

Finding 2: Collection Procedures

State law⁵ provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The law further provides that the Board may adopt rules to

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

⁵ Section 1010.03, Florida Statutes.

implement this process, including setoff procedures and restrictions on the release of transcripts, awarding diplomas, and access to other College resources and services.

According to College personnel, the College automatically requests payment from applicable students monthly by e-mail. College personnel also indicated that, when an account becomes delinquent, the College places a hold on the student's account and sends an e-mail notifying the student of the purpose for the amount owed. As allowed by College policy,⁶ the College then waits until the end of the semester before submitting the delinquent account to a collection agency. The College policy requires delinquent accounts older than 2 years to be analyzed and, if determined to be uncollectible, the Board will approve the receivables to be written off. In June 2015 and June 2016, the Board approved write-offs of \$770,966 and \$774,817, respectively. For the fiscal year ended June 30, 2016, the College reported student receivables totaling \$5.1 million.

As part of our audit, from the population of 1,262 student accounts receivable totaling \$1,305,549 at March 31, 2016, we examined College records supporting 30 selected receivables totaling \$562,701. We found that 18 receivables totaling \$82,481 had been outstanding for over 1 year and the College had not requested payment from the students. In response to our inquiries, College personnel indicated that, due to a system error, certain students were not notified of their outstanding receivable balances. Additionally, College personnel indicated that they were unable to quantify the total number of students or the total amount of receivables impacted by the error. Also, because of the age of the receivables, the accounts had been submitted to a collection agency. Subsequent to our inquiries, the College modified the system and notified all students by e-mail of their account balances, including the 18 students with receivables we tested. However, the notifications to the 18 students were from 409 to 710 days after their accounts were established. Prompt collection notifications to students who have receivable balances could improve collections and reduce the amount of student accounts receivable written off as uncollectible.

Recommendation: The College should continue efforts to collect student accounts receivable balances by promptly notifying students who have delinquent account balances.

Finding 3: Payroll Processing

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 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.

During the 2015-16 fiscal year, the College reported salary costs of \$37.6 million for 1,064 exempt employees. According to College personnel, for leave purposes, exempt employees submit a leave form to their supervisor who reviews and documents approval on the form and provides the approved form to the Payroll Department. The Payroll Department is to confirm that supervisory approval was obtained

⁶ College Policy 6Hx6:4.10.

and then enter the information into the payroll system. However, the College did not require supervisors to review and approve exempt employee time reports or other records used to document the time worked.

In response to our inquiries, College personnel indicated that supervisors monitored exempt employee work efforts but did not review and approve exempt employee time reports. However, without documented supervisory review and approval, there is limited assurance that the exempt employees provided services consistent with Board expectations. In addition, without 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 supervisors to document the review and approval of records of exempt employee time worked.

Finding 4: Subcontractor Selection

Pursuant to State law, the Board may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon and the CME is responsible for all scheduling and coordination in both design and construction phases. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, be returned to the College. As such, a GMP contract requires College personnel to closely monitor subcontractor bid awards and other construction costs.

Pursuant to College CME contracts, the CME is required to solicit bids for subcontractor services. Good business practice dictates that the College monitor the CME's competitive selection of subcontractors to ensure that subcontractor services are obtained at the lowest cost consistent with acceptable quality and that maximum cost savings under the GMP contracts are realized.

During the period March 6, 2014, to March 16, 2016, the College entered into 10 GMP contracts totaling \$32 million with 10 CMEs for various new construction, remodeling and renovations, repairs, and site improvement projects. College personnel indicated, and College records showed, that the CME provided the College with documentation that demonstrated the CMEs solicited competitive bids for subcontractor services. The CMEs generally provided this documentation a few weeks to several months after the subcontract was awarded. As part of our audit, we selected for testing the Student Activity Center and the Hendry Hall CME GMP renovation project contracts. The Student Activity Center contract totaled \$23.8 million and the related subcontractor awards totaled \$20.2 million. The Hendry Hall CME GMP contract totaled \$565,000, and the related subcontractor awards totaled \$473,000. We examined College records supporting selected payments to these projects' CMEs for subcontractor services totaling \$3 million and reconciled the selected payments to supporting subcontractor bids and related contracts. However, according College personnel, they relied on the CME to competitively select subcontractors when required and did not attend subcontractor bid openings conducted by the CME.

