

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-169
March 2018

TALLAHASSEE COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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The team leader was Stacy P. Boyd, and the supervisor was Edward A. Waller, CPA.

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TALLAHASSEE COMMUNITY COLLEGE

SUMMARY

This operational report of Tallahassee Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-135. Our operational audit disclosed the following:

Finding 1: The College did not always perform level 2 background screenings for individuals in positions of special trust and responsibility. A similar finding was noted in our report No. 2016-135.

Finding 2: As similarly noted in our report No. 2016-135, the College did not have a mechanism for exempt employees to report time worked and needs to implement procedures requiring supervisors to document the review and approval of such time.

Finding 3: College collection efforts did not always include follow-up payment requests after initial student billings.

Finding 4: The College needs to enhance procedures to ensure that P-card privileges are promptly canceled upon a cardholder's separation from College employment.

Finding 5: Absent specific authority, the College made payments totaling \$199,265 to or on behalf of the College's direct-support organization (DSO). Also, College rules and records supporting College property, facilities, and personal services used by the College's DSO could be improved.

Finding 6: The College needs to enhance procedures for documenting a student's classification as a Florida resident for tuition purposes.

Finding 7: College records did not demonstrate that a coffee retail store, operated as an auxiliary enterprise of the College, primarily provided non-instructional services for sale to students, faculty, and staff and that the general public was only incidentally served.

Finding 8: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

BACKGROUND

Tallahassee 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 rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of seven 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 a campus in Tallahassee. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Gadsden, Leon, and Wakulla Counties.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-135. 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: Background Checks and Fingerprinting

Although not specific to colleges, State law¹ provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening² 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.

Our examination of College records disclosed that the College required level 1 background screenings³ for job applicants and obtained these screenings for 559 employees during the 2016 calendar year. In response to our inquiries, College personnel indicated that College campus police officers are required to undergo level 2 background screenings. However, during the 2016 calendar year, the College employed 256 employees other than police officers who were also in positions of special trust or responsibility and were not required to undergo a level 2 background screening. The 256 employees included, for example, those with direct contact with persons under age 18, responsibilities for safeguarding cash, and access to nonpublic information.

We further noted that the College drafted a background screening policy that will require employees in defined positions of special trust or responsibility to undergo level 2 background screenings; however, as of October 2017, the Board had not adopted the draft policy. Notwithstanding the assurances provided by level 1 background screenings, these screenings are not as extensive as level 2 background screenings as level 1 background screenings do not require fingerprinting or include State and national criminal history records checks. Level 2 background screenings provide greater assurance as to the suitability of the backgrounds of individuals and are essential given the risks associated with the responsibilities of individuals in positions of special trust or responsibility.

Absent level 2 background screenings, there is an increased risk that individuals in positions of special trust or responsibility may have backgrounds that are not suitable for their respective positions. A similar finding was noted in our report No. 2016-135.

¹ Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

² 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.

³ A level 1 background screening includes employment history checks and Statewide criminal correspondence checks through the FDLE, a check of the national sex offender public Web site, and may include local criminal records checks through local law enforcement agencies.

Recommendation: The College should continue efforts to adopt procedures to ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility.

Finding 2: 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., full-time faculty and administrative and professional employees) on a payroll-by-exception basis whereby employees are paid a fixed authorized amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2016 calendar year, the College reported salary costs of \$26.2 million for 528 exempt employees other than the President. According to College personnel, supervisory personnel monitor exempt employees' work efforts and review and approve employee leave forms. However, the College did not require exempt employees to prepare time sheets or other records to document their time worked.

In response to our inquiry, in May 2017 College personnel indicated that they believed College procedures were adequate and that the College was developing departmental supervisory reports to reflect balances of employee leave used each payroll period for supervisor review and approval. Notwithstanding this response, without records documenting exempt employees time worked and supervisory review and approval of such records, there is limited assurance that exempt employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and College records may not be sufficiently detailed in the event of a salary or leave dispute. A similar finding was noted in our report No. 2016-135.

Recommendation: The College should establish a mechanism for exempt employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Finding 3: Collection Procedures

State law⁴ 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.

According to College personnel, the College bills students for fees and the College information technology (IT) system automatically generates follow-up payment requests each month for 3 months after the student's initial billing. After the 3rd monthly payment request, receivable amounts greater than

⁴ Section 1010.03, Florida Statutes.

\$250 are sent to a collection agency. College policies⁵ require the College to present a listing of student fees that are deemed uncollectible⁶ to the Board for approval for write-off. In June 2016, the Board approved the write-off of student accounts receivable totaling \$523,688.

