

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-160
March 2018

HILLSBOROUGH COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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^a Vice Chair position vacant from 1-1-16, through 1-26-16.

The audit was supervised by Mark A. Arroyo, CPA.

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HILLSBOROUGH COMMUNITY COLLEGE

SUMMARY

This operational report of Hillsborough Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-183. Our operational audit disclosed the following:

Finding 1: The College could enhance controls for reporting exempt and hourly employee time worked and documenting supervisory review and approval of such time.

Finding 2: College controls over student receivables continue to need improvement.

Finding 3: The College did not always properly report student enrollment for State funding purposes.

Finding 4: College controls continue to need enhancement to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Finding 5: College rules and records could be improved to document the College direct-support organization's use of College property, facilities, and personal services.

Finding 6: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

BACKGROUND

Hillsborough Community 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 (SBE) rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of five 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 Brandon, Plant City, Ruskin, Tampa, and Ybor City. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hillsborough County.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-183. 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: Payroll Processing – Time Records

Effective internal controls require that time records document the time worked and leave used by employees and also require supervisory approval of such time to ensure that compensation payments are appropriate and leave balances are accurate. The College pays exempt employees (i.e., Technical, Administrative, Faculty, and Executive employees) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll actions to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2016 calendar year, College compensation expenses totaled \$69.5 million for 3,259 employees, including expenses of \$52.3 million for 1,042 exempt employees (excluding the President) and \$17.2 million for 2,217 hourly employees. In response to our inquiry, College personnel indicated that leave taken by exempt employees required documented supervisory approval. However, reports of exempt employee time worked were not generated and supervisory approval was not required to process payroll payments for pay periods the employee did not report leave.

For hourly employees, our examination of College records disclosed that an automated system was used to record time worked on time reports and a system control required documented supervisory approval on the time reports prior to processing employee payroll payments. College personnel also indicated that the Payroll Department generated an exception report each payroll period that identified the hourly employee time reports that lacked documented supervisory approval and attempted to obtain such approval. However, if the Payroll Department was unsuccessful in obtaining supervisory approval, Payroll Department personnel documented approval on the time reports.

As part of our audit, we examined College records supporting 55 selected payroll transactions (32 exempt employee and 23 hourly employee payroll transactions) and found that:

- Time reports were not generated for 12 of the exempt employee payroll transactions as the employees did not report leave during the pay period. College records for 4 of the exempt employee payroll transactions evidenced that the employees used leave during the pay period but supervisory approval was not documented. In addition, although we requested, College records were not provided to identify the total number of exempt employee payroll transactions that were not supported by documented supervisory approval for the 2016 calendar year.
- Supervisory approval was not documented for 1 of the 23 hourly employee payroll transactions, but the approval of Payroll Department personnel was documented on the time report. For the 2016 calendar year, the College had 26 exception reports that identified 2,236 hourly employee time reports supporting payroll costs totaling \$1.9 million that lacked documented supervisory approval but were approved by Payroll Department personnel. However, since Payroll Department personnel did not have direct knowledge of the time worked by hourly employees, the time reports approved by Payroll Department personnel provided little assurance that the hourly employee services were performed consistent with Board expectations. College personnel indicated that after a time report is approved for payment, the payroll system did not allow a supervisor to document approval on the time reports.

Without documented evidence of time worked and supervisory approval of such time, there is limited assurance that the services were provided, the risk of incorrect compensation payments and employee leave balances is increased and College records may not be sufficiently detailed in the event of a salary or leave dispute.

Recommendation: The College should continue efforts to ensure that time reports document all exempt employee time worked and supervisory approval of such time. In addition, the College should require and ensure that, prior to processing payroll payments, documented supervisory approval of time worked by hourly employees is obtained. If extenuating circumstances prevent initial documented supervisory approval of hourly employee time reports, subsequent supervisory approval should be obtained as soon as practical to support the hourly employee compensation payments.

