

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-108
February 2018

NORTHWEST FLORIDA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2016 through December 2016, Dr. Sasha Jarrell served as Interim President of Northwest Florida State College, and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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William "Jeff" Floyd from 4-15-16, ^a Vice Chair from 7-1-16	Okaloosa
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Vacant	Walton

^a Board member position vacant through 4-14-16.

^b Vice Chair position vacant through 6-30-16.

^c Board member position vacant from 10-16-16, through 12-31-16.

The team leader was Debbie S. Jabaley, CPA, and the supervisor was Kenneth C. Danley, CPA.

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

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NORTHWEST FLORIDA STATE COLLEGE

SUMMARY

This operational report of Northwest Florida State College focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2015-022. Our operational audit disclosed the following:

Finding 1: The College did not always provide public notice for meetings of committees participating in the decision-making function or record minutes of those meetings for public inspection. State law requires reasonable notice and the prompt recording of the minutes of such meetings.

Finding 2: Although required by State law, the College did not inform students and employees during orientation about the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and toll-free telephone number.

Finding 3: College textbook and instructional materials affordability procedures could be enhanced.

Finding 4: College controls over the procurement of and payment for contractual services continue to need improvement.

Finding 5: The College needs to continue to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Finding 6: College records supporting College property, facilities, and personal services used by the College's direct-support organization could be improved.

Finding 7: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

BACKGROUND

Northwest 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 Fort Walton Beach and Niceville. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Okaloosa and Walton Counties.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2015-022. The results of our financial audit of the College for the fiscal year ended June 30, 2017, 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, 2017, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Sunshine Law

State law¹ requires that reasonable notice of public meetings be given and minutes of public meetings be promptly recorded and open for public inspection. Additionally, the Florida Supreme Court² has held that meetings of certain advisory boards and fact-finding committees participating in the decision-making function of a State agency or authority are public meetings under the Sunshine Law.³

College procedures provide for the faculty and professional and administrative search committees and the career service search committee to assist in the process of filling position vacancies by interviewing applicants. Based on the interviews, the faculty and professional and administrative search committees submit to decision makers listings of individuals, in no ranked order, to consider for hire. In addition, the career service search committee submits hiring recommendations to decision makers. Because the committees exclude some qualified applicants from decision-maker consideration and participate in the decision-making function, each of these committees are subject to the Sunshine Law. However, College personnel indicated that public notices of the committee meetings were not provided and that written minutes of the committee meetings were not maintained. College personnel further indicated that these committees assisted in filling 31 career service, 11 professional and administrative, and 1 faculty positions during the audit period.

Without notification of committee meetings, the public access anticipated in State law is thwarted and, absent recorded, approved minutes of these meetings, information regarding actions taken at the meetings may not be readily available for public inspection.

Recommendation: The College should enhance procedures to ensure that reasonable notice be given to the public for meetings of committees participating in the decision-making function and that minutes of those meetings be promptly recorded and open for public inspection.

Finding 2: Sexual Predator and Sexual Offender Registry Notification

State law⁴ requires each college to inform students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement (FDLE) 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. The College Web site contains resource information for those interested in accessing the FDLE Web site and toll-free telephone number for public information concerning sexual predators and sexual offenders. However, according to College personnel, the College had not established procedures for the resource information to be communicated to students and employees at

¹ Section 286.011(1) and (2), Florida Statutes.

² Wood v. Marston, 442 So. 2d 934 (Fla. 1983).

³ The Sunshine Law regarding open government is established in Article I, Section 24 of the State Constitution and codified in Chapter 286, Florida Statutes.

⁴ Section 1006.695, Florida Statutes.

orientation, and the information was not communicated at orientation. In response to our inquiries, College personnel indicated that the information would be communicated at future orientation sessions.

Without proper notification of the FDLE sexual predator and sexual offender registry Web site and toll-free telephone number, students and employees may be unaware of how to obtain information regarding sexual predators and sexual offenders who may be on campus.

Recommendation: The College should establish procedures to ensure that College students and employees are informed of the FDLE sexual predator and sexual offender registry Web site and toll-free telephone number during orientation.

