

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-121
March 2018

FLORIDA STATE COLLEGE AT JACKSONVILLE



Sherrill F. Norman, CPA
Auditor General

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^a The Vice Chairs serve with equal rank and status on the Board to provide leadership representation from each of the two counties served by the College.

The team leader was Lauren J. Wagner, CPA, and the supervisor was Randy R. Arend, 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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FLORIDA STATE COLLEGE AT JACKSONVILLE

SUMMARY

This operational report of Florida State College at Jacksonville (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-114. Our operational audit disclosed the following:

Finding 1: College textbook affordability procedures need enhancement to promote compliance with State law.

Finding 2: The College did not properly calculate terminal sick leave payments for certain College personnel, resulting in overpayments totaling \$59,381.

Finding 3: College records did not always evidence that required employee evaluations were conducted.

Finding 4: College procedures had not been established to identify and maintain records of all College employees, contractors, and volunteers who provide services for individuals under age 18 to ensure that required background screenings are conducted for these individuals.

Finding 5: College policies and records supporting College property, facilities, and personal services provided to the College's direct-support organization could be improved.

Finding 6: Some unnecessary or inappropriate information technology user access privileges existed. A similar finding was noted in our report No. 2016-114.

BACKGROUND

Florida State College at Jacksonville (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 Jacksonville, Florida, and centers in Jacksonville and Yulee. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Duval and Nassau Counties.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-114. 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: Textbook Affordability

State law¹ requires each college to post prominently 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, 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. Additionally, State law² also requires each college to examine the cost of textbooks and instructional materials by course and course section for all general education courses offered at the institution to identify any variance in the cost of textbooks and instructional materials among different sections of the same course. State law³ also requires the Board to report, by September 30 of each year, to the Chancellor of the Florida College System (FCS) the textbook and instructional materials selection process for general education courses with a wide cost variance.

Our examination of College records and discussions with College personnel regarding textbook affordability procedures disclosed that:

- During the Spring 2017 Semester, the College adopted 1,942 textbooks and instructional materials. The College contracted with a vendor to manage and operate the College bookstores, as well as to compile and post adopted textbooks and instructional materials in the course registration system and on the College bookstore Web site. Although College records were available to demonstrate the dates required and recommended textbooks and instructional materials were adopted, College records did not document the dates that the required and recommended textbooks and instructional materials were posted in the course registration system and on the College bookstore Web site.

In response to our inquiries, in July 2017 College personnel indicated that they have requested the date the textbooks and instructional materials were posted be recorded and added as a field in the records of the bookstores' vendor. Without evidence of the timely posting of textbook information 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 and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options.

- College personnel indicated that the College had not established a threshold for identifying wide variances in textbook costs between different sections of the same course. However, they had examined the cost of textbooks and instructional materials by course and course section for all general education courses offered at the College during the Fall 2016, Spring 2017, and Summer 2017 Semesters and included the results in the Fall 2017 report to the FCS Chancellor. We analyzed the total cost of textbooks and instructional materials for each section of 25 different general education courses offered by the College for the Spring 2017 Semester and found that textbook and instructional material prices for the same course varied by as much as \$555 and \$380, respectively, for new and used textbooks and instructional materials. Table 1 provides examples of the wide cost variances for new or used textbooks and instructional materials used in the same course.

¹ Section 1004.085(6), Florida Statutes.

² Section 1004.085(4), Florida Statutes.

³ Section 1004.085(8), Florida Statutes.

Table 1
Textbook and Instructional Material Prices
Spring 2017 Semester

Course	Cost of New			Cost of Used		
	High	Low	Difference	High	Low	Difference
STA 2023	\$662	\$107	\$555	\$460	\$80	\$380
BSC 2085C	706	227	479	531	171	360
ENC 1101	496	16	480	290	12	278
MAC 1147	553	90	463	349	68	281
MAC 1105	520	76	444	391	57	334
BSC 2010C	440	3	437	253	3	250
DEP 2004	432	48	384	266	60	206
ECO 2013	461	83	378	259	53	206
PSY 1012	465	93	372	295	52	243
AMH 2020	322	44	278	177	33	144
HUM 2020	246	16	230	185	12	173
POS 2041	343	129	214	236	56	180
SYG 2000	291	99	192	201	75	126
PHI 2010	226	62	164	170	37	133
REL 2000	224	71	153	168	44	124

Source: College records.