Finding 2: Student Accounts Receivable

State law¹ provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The law further provides that the Board may adopt rules to implement this process, including setoff procedures and restrictions on the release of transcripts, awarding diplomas, and access to other College resources and services. College administrative procedures² require that holds be placed on student accounts with delinquent accounts receivable balances (outstanding more than 60 days) over \$25 to prohibit the students from registering for classes, obtaining transcripts, or engaging in future business with the College until the debt is satisfied. According to College personnel, holds must be promptly placed on accounts each semester during the week after the deadline to drop or add a course and when a student accounts receivable is added.

At June 30, 2017, the College had student receivables, net of allowance for doubtful accounts, totaling \$2.4 million. As part of our audit, we examined College records for 30 selected students who had delinquent student receivables totaling \$74,710 as of February 2017. We found that, contrary to College administrative procedures, 7 of the students had delinquent accounts receivable balances totaling \$7,249 and ranging from \$176 to \$3,068 and had registered for subsequent classes. As a result, the College incurred additional student accounts receivables for tuition and fees totaling \$6,931 for these 7 students and, as of October 4, 2017, 6 of the 7 students continued to owe the College a total of \$13,872. According to College personnel, the students were able to register in subsequent classes because holds were not promptly placed on the student accounts when the receivables balance became delinquent.

Although College collection efforts resulted in a reduction of amounts written off since the 2014-15 fiscal year, the absence of controls to effectively prohibit students with delinquent balances from registering for classes increases the likelihood of uncollectible accounts receivable and related write-offs. A similar finding was noted in our report No. 2016-183.

¹ Section 1010.03, Florida Statutes.

² HCC Administrative Procedure 6.07 – *Delinquent Accounts*.

Recommendation: The College should improve student accounts receivable collection controls and promptly place holds on student accounts with delinquent balances to prevent class registrations for future semesters or, alternatively, make appropriate arrangements for the payment of delinquent balances.

Finding 3: Reporting Full-Time Equivalent Students

State law³ requires the Florida Department of Education (FDOE) to determine the State financial support and the annual apportionment to each college through the Florida College System Program Fund (FCSPF) considering several components, including costs per full-time equivalent (FTE) students. Pursuant to State law,⁴ any college that reports students who have not paid fees in an approved manner in calculations of the FTE enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. Such penalty shall be charged against the following year's allocation from the FCSPF and shall revert to the State.

State law⁵ also requires the State Board of Education (SBE) to specify, as necessary, by rule, approved methods of student fee payment. Such methods are to include, but not be limited to, student fee payment; payment through Federal, State, or institutional financial aid; and employer fee payments. SBE rules⁶ provide that each college board of trustees shall establish, publish, collect, and budget student fees, and establish dates for paying fees. The dates may be no later than the last day of the drop and add periods established by the boards. Additionally, SBE rules provide that payment of registration fees may be deferred up to 60 days under certain conditions.

The College reported 20,046 and 19,622 fundable FTE students for the 2015-16 and 2016-17 fiscal years, respectively. The College accounts receivable aging report, as of February 2017, included 10,694 student receivables totaling \$6.74 million. As discussed in Finding 2, our examination of College records supporting 30 selected delinquent student accounts receivable balances totaling \$74,710 disclosed that 7 of the 30 balances related to unpaid tuition fees for the 2015-16 fiscal year. Although we requested, College records were not provided to evidence the payment of fees or an authorized fee deferment for any of these 7 students and, contrary to State law, the College reported the students for State funding purposes. Further, College personnel could not provide documentation that the tuition and fees for these 7 students were deferred on or before the last day of the drop and add periods when student fees were due in accordance with SBE rules. As such, College FCSPF funding may be subject to adjustment by the FDOE for two times the value of the enrollment reported for these 7 students. A similar finding was noted in our report No. 2016-183.

Recommendation: The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. In addition, the College should review the FTE student enrollment reported to the FDOE to ensure that only students who paid tuition and fees in an approved manner were included. The College should

³ Section 1011.84(1)(a), Florida Statutes.