Without College personnel's documented attendance at subcontractor bid openings and prompt receipt of subcontractor bid award and related contracts to ensure bids are properly solicited and contracts awarded, there is an elevated risk that subcontractors selected by the CME may not be the best choice and value for the College.

Recommendation: We recommend that the College enhance procedures for GMP contracts to require that College personnel attend subcontractor bid openings, verify the propriety and timeliness of the CME's subcontractor selection and award, and maintain records documenting the bid opening and verification process.

Finding 5: Subcontractor Licenses

State law⁷ requires the CME to consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law⁸ also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

According to College personnel, when a subcontractor was awarded a contract with a CME, the CME provided subcontractor license information to the College to demonstrate that the subcontractor was properly qualified. However, College personnel indicated that they did not verify that the nine subcontractors associated with the two projects that we selected for testing (Student Activity Center and the Hendry Hall CME GMP renovation projects) were properly licensed because they relied on the CME to verify this information. We examined documentation related to the subcontractors' licenses on file at the College and confirmed that each subcontractor was properly licensed; however, our procedures cannot substitute for the College's responsibility to establish adequate internal controls. Timely documented verification that subcontractors are appropriately licensed provides the College additional assurance that the subcontractors who will be working on College facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The College should enhance procedures to require verification that subcontractors are appropriately licensed before they commence work on College facilities. Such verification should be documented in College records.

Finding 6: General Conditions Costs

Effectively negotiating and documenting the reasonableness of general conditions costs is essential to ensure that potential cost savings are realized under GMP contracts. The CME GMP contracts for the Student Activity Center and the Hendry Hall renovation construction projects selected for audit included general conditions costs provisions totaling \$2,569,860. These costs provisions addressed such items as direct and indirect salary, temporary job-site office space, bonds, and insurance costs.

As part of our audit, we examined College records supporting the two projects tested to determine whether the general conditions costs associated with the projects were properly supported. Specifically, we reconciled CME pay requests that included the general conditions costs to detailed supporting documentation such as CME payroll records or CME paid invoices. Additionally, we examined College records that evidenced College personnel reconciled the general conditions costs to detailed supporting documentation. In response to our inquiries, College personnel indicated that meetings are held with the

⁷ Section 1013.45(1)(c), Florida Statutes.

⁸ Chapter 489, Florida Statutes.

CME to discuss general conditions cost components and to adjust, as necessary, the costs before finalizing the GMP contracts. However, although we requested documentation of these discussions and adjustments, College personnel indicated that such documentation was not maintained. Absent documentation of an analysis of the general conditions costs and any resulting discussions and adjustments, the College cannot demonstrate that the costs in the GMP contracts are reasonable, appropriate, and will result in the maximum cost savings for the College.

Recommendation: The College should maintain documentation to demonstrate that, as part of the GMP contract approval process, an analysis of the reasonableness and propriety of GMP general conditions costs was performed and used to negotiate the type and amount of general conditions costs.

Finding 7: Information Technology – Access Privileges

Access controls are intended to protect College data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employee access to IT resources based on a demonstrated need to view, change, or delete data and restricting employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing assigned IT access privileges helps ensure that employees cannot access or modify IT resources inconsistent with their assigned job duties. According to College personnel, the College performed annual reviews of the human resources (HR) application access privileges to determine the propriety of such privileges.

Our test of selected IT access privileges to the College’s Enterprise Resource Planning (ERP) system, finance and HR applications, and the supporting infrastructure (i.e., operating systems and database) disclosed that some access privileges permitted employees to perform incompatible functions or were unnecessary for their assigned job duties and that the College did not have procedures in place for the review of IT access privileges assigned to the ERP system applications’ supporting infrastructure. Specifically:

- Our test of two vendor-delivered classes⁹ and four College-created classes that allowed update access privileges to critical HR functions, including maintenance of employee information and payroll, resulted in the review of 40 accounts. Of the 40 accounts reviewed, 10 Enterprise Application Systems (EAS) Department employees could add or update transactions within the HR application related to payroll or personnel functions, such as adding or changing an employee, employee information, and job positions; adjusting rates of pay; adding or adjusting payroll deductions; and recording leave or hours worked. These access privileges were contrary to an appropriate separation of IT ERP system technical support responsibilities and application end-user responsibilities.