As part of our audit, we examined College records supporting 41 selected student accounts receivable totaling \$61,178, selected from the population of 3,106 student accounts receivable totaling \$1.1 million at December 31, 2016, to determine the adequacy of College collection procedures. We found that the College billed the fees related to 29 of the accounts receivable, totaling \$33,630 for 22 students, during the period August 2015 through October 2015; however, the College did not send monthly follow-up payment requests to the students after the initial billings.

In response to our inquiries about the lack of follow-up payment requests, College personnel indicated that, due to an IT system error, the requests were not generated during the period October 2015 through December 2015. Through inquiry of College personnel and further audit procedures, we determined that an additional 151 student accounts receivable totaling \$71,750 for 133 students with fees initially billed during the period August 2015 through October 2015 were not sent monthly follow-up payment requests. As a result, 155 students were not notified of their outstanding receivable balances after their initial billings. Due to the length of time the accounts had been past due, the 180 accounts receivable for the 155 students were sent to a collection agency.

Prompt follow-up payment requests could improve collections and reduce collection agency costs and amounts written off as uncollectible.

Recommendation: The College should ensure that follow-up payment requests are timely sent to students after initial billings and before delinquent accounts are submitted to a collection agency.

Finding 4: Purchasing Cards

The College administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process and expedites low dollar purchases of goods and services. P-card purchases are subject to the same rules and regulations that apply to other College purchases. In addition, the agreement between the College and the financial institution that administers the P-card program allows the College 60 days to dispute charges.

The College designated a P-card administrator and developed a comprehensive *P-Card User's Policy Manual (Manual)* to establish procedures for P-card use and for canceling P-cards. For example, the *Manual* requires that P-card application forms document all P-card changes, including P-card cancellations, which must be authorized by the department head and approved by the P-card administrator. Additionally, the *Manual* states that one of the P-card administrator's responsibilities is canceling applicable cards with the P-card provider. However, the *Manual* did not identify who should initiate the P-card cancellation process and verify that applicable P-cards were promptly canceled. To enhance the cancellation process, the *Manual* could be revised to require department heads or the P-card

⁵ TCC District Board of Trustees Policy 09-03.

⁶ Board policies provide that, generally, accounts are deemed uncollectible after 2 years.

administrator to periodically review human resource records to identify cardholders who will separate from College employment and ensure applicable P-cards are promptly canceled.

For the period January 2016 through December 2016, College P-card transactions totaled \$1.6 million and, as of December 2016, there were 110 P-cards assigned to College employees. To determine whether the College promptly canceled applicable P-cards, we selected for examination College records supporting the P-card cancellations for 15 cardholders who separated from College employment during that period. We found that, although 2 of the cardholders had left College employment on February 12, 2016 and October 13, 2016, respectively, their College P-cards had not been canceled as of February 23, 2017. Subsequent to our inquiry, the College canceled the P-cards 378 and 134 days, respectively, after the cardholders' employment separation dates.

In response to our inquiries, College personnel indicated that the untimely P-card cancellations occurred because the P-card administrator was not notified of the cardholders' employment separations. While our examination of District records supporting P-card activities did not disclose any purchases by these 2 former employees after their employment separation dates, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the College's ability to satisfactorily resolve disputed charges.

Recommendation: The College should enhance procedures to ensure that P-card privileges are promptly canceled upon a cardholder's separation from College employment. Such procedures should include revisions to the *P-Card User's Policy Manual* to establish who is responsible for initiating the P-card cancellation process and verifying that P-cards are promptly canceled.

Finding 5: Direct-Support Organization

To promote accountability over College property, facility, and personal service use, it is important that public records prescribe 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 law⁷ 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. Additionally, State law⁸ 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 use.

The Board approved the Tallahassee Community College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College. Board policies⁹ authorize the College President to implement procedures and guidelines appropriate to allow the DSO use of property, facilities, and personnel subject to the provisions of State law.

⁷ Section 1004.70(1)(a), Florida Statutes.

⁸ Section 1004.70(3), Florida Statutes.

⁹ TCC District Board of Trustees Policy 02-04.