⁴ Sections 1009.22(11) and 1009.23(9), Florida Statutes.

⁵ Section 1009.23(13), Florida Statutes.

⁶ SBE Rule 6A-14.054, Florida Administrative Code.

also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students who had not paid tuition and fees in an approved manner.

Finding 4: Adult General Education

State law⁷ 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 Act⁸ proviso language requires each college to report enrollment for adult general education programs in accordance with FDOE instructional hours reporting procedures.⁹

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 of end-of-class date, whichever is sooner. The procedures also require colleges to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the Fall 2015 term and the Spring, Summer, and Fall 2016 terms, the College reported a total of 97,086 contact hours for 476 adult general education classes provided to 813 students. As part of our audit, we examined College records for 2,097 reported contact hours for 40 students enrolled in 43 general education classes. We found that instructional contact hours were over reported by 114 contact hours primarily because College personnel did not appropriately convert daily attendance to contact hours.

Subsequent to our inquiry, the College determined that contact hours for the Fall 2015 and Spring 2016 terms were over reported by 449 and 879 contact hours, respectively, or a total of 1,328 contact hours. The College also determined that similar errors were reported to the FDOE in the Fall 2016 and Spring 2017 terms and contacted the FDOE for guidance on resolution of the errors. Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the College report accurate data. Similar findings were noted in our report Nos. 2016-183 and 2014-034.

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 continue efforts to determine to what extent adult general education hours were misreported and obtain appropriate resolution from the FDOE regarding the misreported hours.

⁷ Section 1004.02(3), Florida Statutes.

⁸ Chapter 2015-232, Laws of Florida, Specific Appropriation 117; and Chapter 2016-66, Laws of Florida, Specific Appropriation 126.

⁹ FDOE Memorandum No. 06-14, dated May 15, 2016, *Reporting Procedures for Adult General Education Enrollments*.

Finding 5: 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 law¹⁰ 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. State law¹¹ 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 condition with which a DSO must comply for such use. The Board approved the Hillsborough Community College Foundation, Inc. (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

Board policies¹² require the Board to annually approve the Foundation audited financial statements and the Foundation Federal Internal Revenue Service Return of Organization Exempt from Income Tax (IRS) Form 990 and certify that the Foundation is operating in a manner consistent with the goals of the College. According to College personnel, the Board certification is based on presentations that personnel provide concerning Foundation activities. However, Board policies did not prescribe additional conditions that the Foundation must meet for use of College property, facilities, and personal services.

In December 2017, the Board approved the Foundation audited financial statements and IRS Form 990 for the 2016-17 fiscal year. Although the IRS Form 990 and the audited financial statements indicated that the Foundation engaged in the sharing of facilities, equipment, and employees with a related organization, the associated value of facilities was not disclosed in the financial statements, IRS Form 990, or other College records. According to College personnel, Foundation office space in the main administrative building had remained the same for several years and the Board had no requirement to annually approve the office space.

In response to our inquiries, College personnel indicated that, during the 2016-17 fiscal year, 9 College employees provided certain personal services to the Foundation and another 8 College employees provided services as resident assistants for the Foundation student housing facility. According to these 17 employees' job descriptions, 100 percent of the employees' time and effort was related to Foundation activities. The costs associated with these personal services totaled \$637,237. In response to our inquiries, College personnel indicated that a Board member and the Chief Financial Officer, the College President's designee, are members of the Foundation Board of Directors and that the Board of Directors had quarterly meetings that presented Foundation financial budgets and considered employee performance.

¹⁰ Section 1004.70(1)(a)2., Florida Statutes.

¹¹ Section 1004.70(3), Florida Statutes.

¹² HCC Administrative Rule 8.00, *Direct Support Organizations*.

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

- Restrict Foundation use of College resources to 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 College resources provided for Foundation use.