College management indicated that, as of January 2016, the HR application access assigned was under review with changes being implemented consistent with employee job responsibilities. Subsequent to our inquiries, in June 2016 College management removed the HR application access privileges for 7 of the 10 EAS Department employees. However, at that time, the College continued to allow the other 3 EAS Department employees (the CIO, Assistant Director for

⁹ Classes are assigned to users and contain groups of objects (i.e., tables, forms, and processes). Each object within a class is assigned a role that determines whether access to the object is update, inquiry only, or no access. Objects allow access privileges to specific transactions or data related to functions within applications such as finance and HR. Classes allow the grouping of objects into job responsibilities unique to an organization.

Application Development and Integration, and the Applications Support Specialist for HR/Payroll) HR application access. According to College management, these 3 employees were providing end-user support for the HR application.

- Our review of the 40 accounts further disclosed that the Vice President for Administrative Services, Director of Finance for Foundation and Development, three Office of General Counsel employees, and an application-delivered account for the student application could add or update personnel or payroll transactions within the HR application. This access was unnecessary for the employees and account's assigned responsibilities. Subsequent to our inquiries, in June 2016 College management removed the HR application access privileges for these 5 employees and the application-delivered user account.
- The College had not performed a review of the IT access privileges assigned to the host operating systems' accounts for the ERP system application server and database or the IT access privileges assigned to the ERP system database accounts. In response to our inquiries, College management indicated that a procedure for an annual review of these accounts by the Information Security Officer would be implemented.

Inappropriate or unnecessary IT access privileges and the lack of a review of IT access privileges assigned to operating system and database accounts increases the risk that unauthorized disclosure, modification, or destruction of College data and IT resources may occur.

Recommendation: College management should continue efforts to ensure that IT access privileges granted are necessary and enforce an appropriate separation of duties and that any inappropriate or unnecessary access privileges are timely detected and removed.

Finding 8: Information Technology – Security Controls – User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of College data and IT resources. Our audit procedures disclosed that certain College security controls related to user authentication and logging and monitoring of system activity need 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 logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised.

Recommendation: College management should improve security controls related to user authentication and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for the findings included in our report No. 2014-012.

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 2016 to June 2016 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. 2014-012.
- 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 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 College procedures for maintaining and reviewing access to IT resources. Additionally, we tested selected access privileges to the College's Enterprise Resource Planning (ERP) system application 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 the administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
 - Reviewed the appropriateness of access privileges granted to selected critical ERP system finance application functions for 13 accounts.
 - Reviewed the appropriateness of access privileges granted to selected critical ERP system HR application functions.
 - Reviewed the appropriateness of administrator access privileges granted to 21 accounts for the network.
 - Reviewed the appropriateness of 8 administrative accounts for the operating systems that support the ERP system application server.
 - Reviewed the appropriateness of 28 administrative accounts for the operating systems that support the ERP system database.
 - Reviewed the appropriateness of the database administrator role granted to 29 accounts for the ERP system database.
 - Reviewed the appropriateness of security administrator access privileges granted to 8 accounts for the ERP system applications.
- Reviewed College documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed College procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
- Evaluated Board, committee, and advisory board minutes to determine whether Board approval was obtained for the 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, as of April 2016, 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 examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.