As part of our audit, we interviewed College personnel and requested and examined College records related to the Foundation and found that:

- College personnel provided the Foundation's Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form 990 (IRS Form 990) for the taxable year ended March 31, 2017, which disclosed that the Foundation received support from the College totaling \$672,970 for the value of personal services and facilities furnished by the College to the Foundation.
- During the 2016-17 fiscal year, six College employees provided 100 percent of their work effort to provide certain personal services for the Foundation. Based on the President-approved employee job descriptions, the personal services included responsibilities such as Foundation fundraising and administrative services. For example, the Vice President of Resource Development's responsibilities included organizing, leading, and managing the College's development plan and fundraising programs. The total costs associated with College personal services provided to the Foundation totaled \$615,628.
- The Foundation used College facilities composed of 12 offices and a conference room. According to the Foundation's audit report for the fiscal year ended March 31, 2016, the Foundation received donated services for facility costs totaling \$60,583, based on the square footage of the facilities used.
- The College made payments, totaling \$86,750, to a consultant on behalf of the Foundation. According to College personnel, the payments made to the consultant were for the Foundation's finance and accounting functions. In September 2017, the College hired the consultant as a full-time employee to provide 100 percent of her work effort for personal services for the Foundation.
- The College also made payments totaling \$190,154 to the Foundation, including \$113,650 for operating expenses (including \$1,135 for the Foundation's audit) and \$76,504 for donations to the Foundation from College employee-elected payroll deductions. According to College personnel, all operating expenses were incurred to advance the College mission by building relationships and partnerships that raise philanthropic resources from alumni, friends, corporations, and others to support College students and programs.

Although College records and responses to our inquiries provided some support for the College property, facilities, and personal services provided for the Foundation's use, we also noted 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 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 and 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.
- While College personnel indicated that College expenses for the Foundation are included in the College operating budget presented annually to and approved by the Board, 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.
- While documentation was provided to authorize payments totaling \$77,639 for employee-elected payroll deductions and other College employee donations to the Foundation and the Foundation's audit, College records were not provided evidencing any specific statutory authority permitting the College to make payments totaling \$199,265 to or on behalf of the Foundation.

A Board-approved rule to prescribe the conditions with which the Foundation must comply in order to use College resources; Board-documented approval of College resources that will be used by the Foundation before the use occurs; and records to document the purpose and value of College property and facilities used by the Foundation would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use. Additionally, although State law authorizes the College to permit a DSO to use certain College resources, we are unaware of any specific authority that permitted the College to make the payments totaling \$199,265 to or on behalf of the Foundation.

Recommendation: We recommend that:

- **The Board prescribe by rule any conditions with which the Foundation must comply in order to use College resources.**
- **The College document Board approval, at least on an annual basis, of the estimated value of College resources that will be used by the Foundation before the use occurs. To enhance government transparency, Board approval documentation should identify the square footage of the College facilities that will be used by the Foundation and the value of such use.**
- **The College obtain certifications from Foundation management to affirm that College resources were used in accordance with the conditions for such use.**
- **In the absence of specific statutory authority, discontinue the practice of making payments to or on behalf of the Foundation and seek to recover from the Foundation the \$199,265 in questioned payments.**

Finding 6: Florida Resident Classification

State law¹⁰ provides that, for tuition assessment purposes, colleges classify students as Florida residents or nonresidents and specifies the requirements a student must meet to qualify as a Florida resident. For example, a dependent child living with an adult relative other than the child's parent may qualify as a resident for tuition purposes if the adult relative is a legal resident who has maintained legal residence in the State for at least 12 consecutive months and the child has resided continuously with the relative for the 3 years immediately before initial enrollment.

The College collected \$31.7 million in tuition and fees during the 2016 calendar year. The College tuition rate for each semester hour during the 2016 calendar year was \$387.27 for non-Florida residents and \$100.83 for Florida residents. Our examination of College records supporting 30 selected students' classification as Florida residents during the 2016 calendar year identified 2 dependent students who resided with an adult relative other than their parent. Although we requested, College records were not provided to evidence that the 2 students had resided with their adult relatives for 3 continuous years immediately before initial enrollment in the College. In response to our inquiries, College personnel indicated that the documentation was not obtained because they misunderstood this Florida resident requirement.

¹⁰ Section 1009.21, Florida Statutes.

The difference between the amount assessed and what should have been assessed because these students were misclassified as Florida residents for tuition purposes, resulted in a loss of \$11,732 of nonresident student fee revenue to the College. Absent documentation evidencing that students are properly classified as Florida residents for tuition purposes, the College cannot demonstrate compliance with State law and the College may not assess the appropriate tuition rate.

Recommendation: The College should enhance procedures to ensure that documentation is obtained to support the classification of students as Florida residents for tuition purposes in compliance with State law.

Finding 7: Auxiliary Enterprises – Coffee Retail Store

According to the College mission statement, the College is to provide a learning environment that prepares students for success in a global economy by offering higher education pathways, workforce opportunities, and civic engagement experiences. To qualify as authorized expenditures, expenditures of public funds must be shown to be authorized by applicable law, reasonable in the circumstances, and necessary to the accomplishment of authorized purposes of the governmental entity.