Recommendation: We recommend that:

- **The Board prescribe by rule any condition with which the Foundation must comply for use of 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 square footage of the office space and related buildings that will be used by the Foundation and the value of such use.**

Finding 6: Information Technology User Access Privileges

The Legislature has recognized in State law¹³ 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 comply with Federal and State requirements related to financial and academic assistance, student registration, Federal tax reporting purposes, and to perform other College responsibilities. The College established a unique identifier, other than the SSN, to identify each student and maintained student SSNs in the College information technology (IT) system.

As of June 21, 2017, the IT system contained SSNs for a total of 615,313 students, including current, former, and prospective students and 528 employees had access to the student SSNs. College personnel indicated that neither the IT system nor College procedures differentiated current, former, and

¹³ Section 119.071(5)(a), Florida Statutes.

prospective students. Additionally, College records did not demonstrate the public purpose served for maintaining SSNs indefinitely for individuals who had not enrolled in the College.

To help protect student information from unauthorized disclosure, modification, or destruction, all employees who require access to sensitive College data are required to sign a protection of information and access agreement form and receive training on records confidentiality. The College established IT procedures to require applicable supervisors and security administrators to document approval of employee access to sensitive data. However, the College did not have procedures to perform periodic reviews of individuals granted access to student SSNs to ensure the access was based on a demonstrated need for such access.

As part of our audit, we examined College records supporting the access privileges for 30 selected employees. We found that 10 of the employees (three assistants, two instructors, a facilities manager, and four other employees) had unnecessary access to student SSNs. Additionally, we found that employees' access to all current, former, and prospective student SSNs was not always necessary for the employees to perform their job duties and responsibilities. For example, while the other 20 selected employees (financial aid counselors, academic advisors, and test proctors) needed access to current student SSNs, College records did not evidence that these employees needed continuous access to former or prospective student SSNs. In response to our inquiry, College personnel indicated that the IT system did not mask student SSNs but plans were being made to obtain this functionality.

The existence of unnecessary access privileges increases 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:

- Document the public purpose served for 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.
- Document periodic reviews of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any inappropriate or unnecessary access privileges detected.
- Upgrade the College IT system to mask student SSNs for certain employee access privileges and include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.

PRIOR AUDIT FOLLOW-UP

Except as shown in Table 1, the College had taken corrective actions for applicable findings included in our report No. 2016-183.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	Operational Audit Report No. 2016-183, Finding	Operational Audit Report No. 2014-034, Finding
2	3	Not Applicable
3	4	Not Applicable
4	5	3

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 December 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. 2016-183.
- 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 prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed College information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated the College data center's physical access controls, as of January 2017, to determine whether vulnerabilities existed.
- Reviewed College procedures for maintaining and reviewing employee access privileges to IT resources. Specifically, we examined access privileges over the database and finance and human resources applications during the audit period for the 212 employees with such privileges to determine the appropriateness and necessity of the privileges based on employees' job duties and user account functions and whether access prevented the performance of incompatible duties. We also examined six administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges for 30 of the 528 employees who had access to student SSNs during the audit period to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated College security policies and procedures during the audit period governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan to determine whether it was in place and had been recently tested.

- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed for the audit period to document the College 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 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, as of April 7, 2017, to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records to determine whether the Board had prescribed by rule the conditions with which the DSOs 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 DSOs and College employee actual time and effort provided to the DSOs; and the Board documented consideration and approval of anticipated property, facilities, and personal services and related costs provided to the Foundation.
- Examined College records to determine whether student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. Specifically, we examined:
 - From the population of 10,694 student receivables totaling \$6.74 million and recorded as of February 28, 2017, documentation relating to 30 selected student receivables totaling \$74,710 and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts.
 - From the population of 2,123 delinquent student receivables totaling \$1.3 million and recorded as of March 23, 2017, documentation relating to 30 selected delinquent student receivables totaling \$32,011 and determined whether College collection efforts were adequate.
- Examined College records to determine whether uncollectible accounts written-off during the audit period totaling \$2.7 million were Board approved.
- Evaluated the effectiveness of College controls during the audit period to determine whether students who had not paid fees in an approved manner were properly excluded from full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 45,407 students enrolled as Florida residents during the Fall and Spring 2016 Terms, examined College records for 30 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- From the population of three contracts for auxiliary operations, which generated revenue totaling \$2.2 million for the audit period, examined College records related to an auxiliary operation vendor

contract with gross revenues totaling \$1.6 million to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether College auxiliary services were self-supporting.