According to College personnel, instructors independently selected their course textbooks and instructional materials because the College wanted instructors to have flexibility in selecting their resources. However, as a result of this flexibility, different textbook and instructional materials may be used for the same course and costs paid by the students may not be fair and equitable.

Recommendation: The College should enhance textbook affordability procedures to promote compliance with State law and to ensure that textbooks and other instructional materials are available to students at the lowest and best prices within acceptable quality. Specifically, the College should:

- Post prominently 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, 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.
- Establish a wide variance cost threshold for use in analyzing and monitoring textbook costs among different sections of the same course.

Finding 2: Terminal Sick Leave Pay

State law⁴ permits colleges to provide terminal pay for accumulated unused sick leave to full-time instructional staff and educational support employees and specifies the various percentages that may be paid based on years of service. In addition, State law and Board rules⁵ permit the College to provide

⁴ Section 1012.865(2)(d), Florida Statutes.

⁵ Section 1012.865(2)(e), Florida Statutes, and Board Rule 6Hx7-3.27, *Leave*.

terminal pay for accumulated unused sick leave to any employee other than instructional staff or educational support employees (i.e., senior management class employees) at an amount equal to one-fourth of the employee's unused sick leave or 60 days of the employee's pay, whichever amount is less, for unused sick leave accumulated on or after July 1, 2001.

According to College personnel, a Human Resources (HR) Department Employee calculates employee terminal sick leave pay and provides the calculation details to the Payroll Department for review and terminal sick leave payment processing. However, the College's HR Department did not have a procedure to provide for independent verifications of leave record adjustments after terminal leave payments are made, and the Payroll Department did not have a procedure to provide for independent verifications of terminal leave pay calculation components prior to making these payments.

During the period July 2016 through April 2017, the College reported a total of \$1.2 million for terminal pay, including payments to employees for annual leave, sick leave, and benefit days.⁶ As part of our audit, we examined College records supporting selected terminal payments totaling \$659,081 made to 16 former and current employees and found that:

- An instructional employee participating in DROP retired in December 2016, an HR Department employee calculated the terminal sick leave pay, and the Payroll Department reviewed and processed a \$53,595 payment to the individual for a portion of their unused sick leave. However, the former employee's sick leave balance was not adjusted for the payment and, in January 2017, an HR Department employee calculated the final sick leave payment and the Payroll Department processed another unused sick leave payment of \$58,219 to the individual. Subsequent to our inquiry in May 2017, College personnel determined that the initial payment of \$53,595 was incorrectly calculated and requested that the employee refund that amount.
- A senior management class employee retired in July 2016, an HR Department employee calculated the terminal sick leave pay, and the Payroll Department reviewed and processed a \$7,369 payment to the individual for unused sick leave. However, the payment was calculated as if the employee was an educational support employee and the unused sick leave was paid based on years of service rather than being limited to one-fourth of the unused sick leave earned after July 1, 2001. As a result, the individual was overpaid \$4,667. Subsequent to our inquiries, College personnel requested a refund of the \$4,667 overpayment and, according to College personnel, the refund was received in August 2017.
- An instructional employee participating in DROP was overpaid \$1,119 because an HR Department employee miscalculated the payment using 97.5 percent of the unused sick leave based on 29 years of service rather than calculating the payment using 95 percent of the unused sick leave based on the employee's 28 years of actual service. In response to our inquiries, College personnel indicated that employees participating in DROP are paid their sick leave over the period of DROP participation and that the overpayment would be adjusted against the employee's final DROP sick leave payment during the 2017-18 fiscal year.