Finding 3: Textbook Affordability

State law⁵ requires 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 institution during the upcoming term. During the Fall 2016 Semester, the College adopted 336 textbooks and instructional materials and contracted with a vendor to manage and operate the College Bookstore; however, although we requested, College records were not provided to demonstrate the date that the lists of required and recommended textbooks and instructional materials were posted in the course registration system and on the College Book Store Web site. In response to our inquiries, College personnel indicated that they anticipate using the vendor's Web site to document future textbook adoption and posting dates.

The timely posting of a hyperlink to lists of required and recommended textbooks and instructional materials is necessary for students to understand course requirements, have sufficient time to consider purchase options, and potentially limit their costs. Also, without evidence of the timely postings for at least 95 percent of all courses and course sections offered at the College during the upcoming term, the College cannot demonstrate compliance with State law.

Recommendation: The College should ensure that 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 is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term.

Finding 4: Contractual Services

The College routinely enters into contracts and issues purchase orders, as applicable, to authorize the purchase of goods and services before services are rendered. To determine the propriety of contract payments for goods and services, we scanned the population of related expenses totaling \$1.4 million during the period January 2016 through December 2016 and selected for examination College records supporting 18 contract payments totaling \$312,784. Our examination disclosed that the College contracted with:

⁵ Section 1004.085(6), Florida Statutes.

- A vendor to provide labor for College theatrical productions and paid the vendor \$86,037. The contract was based on a 2012 bid that stated any subsequent price increases had to be submitted in writing by April 1 of each year, and College personnel indicated that the Vice President of Administrative Services had to preapprove any subsequent price increases. However, we examined vendor invoices totaling \$29,820 and found that the College paid the vendor \$28,712 for services and hourly service rates that were not included in the 2012 bid or preapproved subsequent price increase.

In response to our inquiry, College personnel indicated that the department responsible for requisitioning the services asked the vendor to bill the services at prevailing local wage rates for similar positions so that department theatrical productions would be sufficiently staffed. However, although we requested, College records were not provided to evidence that the Vice President of Administrative Services approved the services and the hourly rates of the services before the services were rendered and payments were made.

- A vendor for invasive plant removal services and paid the vendor \$13,562; however, according to College personnel, the purchase order and related contract for services were not approved until after the vendor provided the services. Specifically, College personnel signed the vendor's invoice dated August 1, 2016, to evidence satisfactory receipt of the services; however, College records did not document the dates the services were received. The College issued the purchase order for the services on August 3, 2016, 3 days after the date of the vendor's invoice, and both approved the service contract and paid the vendor on August 8, 2016. In response to our inquiry, College personnel indicated that this occurred because the department responsible for requisitioning the services did not follow established purchasing procedures.

To avoid misunderstandings with service providers and ensure that services are received in accordance with College intents, effective controls over contract procurement and payments require that services and the related hourly rates be approved before the services are provided and that the dates the services were satisfactorily received be documented before payments are made. We noted similar findings in our report Nos. 2013-022 and 2015-022.

Recommendation: The College should enhance procedures to document, before services are provided, approval of the services and related hourly rates and, before payment, the dates the services were satisfactorily received.

Finding 5: Adult General Education Classes

State law⁶ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act⁷ proviso language requires each college to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional contact hours reporting procedures.⁸ FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

For the Spring 2016 Semester, the College reported 48,741 instructional contact hours for 122 adult general education classes provided to 678 students. As part of our audit, we examined College records

⁶ Section 1004.02(3), Florida Statutes.

⁷ Chapter 2015-232, Laws of Florida, Specific Appropriation 122.

⁸ FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

for 1,007 instructional contact hours reported for 30 students enrolled in 26 adult general education classes. We found that the College over reported a total of 85 net instructional contact hours, including 105 over-reported hours (ranging from 1 to 19 hours) for 12 students and 20 under-reported hours (ranging from 1 to 12 hours) for 5 students. In response to our inquiry, College personnel indicated that the misreported hours resulted primarily from a programming error that incorrectly calculated instructional contact hours. College personnel further indicated that, as of March 2017, the programming error had been corrected but, because the deadline had passed for making adjustments to the contact hours reported for the Spring 2016 Semester, no adjustments were submitted to the FDOE.

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

Recommendation: The College should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the Spring 2016 Semester and contact the FDOE for proper resolution.