State Board of Education (SBE) rules¹¹ provide that a Florida College Board of Trustees may operate or contract for auxiliary services and enterprises as defined in the *Accounting Manual for Florida's College System (Manual)*. The *Manual* provides that auxiliary enterprises are established primarily to provide non-instructional services for sale to students, faculty, and staff and, although the general public may be incidentally served by auxiliary enterprises, this is not their primary purpose.

During 2016-17 fiscal year, the College spent a total of \$1.2 million to renovate 24,600 square feet of the plaza level of the College Center for Innovation (Center) for a mixed-use meeting, conference, and event area complete with a catering kitchen. The Center is located approximately 400 feet from Florida's Capitol and 4 miles from the College main campus. The College also spent auxiliary funds totaling \$841,000 to construct, license, and supply a 1,400-square foot coffee retail store inside the Center. On January 31, 2017, the College opened the store as an auxiliary enterprise. For the period January through December 2017, the coffee retail store generated \$227,000 in sales and incurred \$436,000 in expenses.

In response to our inquiries regarding the Center, College personnel indicated that:

- The Center is used to bring together the public sector, private businesses, and nonprofit organizations to stimulate creativity and collaboration and provide opportunities for College students and the community.
- The Center provided educational opportunities for entrepreneurship through a 15-week course during the 2017 calendar year titled "Introduction to Entrepreneurship." The course was limited to 20 participants per class.
- The coffee retail store primarily provides non-instructional services for sale to students, faculty, staff, and provides incidental services to the general public.
- 12 students participated in College training opportunities at the coffee retail store during the 2017 calendar year to potentially earn customer service or retail management certifications. As

¹¹ SBE Rule 6A-14.077, Florida Administrative Code.

of January 2018, 5 students had earned a customer service certification and 2 had earned a retail management certification.

However, although we requested, College records were not provided to document the total number of College students, faculty, and staff who participated in educational activities at the Center. Consequently, College records did not demonstrate that the coffee retail store primarily provided services to students, faculty, and staff rather than food and beverage services to the general public. Absent such, College records do not evidence the authority for the College to engage in retail activities or demonstrate the basis upon which the store operated as an auxiliary enterprise as contemplated by the *Manual*.

Recommendation: The College should maintain records to demonstrate that the coffee retail store, as an auxiliary enterprise of the College, primarily provides non-instructional services for sale to students, faculty, and staff and that the general public is only incidentally served. Absent such records, the College should seek an opinion from the Attorney General regarding the authority to operate the coffee retail store.

Finding 8: Information Technology User Access Privileges

The Legislature has recognized in State law¹² 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 user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The College collects and uses SSNs pursuant to State law to comply with Federal and State requirements related to financial and academic assistance, inter-institutional articulation, and to perform other College responsibilities. For example, student SSNs are maintained in the College information technology (IT) system to register newly enrolled students and for financial aid purposes. According to College personnel and records, the College established a unique identifier, other than the SSN, to identify each student and maintained sensitive student information, such as student SSNs, in the College IT system.

To help protect student information from unauthorized disclosure, modification, or destruction, all employees who require access to sensitive College data are required to receive training on records confidentiality. Access to student SSNs is granted based on employee position and responsibilities and requires approval by the employee's supervisor and either the Registrar or Vice President. College personnel reviewed IT user access privileges in the 2017 calendar year to verify that employees were assigned access privileges to current student SSNs based on a demonstrated need for such privileges; however, this review did not extend to the access privileges to former student SSNs.

As of the Fall 2016 Semester, the IT system contained SSNs for a total of 474,700 students, including current and former students, and 248 employees had access privileges to the student SSNs. As part of our audit, we examined College records supporting the user access privileges for 27 selected employees, including instructional and OPS employees, whose job responsibilities included assistance with

¹² Section 119.071(5)(a), Florida Statutes.

registration, enrollment, and receipt of incoming student transcripts. However, although we requested, College records were not provided to demonstrate that 23 of the 27 employees needed continuous access privileges to former student SSNs to perform their job duties.

In response to our inquiries, College personnel indicated the College did not have a mechanism in the IT system to differentiate user access privileges to current student SSNs from access privileges to former student SSNs. The existence of unnecessary access privileges and the exclusion of access privileges to former student SSNs from the periodic reviews of IT user access privileges increase the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against College students and others.

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

- **Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.**
- **Incorporate user access privileges to former student SSNs into the periodic reviews of IT user access privileges and timely remove any unnecessary privileges detected. If an employee's responsibilities do not require continuous access to student information, the access privileges should be granted only for the time needed.**

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1 and 2, the College had taken corrective actions for findings included in our report No. 2016-135. Deficiencies similar to those noted in Findings 1 and 2 were also noted in our report No. 2016-135 as Findings 1 and 3, respectively.