In response to our inquiries, College personnel indicated that the leave record and termination payment errors resulted from employee oversights and the lack of independent verification of the payment calculations and leave record adjustments. An independent verification of leave record adjustments after

⁶ Board Rule 6Hx7-3.63, *Benefit Day*, provides for senior management class employees to earn benefit days based on the number of months of employment in the senior management class. These days are paid to eligible employees at termination. Eligible employees may elect to withdraw an amount up to 28 percent of a tax year's increase in accrued benefit value to meet individual tax obligations.

terminal leave payments are made and terminal leave pay calculation components prior to making payments would reduce the risk of errors or fraud associated with these records.

Recommendation: The College should enhance procedures to ensure that payments for accrued leave are calculated in accordance with Board policies and State law. Such procedures should include independent verification of terminal leave pay calculation components prior to making such payments, and timely and accurate adjustments to leave records based on leave payments. Additionally, the College should continue efforts to recover from former employees the terminal leave amounts overpaid. The College should also review calculations of all terminal leave payments made during the 2016-17 fiscal year to determine the extent of payment errors and take appropriate action to correct the errors identified.

Finding 3: Employee Evaluations

State law⁷ requires each board of trustees to establish the personnel program for all employees of the Florida College System institution pursuant to State law⁸ and rules and guidance of the State Board of Education. College Administrative Procedures⁹ require that all full-time and regular part-time administrative, professional, and career employees and adjunct faculty be evaluated annually, and that official personnel files be maintained by the HR Department and include, among other documents, original performance evaluation forms, documents, and correspondence.

As part of our audit, we requested for examination employee evaluations performed for the 2016-17 fiscal year supporting 20 selected employees from the 2,370 College employees subject to the evaluations. We found that, for 6 full-time and regular part-time administrative, professional, and career employees and adjunct faculty, College records did not evidence that the required evaluations had been completed. In response to our inquiries, in October 2017 College personnel indicated that evaluations for 5 of the 6 employees had been conducted but the evaluation forms could not be located because the forms were misplaced while scanning personnel files to the new imaging system. College personnel also indicated that an evaluation had not been completed for the other employee because the employee worked for three different supervisors from March 2017 to July 2017 and, as a result, none of the supervisors felt they had sufficient information to complete an evaluation for the 2016-17 fiscal year. Notwithstanding these responses, good business practice indicates that timely conducted and documented performance evaluations are important management tools that inform employees of their accomplishments, needed improvements, and training needs, and also help management make and support personnel decisions.

Recommendation: The College should ensure that performance evaluations are performed in accordance with College procedures and documented in the personnel files.

⁷ Section 1001.64(18), Florida Statutes.

⁸ Chapter 1012, Florida Statutes.

⁹ College Administrative Procedure 03-1201, *Performance Evaluation of Administrative Professional, Career and Adjunct Employees*, and College Administrative Procedure 03-0401, *Personnel Records*.

Finding 4: Background Screenings

Although not specific to colleges, State law¹⁰ provides for background screenings for employees in positions of special trust and responsibility. For example, a level 2 background screening¹¹ is required for owners, operators, employees, and volunteers working in summer camps providing care for individuals under age 18; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. Also, State law¹² specifies that individuals who volunteer on an intermittent basis for less than 10 hours per month in summer camps are not required to obtain background screenings as long as the volunteers are always in sight of a person who meets the screening requirements.

College Administrative Procedures¹³ require a criminal history records review for all full-time, part-time, and adjunct instructor positions. A criminal history records review is also required for contracted workers hired through staffing agencies, other personal services agreements, consulting companies, or other persons affiliated with the College including, but not limited to students, volunteers, and summer camp workers.