Finding 6: Direct-Support Organization

To promote accountability over College property, facility, and personal service use, it is important that public records document the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. Such records help document authorization for the use, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law⁹ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a Florida College System institution such as the College. Additionally, State law¹⁰ allows the College Board of Trustees (Board) to require and receive from a DSO any detail or supplemental data relative to the operation of the organization. State law¹¹ also authorizes the Board to permit the use of College property, facilities, and personal services by a DSO, and to prescribe by rule any condition with which a DSO must comply in order to use College property, facilities, or personal services. The Board approved the Northwest Florida State College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College. However, the College had not prescribed by rule any condition with which the Foundation must comply in order to use College property, facilities, or personal services.

Board policies¹² require the Board to prescribe conditions for DSOs to be certified and to use College property and services. The policies also require that the conditions relating to certification provide for audit review and oversight by the Board and, according to College personnel, the Board annually approves the College President's certification of the Foundation and the conditions for the Foundation's

⁹ Section 1004.70(1)(a), Florida Statutes.

¹⁰ Section 1004.70(6), Florida Statutes.

¹¹ Section 1004.70(3), Florida Statutes.

¹² Policy GP 5.00, *Powers and Duties of the Board*.

use of College resources. For example, in January 2017 the Board approved a certification from the President that included certain conditions that the Foundation had met for use of College property, facilities, and personal services. The conditions met included, for example, Foundation financial reports and activities, annual audited financial statements, and Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form 990 (IRS Form 990) presented to the Board. Additionally, the certification provided that the Foundation maintained an office in the College Administration Building at the Niceville Campus and that the Foundation Executive Director served as the Vice President of College Advancement, reported to the College President, and served as a member of the President's Executive Council.

While the President's certification identified certain conditions that the Foundation had met for use of College resources, the College is authorized by State law¹³ to obtain data relative to the operation of the Foundation, such as presentations of financial reports and activities, and the Foundation is already required to comply with the audited financial statements and IRS Form 990 reporting requirements. Therefore, the conditions identified in the certification were not specific Board-approved conditions with which the Foundation must comply in order to use College resources.

During the 2016-17 fiscal year, six College employees provided services to the Foundation. Based on these employees' job descriptions, the services included responsibilities such as Foundation fundraising, accounting, and maintenance services. The percentages of time and effort these employees spent providing services to the Foundation ranged from 50 to 100 percent and were based on employee estimates. According to College records, the estimated costs associated with the services provided to the Foundation by these six employees totaled \$274,095 and the Foundation reimbursed the College \$114,331 for costs of services provided by three of the six employees. However, the College did not require or maintain records to document the College employees' actual time and effort to support the unreimbursed personal service costs totaling \$159,764 or the purposes for such services. In addition, although we requested, College records, such as a written agreement between the College and the Foundation, were not provided to evidence the basis for the \$114,331 reimbursement. As such, College records did not demonstrate that personal services costs were appropriately distributed among the specific College and Foundation activities.

College personnel did provide us with records of the January 2017 Board approval of the Foundation's IRS Form 990 for the 2016 calendar year; however, while the IRS Form 990 indicated that the Foundation engaged in sharing facilities, equipment, and employees with related organizations, the associated value and the names of the related organizations were not disclosed. As such, neither the form nor other College records evidenced Board approval for Foundation use of College property, facilities, and personal services or the purpose for and value of such use. In addition, the Board did not document consideration and approval of the estimated value of College resources to be used by the Foundation before the use occurred. Further, while the President's certification of the Foundation provided some assurance that conditions had been met for Foundation use of College resources, Foundation management, such as the Foundation Executive Director, did not certify of record that College resources were used only for specified purposes.

¹³ Section 1004.70(5) and (6), Florida Statutes.

In response to our inquiries, College personnel indicated that the Board had not requested review and approval of anticipated or actual Foundation use of College resources or the related value of those resources in the past. College personnel asserted that the benefits (i.e., scholarships, program support, and internal support services) received by the College from the Foundation totaled over \$2 million during the 2016-17 fiscal year, which far exceeded the value of the College resources used by the Foundation. However, College personnel also indicated that they will prepare a memorandum of understanding between the College and the Foundation that will outline the support provided by each entity and will ensure appropriate values are calculated.