- Examined documentation to determine whether College policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- Examined College policies, procedures, and related records for supervisory review and approval of time worked and leave used by exempt employees (i.e., full-time faculty and administrative and professional employees) and hourly employees during the audit period to determine whether supervisory personnel documented review and approval of employee reports of time worked.
- From the population of payroll transactions for 3,260 employees compensated a total of \$69.8 million during the audit period, selected 30 payroll transactions totaling \$27,693 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and whether supervisory personnel documented review and approval of employee reports of time worked.
- Evaluated College policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 78 employees who separated from College employment during the audit period and were paid \$193,168 for terminal leave, we selected 10 employees with terminal payments totaling \$85,912 and examined the supporting records to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined records for the College President's compensation payments totaling \$445,784 during the audit period to determine whether the amounts paid did not exceed limits established in Section 1012.885, 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.
- Reviewed College policies and procedures during the audit period to determine whether health and prescription insurance coverage was provided only to eligible employees, retirees, and dependents. Also, we determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions. From the population of claims totaling \$9.5 million paid from the College self-insurance program for the audit period, we examined College records supporting 30 selected insurance and pharmaceutical claims totaling \$980,451 to determine whether such claims were made for eligible program participants and were adequately supported.
- 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; and whether applicable vendors were properly selected and had adequate insurance. From the population of expenses totaling \$115,155,223 for the audit period, we examined:
 - 30 selected payments for general expenses totaling \$1.8 million.
 - 10 selected payments for contractual services totaling \$959,160.
 - 30 selected payments for construction projects totaling \$3.5 million.

- From the population of 12,379 purchasing card (P-card) transactions totaling \$2.8 million during the audit period, examined College records supporting 30 selected P-card transactions totaling \$30,807 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Examined P-card records for 19 of the 36 cardholders who separated from College employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- From the population of \$1.2 million in travel expenses during the audit period, examined 35 selected travel reimbursements totaling \$50,361 to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 99 payments totaling \$26,578 during the audit period made to employees for other than travel and compensation, examined 9 selected payments totaling \$15,440 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 14 selected College officials to identify any potential relationships that represented a conflict of interest with vendors used by the College.
- Reviewed documentation related to one major construction project with total construction costs of \$1.6 million during the audit period to determine whether the College properly selected design professionals, construction managers, and adequately monitored the selection process of subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- Examined College records for adult general education instructional and contact hours reported by the College to the Florida Department of Education (FDOE) to determine whether hours reported during the audit period were in accordance FDOE requirements.
- From the population of 735 industry certifications reported for performance funding that were attained by students during the 2015-16 fiscal year, examined 49 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



hccfl.edu

Hillsborough Community College

March 20, 2018

Auditor General State of Florida
111 West Madison Street – Suite G74
Tallahassee, FL 32399-1450
Attn: Sherrill Norman

Dear Ms. Norman,
Please find below our response to the preliminary and tentative audit findings from your letter and attachment dated February 14, 2018.

Finding 1: Payroll Processing – Time Records

Recommendation: The College should continue efforts to ensure that time reports document all exempt employee time worked and supervisory approval of such time. In addition, the College should require and ensure that, prior to processing payments, documented supervisory approval of time worked by hourly employees is obtained. If extenuating circumstances prevent initial documented supervisory approval of hourly employee time reports, subsequent supervisory approval should be obtained as soon as practical to support the hourly employee compensation payments.