As part of our audit, we requested the College to provide a listing of employees, contractors, and volunteers who provided services for individuals under age 18 during the period May 2016 through April 2017. In response our request, College personnel in the HR Department contacted each College campus to identify camps or summer programs held at the College during Summer 2016 that provided services for individuals under age 18. Through these efforts, College personnel determined that the College hosted a health experience camp, an aquaponics camp, and a summer music program and 49 individuals (33 employees, 12 volunteers, and 4 independent contractors) provided services to operate these programs. However, the College had not established procedures to identify and maintain records of the College employees, contractors, and volunteers who provided services to operate the camps and summer programs held at the College.

We requested College records, either maintained by the HR Department or at the campus where the programs were held, supporting the level 2 background screenings for the 49 individuals. Our examination of the records provided disclosed that level 2 background screenings were conducted for 28 of the 33 College employees and the 4 independent contractors. However, we also found that:

- Level 2 background screenings were not conducted for 5 of the 33 College employees. In response to our inquiries, College personnel indicated that 3 employees were hired prior to the October 2011 change in the College's administrative procedures requiring background screenings and that the other 2 employees were students employed in a College work-study program and students are not required to undergo background screenings.

¹⁰ Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

¹¹ A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement (FDLE), national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

¹² Section 409.175(2)(i), Florida Statutes.

¹³ College Administrative Procedure 03-0314, *Criminal History Record* (effective October 2011), provides that a criminal history records review requires employees to submit to fingerprinting and a level 2 background screening.

- Background screenings were not conducted for the 12 volunteers. According to College personnel, background screenings were not conducted for the volunteers because they provided no more than 3 hours of assistance during the week of the respective program. However, although we requested, College records were not provided evidencing the hours of assistance provided, or that the volunteers were always in sight of an individual who met the screening requirements.

Background screenings provide greater assurance as to the suitability of the backgrounds of individuals and are essential given the risk associated with the responsibilities of individuals in positions of special trust and responsibility and those individuals who provide services for individuals under age 18.

Recommendation: The College should establish procedures to identify and maintain records of all College employees, contractors, and volunteers who provide services for individuals under age 18 participating in College programs; ensure the individuals obtain level 2 background screenings; evaluate and document the screening results; and make personnel decisions as necessary based on evaluations of the screenings.

Finding 5: Direct-Support Organization

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

State law¹⁴ 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 law¹⁵ authorizes the College Board of Trustees (Board) to permit the use of College property, facilities, and personal services by a DSO, and to prescribe by rule any conditions with which a DSO must comply for such use.

The Board approved the Florida State College at Jacksonville Foundation, Inc. (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the College. College procedures¹⁶ authorize the College President to implement appropriate procedures and guidelines that permit the Foundation to use property, facilities, and personal services and require that the Foundation submit an annual financial audit to the Board for review. However, while the Board approved the Foundation as a DSO, the Board had not prescribed by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services.

As part of our audit, we examined College records related to the Foundation. Specifically, our examination of the June 2017 Board meeting minutes disclosed that the Board approved the Foundation's audited financial statements for the fiscal year ended June 30, 2016, and the Foundation's Federal Internal Revenue Service Return of Organization Exempt from Income Tax (IRS Form 990) for the fiscal year ended June 30, 2016. The Foundation is required to disclose on the IRS Form 990 the

¹⁴ Section 1004.70(1)(a), Florida Statutes.

¹⁵ Section 1004.70(3), Florida Statutes.

¹⁶ Board Rule 6Hx7-13.3, *Florida State College at Jacksonville Foundation*.

associated value and name of related organizations that shared facilities, equipment or employees with the Foundation.

As shown in Table 2, 34 College employees provided personal services to the Foundation and the FSCJ Artist Series (Artist Series), a performing arts program that operates as a fundraising component of the Foundation. Based on the President-approved job descriptions for these College employees, the services included Foundation fundraising, accounting, and developing and maintaining alumni relations as well as services related to the operations of the Artist Series, which included developing and coordinating performances and events, event marketing, overseeing subscription and event ticket sales, box office operations, and customer service related duties. College records and the Foundation's 2015-16 fiscal year audited financial statements disclosed that College expenses for those personal services, after the Foundation's reimbursement of \$890,660 related to the Artist Series, totaled \$546,142.