- Examined College records to determine whether student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. Specifically, we examined:
 - From the population of 1,262 student receivables totaling \$1,305,549 at March 31, 2016, documentation relating to 30 selected student receivables totaling \$562,701.
 - From the population of 872 delinquent student receivables totaling \$770,966 at June 23, 2015, and 862 delinquent student receivables totaling \$774,827 at June 28, 2016, documentation relating to 50 selected delinquent student receivables totaling \$210,526. We also evaluated the adequacy of the College's collection efforts and whether restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts.
- Evaluated whether the student fees assessed totaling \$29,612,073 during the audit period were properly authorized, accurately calculated, and correctly recorded. Specifically, we examined College records supporting 30 selected student fees totaling \$51,100 to determine whether the College correctly assessed tuition in compliance with Sections 1009.21, 1009.22, and 1009.23, Florida Statutes, and State Board of Education Rules 6A-10.044 and 6A-14.054, Florida Administrative Code.
- From the population of 183 distance learning courses with fee revenue totaling \$1,143,700 during the audit period, examined College records for 26 selected distance learning courses with fee revenue totaling \$539,200 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- From the population of 5 contracts for auxiliary operations, which generated revenue totaling \$1,561,458 for the audit period, examined the 5 contracts 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.
- Examined supporting documentation for the 1,775 textbooks added during the audit period 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 1,859 employees compensated a total of \$42,527,647 during the audit period, examined records for 30 selected employees compensated a total of \$936,505 to determine the validity of employment contracts, adequacy of qualifications, completion of performance evaluations, and accuracy of leave records.
- Reviewed the College records for supervisory review and approval of exempt employee time worked and leave used during the 2015-16 fiscal year and evaluated whether compensation payments were appropriate and leave balances were accurate.
- 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 71 employees who separated from College employment during the audit period and paid \$199,950 for terminal leave, we selected 4 employees with terminal payments totaling \$80,642 and examined the supporting records 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 with such provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes. We also examined College records for the employee who received severance pay totaling \$5,050 during

the audit period to determine whether the severance payments complied with State laws and Board policies.

- Examined records for the two employees (including the President) who were paid compensation exceeding \$200,000 during the 2015-16 fiscal year to determine whether the two employees' compensation totaling \$529,308 did not exceed limits established by Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated the College's policies and procedures for obtaining personnel background screenings to determine whether employees in positions of special trust or 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. From the population of expenditures totaling \$92,759,363 for the audit period, we examined:
 - Documentation relating to 30 selected payments for general expenditures totaling \$1,075,192.
 - Documentation relating to 10 selected payments for contractual services totaling \$915,013.
- From the population of 3,938 purchasing card (P-card) and credit card transactions totaling \$1,026,525 during the audit period, examined College records supporting 47 selected P-card and credit card transactions totaling \$163,604 to determine whether the transactions were administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Examined P-card records for the 15 cardholders who separated from College employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' separation of employment.
- From the population of 648 payments totaling \$310,326 to employees for other than travel and compensation during the audit period, examined 34 selected payments totaling \$20,897 to determine whether such payments were reasonable, adequately supported, for valid College purposes and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- From the population of ten major construction projects with contract amounts totaling \$31,995,045 and in progress during the audit period, selected 41 payments totaling \$4,946,279 related to two major construction projects with contract amounts totaling \$24,392,400 and examined College records to determine whether the payments were made in accordance with contract terms and conditions, College policies and procedures, and State laws and rules.
- Evaluated documentation related to the two major construction projects with total construction costs of \$24,392,400 during the audit period to determine whether the College adequately monitored the selection process of design professionals, construction managers, and subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- Determined whether the College had adopted an adequate policy for electronic funds transfers.
- From the population of 378 industry certifications eligible for performance funding that were attained by students during the 2015-16 fiscal year, examined documentation supporting 30 selected certifications to determine whether the College maintained documentation of 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 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



November 30, 2016

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

Dear Ms. Norman:

Pursuant to Florida Statutes Section 11.45(4)(d), Florida SouthWestern State College is submitting to you a written response, including our proposed corrective actions to the preliminary and tentative findings of the operational audit for the fiscal year ended June 30, 2016.

Finding 1: College textbook affordability procedures could be enhanced.

College Response: The College will enhance procedures to ensure that adoptions are made in a timely fashion and will develop procedures for the bookstore contracted vendor to ensure adoptions are confirmed and posted online no later than 45 days prior to the first day of class. In addition to the bookstore posting the required and recommended course materials, the College will post the complete booklist in its entirety online as well.

The few courses which have sections with differing course materials will be remedied by the fall 2017 term so that all courses will have standardized adoptions and all sections will utilize the same course materials.