Notwithstanding these responses, we found that College records associated with Foundation use of College resources could be improved by prescribing in Board-approved rule any conditions with which the Foundation must comply in order to use College resources. Such rule could prescribe, for example, conditions to:

- Restrict Foundation use of College resources to those Board-approved public purposes consistent with the mission, vision, and values of the College.
- Require Foundation management to certify that College resources will only be used for Board-approved purposes and to affirm, after use, that the resources were only used for such purposes.

College records could also be enhanced by obtaining Board approval of anticipated Foundation use of College resources and the value of such use before the use occurs; documenting when the Foundation used College resources and the purpose for and value of such use; and documenting College employee actual time and effort provided to the Foundation to support the purpose for and value of those services. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use.

Recommendation: We recommend that:

- **The Board prescribe by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the College monitor and document Foundation compliance with such conditions.**
- **The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the positions of the employees who will provide personal services, the square footage of the office space and related buildings that will be used by the Foundation, and the value of such use.**
- **The Board enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements.**
- **The College document College employee actual time and effort provided to the Foundation to support the purpose for and value of such services and the distribution of applicable personal service costs among specific College and Foundation activities for employees who work on more than one activity.**

Finding 7: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁴ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The College collects and uses student SSNs for various purposes, such as to register newly enrolled students and to comply with Federal and State requirements related to financial and academic assistance. Student SSNs are also maintained so the College can provide student transcripts to other colleges, universities, and potential employers pursuant to student-authorized requests. According to College records, the College established a unique identifier, other than the SSN, to identify students and maintained student SSNs in the College information technology (IT) system.

As of June 2017, College personnel estimated that the College IT system contained SSNs for a total of 202,500 students, including 189,200 former, 7,500 prospective, and 5,800 current students and College records indicated that 23 employees in various positions, such as the registrar, financial aid personnel, and admissions and office specialists, had access to former, prospective, and current student SSNs in the IT system. To help protect student information from unauthorized disclosure, modification, or destruction, applicable supervisors and security administrators are responsible for approving employee access to sensitive data. However, according to College personnel, the College had not established written procedures for granting such access and College records did not evidence that the 23 employees needed continuous access to former and prospective student SSNs to perform their responsibilities.

In response to our inquiries, College personnel indicated that knowledgeable, designated employees documented semiannual reviews of employee access to student personal information, such as student SSNs, to ensure the employees' access privileges were commensurate with their job duties and responsibilities. However, according to College personnel, certain employees had unnecessary continuous access to former and prospective student SSNs and the College IT system did not have a mechanism to differentiate employee access to current student SSNs from access to former and prospective student SSNs.

In addition, although we requested, College records were not provided to demonstrate the public purpose served by indefinitely maintaining the SSNs of individuals who applied but had not enrolled in the College. College personnel indicated that the College maintained prospective student SSNs to prevent duplicate identification numbers from being issued if the prospective student subsequently submitted a new application. In addition, College personnel indicated that if the College deleted documents (e.g., transcripts and records containing SAT scores) submitted by a prospective student and the prospective student reapplied, the student would incur additional costs to resubmit the documents. Notwithstanding these responses, the existence of unnecessary access privileges and the lack of a documented public

¹⁴ Section 119.071(5)(a), Florida Statutes.

purpose for indefinitely maintaining prospective student SSNs increase the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against College students.

Recommendation: To ensure access to sensitive student information is properly safeguarded, the College should:

- Establish appropriate written procedures for granting user access privileges based on a demonstrated need for such access.
- Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.
- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former or prospective student information.
- Incorporate user access privileges to former and prospective student SSNs into the periodic reviews of IT user access privileges and remove any unnecessary privileges detected.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 4, the College had taken corrective actions for findings included in our report No. 2015-022. Findings similar to Finding 4 were also noted as Finding No. 2 in our report No. 2015-022 and as Finding No. 3 in our report No. 2013-022.