Table 2
College Expenses Related to
Personal Services Provided the Foundation
For the Fiscal Year Ended June 30, 2016

	Foundation (not including Artist Series)	Artist Series	Total
Foundation Fiscal Year Ended June 30, 2016:			
Number of College Employees Providing Services	7	27	34
Personal Services Expenses	\$546,142	\$ 890,660	\$1,436,802
Personal Services Expenses Reimbursed by Foundation ^a	-	(890,660)	(890,660)
Net Personal Services Expenses	<u>\$546,142</u>	<u>\$ -</u>	<u>\$ 546,142</u>

^a The Foundation reimbursed the College for all costs associated with Artist Series.

Source: College records and the Foundation's audited financial statements and IRS Form 990 for the fiscal year ended June 30, 2016.

The Board entered into an agreement with the Foundation dated August 11, 2015, for the Foundation to reimburse the College for all direct and indirect costs of the Artist Series incurred by the College, including salaries and benefits, applicable insurance coverage, legal support, office space, equipment, telephone service, and other indirect costs.

According to College personnel, except for the Executive Director of the Foundation, the employees spent 100 percent of their time and effort providing services to the Foundation. The Executive Director of the Foundation was also the College Chief Investment Officer and, therefore, provided a portion of his time and effort providing investment services to the College. Although the Executive Director's salary and benefits were allocated between Foundation and College activities, with \$152,423 charged to the College Foundation account and \$34,545 charged to other College accounts, the College did not require or maintain records to document the Executive Director's time and effort spent on services for the College and on services for the Foundation.

College employees who provide services to the Foundation use College-owned property and facilities; however, neither the Foundation audited financial statements or IRS Form 990 disclosed the use of College-owned property and facilities or the value of such use, nor did the Board document consideration

and approval of the Foundation's use of College-owned property and facilities or the value of such use before the use occurred.

In response to our inquiries, College personnel indicated that the Board had not prescribed any conditions with which the Foundation must comply to use College property, facilities, or personal services because the employees who work on Foundation activities are College employees and, as such, are required to comply with all College policies and procedures regarding the use of property and facilities. Notwithstanding this response, 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, and documenting when the Foundation used College resources and the purpose for and value of such use. 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.**
- **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 the personal services, the square footage of the facilities that will be used by the Foundation, and the estimated value of the College resources provided.**
- **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 6: Information Technology User Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions inconsistent with their assigned responsibilities. Periodic reviews of assigned IT user access privileges are necessary to ensure that employees and contractors can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of

incompatible duties. According to College personnel and our examination of College records, College personnel annually review access assigned to application security groups and group members. Also, in March 2017 the Finance Department implemented procedures to conduct a full security review annually and periodically review access privileges within the finance application.

Our examination of College records supporting selected access privileges to the College finance, HR, and student records applications disclosed that some individuals had access privileges that permitted them to perform unnecessary or incompatible functions. For example, HR recordkeeping functions were not always separated from payroll processing functions. Specifically, we found that:

- One employee (Director of Financial Systems) had update privileges to most critical functions within the finance and HR applications, including the ability to add and update vendor records and addresses, add and change purchase orders, process payments, adjust salary records, and make payroll adjustments.
- Two employees in the Payroll Department (Director of Payroll and Payroll Supervisor) had update privileges to critical HR functions within the HR application, including the ability to add an employee, add or update employee positions and pay grades, and adjust salary records, and had the capability to make payroll adjustments and edit employee paychecks.
- Four employees in the HR Department (2 Benefits Coordinators, the Director of HR, and an HR Information Specialist) had the capability to add an employee, add or update employee positions and pay grades, and modify employee pay rates and also had update privileges to one or more other critical payroll functions within the HR application, including the ability to make payroll adjustments and edit employee paychecks.