The College will establish a Textbook Affordability Committee which will include membership from each academic department, and other stakeholders to continue to review and enhance College procedures relating to course materials and to further develop practices focused on textbook and course material affordability for our students.

8099 College Parkway
Fort Myers, FL 33919

P 239.489.9211

F 239.489.9341

www.FSW.edu

Florida SouthWestern State College is an equal access, equal opportunity organization.

Finding 2: The College did not always promptly request payment from students with accounts receivable balances.

College Response: The College will be implementing a process in which monthly statements will be sent to students with outstanding balances after 30, 60 and 90 days. After 90 days student accounts will be forwarded to the college contracted collection agency.

Finding 3: The College needs to enhance procedures to require documentation of supervisory review and approval of records of exempt employee time worked.

College Response: The College understands the importance of ensuring that all employees are properly compensated for time worked. The College recently purchased a new software system, Time Clock Plus that will further enhance the internal controls to ensure proper payment is made.

Finding 4: College procedures need improvement to ensure that subcontractors, used by construction management entities for guaranteed maximum price (GMP) projects, are selected using a competitive selection process and that documentation of the selection process is maintained.

College Response: The College appreciates the importance of competitive solicitations and will enhance the process to require subcontractor bid-openings that meet the contractual threshold for a formal bid opening, be held at the College Facilities offices so that the appropriate facilities personnel can be in attendance.

Finding 5: The College did not document that subcontractors were appropriately licensed before work commenced on GMP projects.

College Response: Although all contractors and Construction Management companies are mandated by Florida State law to only hire licensed subcontractors as required, the College will enhance its procedures to ensure construction managers forward, for College files, verification of licensing for any subcontractors, requiring licensing.

Finding 6: College controls over negotiating GMP projects general conditions costs need improvement.

College Response: The College will enhance its procedures to ensure that during the review and negotiation of the general conditions aspect of a given project, all paperwork and files will be retained in the contract folder as a matter of record.

Finding 7 – Certain inappropriate information technology (IT) access privileges were noted that increased the risk that unauthorized disclosure, modification, or destruction of College data and IT resources may occur. In addition, the College did not have procedures for the review of the College’s Enterprise Resource Planning system applications’ supporting infrastructure to timely detect inappropriate or unnecessary access privileges.

College Response:

User Accounts:

While the classes allowed for update access, the College has organizational security deployed in HR. Org Security in HR, when turned on, does not allow users to view or update access in the HR module without being setup as Master Org Access in HR form (PSAORGN). This access will override maintenance/update access to the forms.

The College noted that of the 10 employees with update access, only 3 of these employees had master access. These employees provide end-user support for the HR application. As mentioned further in finding Number 7, the College was in the process of reviewing HR security with the HR department while the audit was being performed and has subsequently removed access to employees in General Counsel and the VP of Admin Services. Subsequently, the College is adding additional processes and notifications to the Human Resources staff so they can review organizational access upon job transfers within the College.

The College has also put in an automated process in place to lock Banner accounts immediately upon changes in orgs in Banner. This will allow review of access privileges for those employees changing positions within the College. The Information Technology will continue to meet annually with the data custodians of the functional departments to review and adjust access.

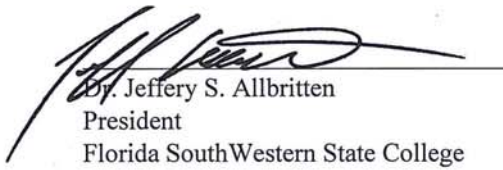
OS Accounts:

Information Technology had not performed a review of the host accounts at the time of the audit. In response to the audit, the Information Security Officer in IT has implemented a procedure in IT that will require the annual review of all host accounts database accounts. IT has also locked all non-production accounts, implemented password reset intervals and required resets on some of these accounts.


Finding 8: College security controls related to user authentication and logging and monitoring of system activity need improvement to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

College Response: The College will enhance its procedure to include active monitoring. During the audit the College has started its implementation of new software that was purchased in July 2015. The College has completed the initial implementation which will actively monitor and log all activity.

Sincerely,



Dr. Jeffery S. Allbritten
President
Florida SouthWestern State College



Dr. Gina Doeble
Vice President, Administrative Services
Florida SouthWestern State College