- The College has already undertaken steps to ensure that supervisory approval is provided for both exempt and non-exempt personnel within the online payroll system. The Payroll Department will also ensure that, for any approvals not obtained within the system, follow-up is documented to obtain subsequent approval of time paid.

Finding 2: Student Accounts Receivable

Recommendation: The College should improve student accounts receivable collection controls and promptly place holds on student accounts with delinquent balances to prevent class registrations for future semesters or, alternatively, or make appropriate arrangements for the payment of delinquent balances.

- After the receipt of Report No. 2016-183 in April of 2016, the College promptly began to improve internal processes related to the management of Accounts Receivable. Financial holds have been consistently placed two times during each term. However, the College has determined that holds will also be required at additional times during the term to account for late start course enrollment and other non-standard add/drop periods. In addition, Return of Title IV will also be reviewed multiple times during the term for hold placement. Lastly, internal financial calendars have been modified to account for the additional hold placements. The College's refined hold process and the continuation of deregistration processes should ensure that students with delinquent receivable balances do not register going forward.

- Students are notified of delinquent balance by phone and mail prior to the start of the term and throughout the drop add period. Students are also notified multiple times during each term and are afforded the opportunity to bring their account(s) current. Students receive two written notices prior to the final referral notice. Outside collections placements occur only after all internal efforts are exhausted. Student Collection placement records are documented in our software system for reporting and compliance purposes.

Of the seven students identified in the finding, all students were placed with the collection agency after receiving the proper notifications. One of the seven students was paid in full in March of 2017. As of March 6, 2018, the remaining balance for the seven students is \$5,379. The average balance of the student group currently totals \$672 per student due to prompt notifications to students and submission to the outside collection agency.

Finding 3: Reporting Full-Time Equivalent Students

Recommendation: The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. In addition, the College should review the FTE student enrollment reported to the FDOE to ensure that only students who paid tuition and fees in an approved manner were included. The College should also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students who had not paid tuition and fees in an approved manner.

- The College has enhanced reporting to clearly identify the population of students to be reported and to ensure that students without deferments or unpaid tuition are excluded from data submissions. As noted in Finding 2 above, the College has determined that holds will be required at additional times during the term to account for late start course enrollment and other non-standard add/drop periods. In addition, Return of Title IV will also be reviewed multiple times during the term for hold placement, and internal financial calendars have been modified to account for the additional hold placements. This will ensure that only students that paid tuition and fees in an approved manner are included in the submissions for reporting purposes.

Finding 4: Adult General Education

Recommendation: The College should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to FDOE.

- The College has been diligently addressing the problem even before the current operational audit. A task force has been assembled to identify the reasons for inaccurate reporting and seek solutions to eliminate those reasons. A primary focus has been and will continue to be automating the data collection for these contact hours utilizing software that is compatible with Colleague, HCC's ERP system.

The College should also continue efforts to determine efforts to what extent adult general education hours were misreported and obtain appropriate resolution from FDOE regarding the misreported hours.

- As noted in the background for Finding 4, data from fall 2015 and spring 2016 was incorrectly reported. A letter quantifying the errors was sent to Mr. Eric Godin, FDOE Associate Vice Chancellor for Research & Analytics on June 13, 2017, and receipt was acknowledged. Since that time FDOE has not notified HCC of any resolution. HCC will reach out again to Mr. Godin and inquire if any additional information is required, or how FDOE plans to resolve the misreported hours.

- The finding also notes that reporting errors were made in fall 2016 and spring 2017. While this is technically correct, those errors were corrected prior to HCC submitting its Adult General Education hours for the year, so no resolution for these periods is necessary.