In response to our inquiries in July 2017, College personnel indicated that access privileges for the employees were necessary for their job functions or allowed them to troubleshoot and timely resolve issues frequently encountered during the implementation of the College's new enterprise resource planning system. The College had certain controls (i.e., system logging of approvals for adding new vendors and paying vouchers, physical controls over blank checks, and a fraud detection tool with the local bank that matches each check presented for payment against a list of checks previously authorized by the College) that compensated, in part, for the deficiencies and our review did not disclose any misuse as a result of the unnecessary IT user access privileges. Notwithstanding, the existence of inappropriate or unnecessary IT user access privileges increases the risk of unauthorized disclosure, modification, or destruction of College data or IT resources and indicates a need for an improved review of IT access privileges. A similar finding was noted in our report No. 2016-114.

Recommendation: The College should ensure that assigned IT user access privileges enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 6, the College had taken corrective actions for findings included in our report No. 2016-114.

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 April 2017 through July 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. 2016-114.
- 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 May 2016 through April 2017. 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. We examined College records supporting the access privileges for the 57 finance, payroll, and human resources (HR) employees to the database and finance and HR applications during the audit period, to determine the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and whether access prevented the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned and managed.
- Reviewed College procedures to prohibit former employees' access to electronic data files. For the 6 finance and HR employees who separated from College employment during the period July 2016 to April 2017, we examined the employees' access privileges to determine whether their privileges had been timely deactivated.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges of the 15 employees who had access to student SSNs to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated Board of Trustees, committee, and advisory board meeting 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 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.
- From the population of 18 payments totaling \$181,779 and made during the 2015-16 fiscal year from the College to its direct-support organization, examined College records supporting 5 payments totaling \$160,873 to determine the legal authority of the payments.
- Examined College records to determine whether:
 - o The Board had prescribed by rule the conditions with which the Foundation must comply in order to use College property, facilities, and personal services.
 - o The Board documented consideration and approval of the Foundation's anticipated use of College resources.
 - o The College required and maintained records to document when the Foundation used College property and facilities and the purpose for and value of such use.

- o The College maintained records to document the College employee actual time and effort provided for services to the Foundation and the purpose for and value of such services.
- Examined supporting documentation to determine whether College policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- For the one bank account maintained by the College, evaluated the 12 monthly bank account reconciliations prepared during the audit period to determine whether reconciliations were timely prepared and approved.
- From the population of student accounts receivable totaling \$4,736,478 and recorded as of April 2017, examined College records for 10 selected student accounts receivable totaling \$9,245 to determine whether student accounts receivable were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. We also evaluated whether College collection procedures were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate for students with delinquent accounts.
- From the population of 1,766 uncollectible accounts written-off during the audit period, totaling \$817,226, examined College records for 30 selected accounts, totaling \$27,968, to determine whether the accounts were properly approved for write-off.
- From the population of 26,999 students enrolled as Florida residents during the Fall 2016 Semester, examined College records for 25 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code (FAC).
- From the population of 2,158 distance learning course sections offered during the Fall 2016 and Spring 2017 Semesters with fee revenue totaling \$2,166,860, examined College records for 10 selected distance learning course sections with fee revenue totaling \$35,340 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes. We also determined whether the 10 course sections were posted on the distance learning Internet-based catalog as required by Section 1009.23(16)(a), Florida Statutes.
- From the population of five contracts for auxiliary operations, which generated revenue totaling \$1,093,064 for the audit period, examined two selected contracts, which generated revenues totaling \$1,039,428, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the population of compensation payments during the period July 2016 through April 2017 totaling \$61,931,631 to 3,391 employees, examined records for compensation payments to 30 selected employees to determine the accuracy of the rate of pay, validity of employment contracts, whether performance evaluations were completed, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 154 employees who transferred to new positions and 189 employees hired during the audit period, examined College personnel records for 10 selected transferred employees and 10 selected new employees to determine whether the personnel records evidenced that the employees had the necessary qualifications, degrees, and experience for their positions based on the position descriptions.
- Evaluated College policies and procedures for payments of accumulated annual and sick leave and senior management benefit days (terminal leave payments) to determine whether the policies and procedures promoted compliance with State law and Board policies. From the population of 124 employees who received \$1,243,941 in terminal leave payments, we examined College