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 January 2017 through October 2017 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. 2015-022.
- 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 January 2016 through December 2016, and selected College actions taken 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 employee access to IT resources. Specifically, we examined College records supporting the access privileges for the 19 employees with access to selected critical functions within the College finance and human resources applications to evaluate the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and determine whether the access privileges adequately prevented the performance of incompatible duties.
- Determined whether a written, comprehensive IT risk assessment had been developed for the audit period, 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.
- Examined Board of Trustees, committee, and advisory board meeting minutes to determine whether the Trustees' 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 for the audit period 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 anti-fraud policies 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 policies.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges of the 41 employees who had access to student SSNs contained in hard copy records and 23 employees who had access to student SSNs through the College IT system to determine the appropriateness and necessity of the access privileges based on the employees' assigned responsibilities.
- Examined College records supporting all 26 disbursements totaling \$473,933 made during the audit period from the College to its direct-support organization, the Northwest Florida State College Foundation, Inc. (Foundation), to determine whether the disbursements were authorized by Section 1004.70(1)(a)2. and (3), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule the conditions with which the Foundation must comply in order to use College property, facilities, and personal services; the College maintained records to document the value of College property and facilities used by the Foundation and College employees' actual time and effort provided to the Foundation; and the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the Foundation and the related costs.
- Examined supporting documentation for the 336 textbooks added for the Fall 2016 Semester to determine whether College policies and procedures for textbook affordability complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$25.8 million to 1,138 employees during the audit period, selected 30 payroll transactions totaling \$69,346 and examined the related payroll and personnel records to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined severance pay provisions in the President's contract to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records for all 44 administrative employees (including the President) who received compensation totaling \$3.6 million during the audit period to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated College policies and procedures for obtaining personnel background screenings to determine whether individuals 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 expense documentation to determine whether the expenses 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. From the population of expenses other than salaries and related benefits totaling \$30.5 million for the audit period, we examined College documentation supporting:

- 30 selected payments for general expenses totaling \$176,502.
- 18 selected payments totaling \$312,784 related to 16 agreements for contractual services.
- Reviewed College policies and procedures related to identifying potential conflicts of interest. We also reviewed Florida Department of State, Division of Corporation, records; and College records for seven Board members and six College employees to identify any potential relationships that represented a conflict of interest with vendors used by the College.
- Reviewed College policies and procedures related to electronic funds transfers and payments. From the population of 583 electronic funds transfers and payments totaling \$4.1 million during the audit period, we examined 22 selected transfers and payments totaling \$1.2 million to determine whether the transfers and payments were adequately supported and properly authorized.
- From the population of 48,741 contact hours reported for 678 adult general education instructional students during the Spring 2016 Semester, examined College records supporting 1,007 reported contact hours for 30 selected students to determine whether the College reported the instructional contact hours in accordance with Florida Department of Education requirements.
- From the population of 133 industry certifications reported for performance funding that were attained by students during the 2015-16 fiscal year, examined 26 selected 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 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



NORTHWEST FLORIDA STATE COLLEGE

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February 5, 2018

Sherrill F. Norman, CPA
Auditor General, State of Florida
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111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Attached is the Northwest Florida State College response to the preliminary and tentative audit findings sent from your office on January 4, 2018. Please consider this attachment as the Northwest Florida State College's responsive report prepared on the operational audit conducted on this institution by your office for the Calendar Year 2016.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Stephenson", with a long horizontal line extending to the right.

Dr. Devin Stephenson
President
Northwest Florida State College

OFFICE OF THE PRESIDENT | DR. DEVIN STEPHENSON

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RESPONSE TO PRELIMINARY AND TENTATIVE OPERATIONAL AUDIT FINDINGS
For the Calendar Year 2016

Finding No. 1: Reasonable Notice of Public Meetings

Finding:

The College did not always provide public notice for meetings of committees participating in the decision-making function or record minutes of those meetings for public inspection. State law requires reasonable notice and the prompt recording of the minutes of such meetings.

Recommendation:

The College should enhance procedures to ensure that reasonable notice be given to the public for meetings of committees participating in the decision-making function and that minutes of those meetings be promptly recorded and open for public inspection.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. Specifically, the College will change our procedures and instructions to hiring committees to ensure they do not participate in the “decision making function” of the hiring process. Hiring committees will be charged to simply rank all candidates and report the full list of ranked candidates to the hiring official. The hiring official will then conduct further interviews or decide upon a selection as an individual. No committee will be allowed to eliminate candidates or reduce the pool of candidates to less than the original list provided by Human Resources. Estimated Completion Date: March 31, 2018

Finding No. 2: Information Regarding Florida Department of Law Enforcement Sexual Predator and Sexual Offender Registry

Finding:

Although required by State law, the College did not inform students and employees during orientation about the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and toll-free telephone number.