Finding 5: Direct-Support Organization

With regard to the background information provided with Finding 5, outlined below is additional information to further clarify statements included in this section:

- The statement in this section that the Board certification of the Foundation is based on presentations made to the Board on the Foundation's activities is not a complete response. The annual certification by the Board of Trustees that the foundation is operating in a manner consistent with the goals of the college is not only based on their annual review of audited financial statements and IRS forms, but the conditions prescribed by the Board for the Foundation to be certified, which are required to provide for the audit review and oversight by the Board. (s. 1001.64 (39), F.S.) As far as oversight, the HCC President, a Board member and the VP for Administration/CFO and Executive Director of the Foundation are part of the HCC Foundation Executive Committee and Board of Directors and provide input on the Board's mission and goals while sharing with the HCC Board the activities and projects of the Foundation. So, the Board's annual certification of the Foundation is based on this interchange of information throughout the year, in addition to staff presentations of Foundation activities at Board meetings. Further beginning Fiscal Year 2016-17, the two Boards began meeting twice a year to discuss goals, plans and activities.
- With regard to information on HCC employees that provide services for the Foundation, nine (9) College employees are designated to work full time to provide fundraising services for the College (HCC Administrative Rule 6HX-10-8.00), with the Board designating the President as responsible for the oversight of all fundraising (6HX-10-8.00). The President has delegated to the Executive Director of the Foundation the responsibility for all fundraising to maximize solicitation efforts and utilize College resources effectively to meet the College mission as determined by the Board (HCC Administrative Procedure 8.00). The Foundation department staff under the Executive Director of the Foundation, work collaboratively to meet the Board's mission and goals.
- The eight (8) resident assistants (RA) are HCC students who reside at the College's apartment complex, Hawks Landing, and are paid by HCC to be RA's. The legislature has determined that community colleges are not authorized to have dormitories (s.1001.64 (36), F.S.). However, the legislature has authorized the Foundation at the request of the Board to "provide residency opportunities at or near campus for students". HCC's Board did request our Foundation provide residency opportunities near the Dale Mabry campus, and the Foundation built and hired a management team to operate the Hawks Landing apartment complex. The eight (8) students work part-time at the apartment complex while attending classes to assist our Assistant Dean of Student Life by serving as liaisons with students and Peak Campus Management. Their efforts support the Assistant Dean and the Student Service Department, not "Foundation activities", as the Foundation has no responsibility for the day-to-day operation of the apartment complex.

Recommendation: The Board prescribe by rule any condition with which the Foundation must comply for use of College property, facilities and personal services.

- The legislature has designated the Board of Trustees as responsible for use of College buildings and grounds, property and equipment (s.1001.64 (5), F.S.), and for use of buildings and grounds (s.1001.64 (34), F.S.). With regard to the direct-support organization, the legislature has included the requirements that the Board determine the conditions for use of College property and services (s.1001.64 (39), F.S.). Further, the legislature has also designated the Board with authority to allow the Foundation to use HCC property, facilities and personal services, subject only to the provision of s.1004.70(3)(a)-(c), F.S. Under subsection (b), the Board has the authority to prescribe by rule any

condition that the Foundation must comply with in order to use HCC property, facilities or personal services. As a result, the HCC Board has outlined the conditions by policy that the Foundation must meet in order to use College property and services. Pursuant to HCC Administrative Rule 6HX-10-8.00, Direct Support Organizations, the Board has determined that the Foundation may use HCC property, facilities and personal services as long as the Foundation follows all HCC administrative rules and procedures.

- The recommendation to outline by Board-approved rule the conditions the Foundation must comply with in order to use College facilities and resources has already been implemented in HCC Administrative Rule 6HX-10-8.00, which requires the Foundation to use College resources in compliance with HCC administrative rules and procedures, which are consistent with the College's mission, vision and values. This Board condition for the foundation's use of college facilities and resources not only requires the foundation to adhere to all policy and operational procedures of the college which exceeds the recommendations in this finding that the foundation's use of college resources and facilities be consistent with the college's mission, vision and values. As such, HCC is already in compliance with this recommendation.

Recommendation: 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 square footage of office space and related buildings that will be used by the Foundation and the value of such use.