records supporting 16 selected employees with terminal leave payments totaling \$659,081 to evaluate whether the payments were made in compliance with Sections 110.122 and 1012.865, Florida Statutes, Board policies, and Division of Retirement Rule 60S-6.001(11), FAC.

- Reviewed the 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 the 98 administrative employees (including the President) who received compensation totaling \$9,254,550 during the 2016 calendar year to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes. We also examined documentation supporting the President's compensation, totaling \$454,727 during the 2016 calendar year, to determine whether the compensation was in accordance with the President's contract.
- Reviewed College records to determine whether background screenings for employees, contractors, and volunteers in positions of special trust and responsibility and positions with direct contact with persons under age 18, were obtained in accordance with College procedures.
- From the population of 126 employees paid stipends totaling \$230,614 during the audit period, examined College records for 13 selected employees paid stipends totaling \$23,540 to determine whether the stipends were paid in accordance with Board rule.
- Examined College expenditure documentation to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid College purpose, properly authorized and approved, and in compliance with applicable laws, contract terms, and Board policies; and applicable vendors were properly selected and carried adequate insurance. Specifically, from the population of nonpayroll expenditures totaling \$105,873,342 for the audit period, we examined College documentation supporting:
 - o 30 selected payments for general expenditures totaling \$232,595.
 - o 12 selected payments totaling \$367,358 for contractual services.
- From the population of payments totaling \$7,941,175 during the audit period for new software applications, examined documentation supporting payments totaling \$3,840,383 to the contracted firm for implementing the College enterprise resource planning system to determine whether deliverables met the contract terms and conditions.
- Performed analytical procedures for the population of 8,216 purchasing card (P-card) transactions totaling \$1,979,430 during the audit period and examined College records supporting 16 selected P-card transactions totaling \$22,055 relating to 6 cardholders to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Reviewed credit limits for the 149 P-cardholders as of April 30, 2017, to determine whether the credit limits were reasonable based upon the cardholders' job responsibilities.
- Examined P-card records for the 14 cardholders who separated from College employment during the audit period, to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- Performed analytical procedures for the population of travel expenditures for the President and Board members, totaling \$8,035 during the audit period, to determine whether the travel expenditures were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 41 payments totaling \$23,840 during the audit period to employees for other than travel and compensation, examined College records supporting 10 selected payments totaling \$5,531 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.

- Reviewed College policies and procedures related to identifying potential conflicts of interest. We also reviewed Florida Department of State, Division of Corporation, records; statements of financial interests; and College records for 26 selected College officials and key employees to identify any potential relationships that represented a conflict of interest with vendors used by the College.
- Reviewed documentation related to one construction contract totaling \$1,249,278 and examined documentation supporting two selected payments totaling \$588,547 during the audit period to determine whether the contractor was properly selected; the construction method chosen for the project was consistent with good business practice; and the payments were made in accordance with contract terms and conditions, College policies and procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to the energy savings contract entered into during the audit period, with contract costs not to exceed \$25 million, and the associated financing agreement, to determine whether the contractor and financing provider were properly selected and the related contracts were in compliance with Sections 1013.23 and 489.145, Florida Statutes.
- From the population of 2,231 adult general education instructional students reported for 237,935 contact hours during the Fall 2016 Semester, examined College records supporting 2,169 reported contact hours for 29 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.
- From the population of 150 industry certifications reported for performance funding that were attained by students during the 2015-16 fiscal year, examined 27 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



March 6, 2018

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

Dear Ms. Norman:

Let me express our sincere appreciation for the professional manner in which your staff conducted the audit. Following are the College's responses to the preliminary and tentative findings to be included in the operational audit report for the fiscal year ended June 30, 2017.