Recommendation: The College should establish procedures to ensure that College students and employees are informed of the FDLE sexual predator and sexual offender registry Web site and toll-free telephone number during orientation.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. This information is now presented at New Student Orientation and New Employee Orientation. It is codified in the presentations to both groups. In the future, this will be documented on the agenda for Orientation with a notice of “required notification”. We are moving to a mandatory orientation policy, and this will allow us to reach all students at the

point of entry. Employees are expected to attend New Employee Orientation as a condition of employment.

Finding No. 3: College Textbook and Instructional Materials Affordability Procedures

Finding:

College textbook and instructional materials affordability procedures could be enhanced.

Recommendation:

The College should ensure that 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 is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term.

Response:

The College agrees with the recommendations and has taken the action required to address the issues raised in this finding. We have brought our bookstores web site into compliance with Florida Statutes §1004.085 by adding the required hyperlinks to the required and recommended textbooks and instructional materials. Complete.

Finding No. 4: Controls Over the Procurement of and Payment for Contractual Services

Finding:

College controls over the procurement of and payment for contractual services continue to need improvement.

Recommendation:

The College should enhance procedures to document, before services are provided, approval of the services and related hourly rates and, before payment, the dates the services were satisfactorily received.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. Specifically, the College will update our Purchasing Policy Manual to 1) clearly establish and enforce purchasing procedures, including reference to appropriate forms, 2) ensure the purchasing manual is read and understood by Department Heads and assistants (we will require a signed statement attesting to their understanding), 3) create and post on the College purchasing web page an "Unauthorized Expenditure Statement of Record" form and make that form mandatory to explain any purchase that does not conform to the strict guidelines in the Purchasing Manual, 4) meet with each department individually to refresh them on Purchasing policies, 5) publish a document that shows the most common historical purchases that have not conformed to purchasing guidelines. Estimated Completion Date: March 31, 2018

Finding No. 5: Adult General Education Classes

Finding:

The College needs to continue to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Recommendation:

The College should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the Spring 2016 Semester and contact the FDOE for proper resolution.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. As indicated in the preliminary audit report, the IT system issues that led to the misreported information have been corrected. Additionally, new administration is being put in place for adult education. As part of the new administration, verification and auditing of hours and time/effort of Adult Education staff will be tied to instructional hours. This will allow for verification and redundancy in this area.

Finding No. 6: College Records Supporting College Property, Facilities, and Personal Services used by the College's Direct-Support Organization

Finding:

College records supporting College property, facilities, and personal services used by the College's direct-support organization could be improved.

Recommendations:

The Board prescribes by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the College monitor and document Foundation compliance with such conditions. The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the positions of the employees who will provide personal services, the square footage of the office space and related buildings that will be used by the Foundation, and the value of such use. The Board enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements. The College document College employee actual time and effort provided to the Foundation to support the purpose for and value of such services and the distribution of applicable personal service costs among specific College and Foundation activities for employees who work on more than one activity.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. The College and Foundation are working on a memorandum of understanding (MOU), which will address items listed in the above recommendations, addressing the use of college resources, identify the positions of employees who will provide personal services, the square footage of the office space and related buildings that will be used by the Foundation and the value of such use. Further, the MOU will outline any Foundation reimbursements, based on an allocation budgeted by the Foundation. This MOU is expected to be in place before the start of the 2019 fiscal year.

Finding No. 7: Information Technology User Access Privileges

Finding:

Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

Recommendations:

To ensure access to sensitive student information is properly safeguarded, the College should:

- Establish appropriate written procedures for granting user access privileges based on a demonstrated need for such access.
- Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.
- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former or prospective student information.
- Incorporate user access privileges to former and prospective student SSNs into the periodic reviews of IT user access privileges and remove any unnecessary privileges detected.

Response:

The College agrees with the recommendations and is taking actions required to address the issues raised in this finding. The College will create an annual access review process at the end of the academic year (During the week after spring semester is complete), work with Ellucian consultants to “mask” the social security numbers of students in most situations, and create written procedures for user access requests to include updated request forms that clearly define the “demonstrated need” of the request. Estimated completion date: May 30, 2019.