- With regard to this recommendation, currently there is no statute, Department of Education or state regulation or HCC Board policy that requires the Board to annually approve office space for the Foundation. The College employees in the Foundation department and the President are currently responsible for ensuring that College resources are properly used. Further, the President is charged by the legislature with the responsibility for the operation and administration of the College (s.1001.65, F.S.) Determination of office space is an operational decision the HCC Board has delegated to the President to determine. HCC Administrative Rule 6HX-10-2.00, the duties and responsibilities of the President, indicate that the president is responsible for the duties and responsibilities prescribed by law, rules of the Florida Board of Education and the policies and directives of the Board. The legislature has determined the requirements the Board of Trustees must meet with regard to the Foundation and the legislature has deferred to the Board to establish conditions for the Foundation to use College property, buildings and services. In response, the Board requires the Foundation to adhere to HCC administrative rules and procedures (HCC Administrative Rule 6HX-10-8.00). However, this new recommendation is beyond the legislature's requirements for the Board which has the authority to permit the Foundation to use College property, facilities and personal services, "subject to the provisions of the Section" (s.1004.70(3)(a), F.S.).
- The recommendation that the Board consider and approve at least annually the Foundation's anticipated use of College resources before the use occurs will be added to the Board's administrative policy on the Foundation (6HX-10-8.00). As part of the annual certification process, management will certify that HCC resources will only be used for Board-approved purposes and to affirm after use, that such resources were only used for such purposes. This review will occur on an annual basis.
- The recommendation that the Board approval documentation identify the square footage of the office space and related buildings that will be used by the Foundation and the value of such use will be implemented before the use occurs. Although these are new recommendations that are unrelated to requirements established by the legislature or Department of Education, these recommendations will become effective with the new fiscal year. However, this recommendation will require the Board to deviate from their policy-making responsibilities (s.1001.64(1), F.S.) into the management responsibilities of the President, which is not in compliance with rule 6A-14.060, FAC, and beyond the requirements the legislature identified as a Board responsibility in statute for the Foundation's use of College facilities and resources.

Finding 6: Information Technology User Access Privileges

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

- **Document the public purpose served for 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.**

The College will comply with the required records retention policy prescribed by the State of Florida which stipulates as follows:

“ADMISSION RECORDS: DENIED/UNREGISTERED STUDENTS Item #97

This record series documents students who applied for admission but were denied admission or did not register. Records may include, but are not limited to, correspondence, applications, transcripts, equivalency diploma, residency affidavit, conditional enrollment form, and readmission forms of students who had previously been denied admission.

RETENTION:

- a) Record copy. 5 fiscal years after application submitted.
 - b) Duplicates. Retain until obsolete, superseded or administrative value is lost.”
- **Document periodic reviews of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any inappropriate or unnecessary access privileges detected.**

The College reviews user access on periodic basis and makes appropriate changes to security to make sure that employees have only required access to do their job. The College will add review of SSN access to the periodic review. The College is currently reviewing access to SSN for all users. The review will be completed by March 31, 2018 and access will be adjusted accordingly by April 15, 2018.

- **Upgrade the College IT system to mask student SSNs for certain employee access privileges and include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.**

The College is implementing a change in the ERP system to mask SSNs for employees who do not need to access it. This change will be implemented by April 15, 2018. The ERP system does not differentiate access to student information based on current, former or prospective student. The College periodically reviews the access to the screen but due to limitation of the current ERP system, cannot implement the suggestion of limiting access based on current, former or prospective student.

I trust this satisfies the response requirements outlined in your letter dated February 14, 2018. Should you have additional questions or concerns please do not hesitate to contact me directly.

Sincerely,



Al Erdman
Vice President for Administration/CFO

Copied by email:
Dr. Ken Atwater President
Ms. Dipa Shah – Chair - Board of Trustees

Dr. Gwendolyn W. Stephenson District Administration Center • 39 Columbia Drive, Tampa, FL 33606