Finding No. 1: Textbook Affordability

Recommendation: The College should enhance textbook affordability procedures to promote compliance with State law and to ensure that textbooks and other instructional materials are available to students at the lowest and best prices within acceptable quality. Specifically, the College should:

- Post prominently 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, 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.
- Establish a wide variance cost threshold for use in analyzing and monitoring textbook costs among different sections of the same course.

Response: The College provided documentation that the information for over 95% of classes was sent to our bookstore vendor before the required date. The bookstore vendor's procedure calls for adoptions to be posted within 24 hours, but did not require a field to be updated with the date of posting. The College has requested this information be logged in the future for audit purposes, but believes the actual compliance to statute was met during the audit year. The College will identify a threshold for a wide variance, and will submit exceptions to academic departments for review. Full-time faculty are allowed to choose their own textbooks as part of the Faculty Union Collective Bargaining Agreement.

Finding No. 2: Terminal Sick Leave Pay

Recommendation: The College should enhance procedures to ensure that payments for accrued leave are calculated in accordance with Board policies and State law. Such procedures should include independent verification of terminal leave pay calculation components prior to making such payments, and timely and accurate adjustments to leave records based on leave payments. Additionally, the College should continue efforts to recover from former employees the terminal leave amounts overpaid. The College should also

review calculations of all terminal leave payments made during the 2016-17 fiscal year to determine the extent of payment errors and take appropriate action to correct the errors identified.

Response: The College has reviewed and improved its procedures related to the calculation of terminal sick leave pay. The College reviewed all terminal leave payments that occurred during 2016-17 and did not note any additional errors. The College has collected from all but one of the noted overpayments. The one outstanding debt has been placed with a collection agency.

Finding No. 3: Employee Evaluations

Recommendation: The College should ensure that performance evaluations are performed in accordance with College procedures and documented in the personnel files.

Response: The College has improved the scanning process to insure that documentation is available to show the auditors that evaluations are being performed in accordance with College procedure. The noted case of one employee having three supervisors is not normative but the College will work to insure that all employees have an evaluation performed and on file per College procedures.

Finding No. 4: Background Screenings

Recommendation: The College should establish procedures to identify and maintain records of all College employees, contractors, and volunteers who provide services for individuals under age 18 participating in College programs; ensure the individuals obtain level 2 background screenings; evaluate and document the screening results; and make personnel decisions as necessary based on evaluations of the screenings.

Response: As stated in the finding, the College provided documentation of screenings, or a valid explanation for why a screening was not required for all College employees on the list per College procedures. While not required by statute, Administrative Rule, or College procedure, the College will evaluate the feasibility of completing background screenings for volunteers working summer camps. The camps bring in a very small amount of income, and screenings cost in excess of \$50 per person. The College may be forced to end certain summer camps due to the additional cost.

Finding No. 5: Direct-Support Organization

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.
- 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 the personal services, the square footage of the facilities that will be used by the Foundation, and the estimated value of the College resources provided.
- 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 held Foundation support to that authorized by statute. The process used in the audit year had no significant changes from many previous years where the process passed state audit without exception. Coincidentally, the College was already working towards the same goal as recommended in the finding, and the District Board of Trustees approved an agreement at the February, 2018 Board Meeting which addresses the noted issues. Additionally, employees who work on both College and Foundation objectives will maintain records that document the allocation of time.

Finding No. 6: Information Technology User Access Privileges

Recommendation: The College should ensure that assigned IT user access privileges enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.

Response: The College concurs that proper access controls are important to information security. As noted in the finding, the College has compensating controls that mitigate the issues. Access has been removed and/or adjusted as appropriate in response to the finding.

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

Sincerely,



Albert P. Little
Vice President, Business Services
Florida State College at Jacksonville