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 June 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. 2016-135.
- 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 District 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.
- Reviewed College procedures for maintaining and reviewing employee access to IT resources. Specifically, from the population of 282 employees with access privileges to the College database and finance and human resources applications during the audit period, we examined College

records supporting the access privileges for 30 selected employees to determine the appropriateness and necessity of the access privileges based on the employees' job duties and user account functions and whether the 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 application to determine whether these accounts had been appropriately assigned and managed.

- Reviewed College procedures to prohibit former employees' access to electronic data files. We tested access privileges for 623 employees who separated from College employment during the audit period to determine whether their access privileges had been timely deactivated upon separation from College employment.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we examined College records supporting the access privileges of 27 of the 248 employees who had access privileges 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 the 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's comprehensive IT disaster recovery plan during the audit period 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's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Examined Board of Trustees and committee 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.
- Examined College records to determine whether the College had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records for all 20 payments and transfers totaling \$190,154 made during the audit period, from the College to its direct-support organization (DSO), to determine whether the payments and transfers were authorized by Sections 1004.70(1)(a)2. and (3), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule the conditions with which the College's DSO 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 DSO and College employees' actual time and effort provided to the DSO,

and the Board documented consideration and approval of anticipated property, facilities, and personal services and related costs provided to the DSO.

- From the population of 3,106 student accounts receivable totaling \$1.1 million recorded as of December 31, 2016, examined College records supporting 30 selected student accounts receivable with 41 delinquent balances totaling \$61,178, to determine whether College collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced.
- Examined College records to determine whether uncollectible student accounts written off during the audit period totaling \$523,688 were approved by the Board.
- Examined College records during the audit period to determine whether College controls were adequate to ensure that students who had not paid fees in an approved manner were not considered in calculating full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of student fees, totaling \$31.7 million assessed during the audit period, examined College records supporting 30 selected students fees to determine whether the College correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- For the 570 distance learning courses with fee revenue totaling \$562,910 during the audit period, examined College records to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- For laboratory fees with revenue totaling \$1 million for 36 courses during the audit period, examined College records to determine whether the fees assessed totaling \$1 million for all 36 courses were reasonable. In addition, we determined whether the College assessed laboratory fees to students or classes in which the College received special appropriations for students with intellectual disabilities.
- From the population of nine auxiliary operations, which generated revenue totaling \$3.7 million for the audit period, we examined six auxiliary operations contracts, which generated revenue totaling \$662,976, for the audit period, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
- For the 2,179 textbooks added during the audit period, examined College records to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- For the 529 exempt employees compensated a total of \$26.5 million during the audit period, examined records to determine whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of payroll transactions totaling \$32.8 million during the audit period for 1,973 employees, selected 30 payroll transactions totaling \$82,299 and examined the related payroll and personnel records to determine whether compensation payments were appropriate and leave balances were accurate.
- Reviewed College policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) for the audit period to determine whether the policies and procedures promoted compliance with State law and College policies. Specifically, from the population of 65 employees who separated from College employment during the audit period and were paid \$222,961 for terminal leave, we selected 22 employees and examined College records supporting their employment separation payments totaling \$183,826 for compliance with Sections 110.122 and 1012.865, Florida Statutes, and College policies.

- Examined severance pay provisions in seven employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- From the population of two administrative employees (including the President) who received compensation totaling \$552,467 during the audit period, examined College records to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated College policies and procedures for obtaining personnel background screenings during the audit period and determined whether individuals in positions of special trust and responsibility, such as positions that have direct contact with persons under age 18, had undergone appropriate background screenings.
- Examined College expense documentation to determine whether the expenses were reasonable, correctly recorded, adequately documented, for a valid College purpose, properly authorized and approved, and in compliance with applicable laws, contract terms, and College policies; and whether applicable vendors were properly selected. From the population of expenses totaling \$48.3 million for the audit period, we selected and examined College records relating to:
 - 30 selected payments for general expenses totaling \$71,783.
 - 30 selected payments for contractual services totaling \$2.5 million.
- From the population of 4,215 purchasing card (P-card) transactions totaling \$1.6 million during the audit period, examined College records supporting 45 selected P-card transactions totaling \$159,588 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 the 15 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 \$31,378 in travel expenses incurred by Board members and the President during the audit period, examined 22 selected travel reimbursements totaling \$20,583 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 279 payments totaling \$50,696 during the audit period to employees for other than travel and compensation, examined College records supporting 30 selected payments totaling \$30,739 to determine whether such payments were reasonable, adequately supported, for valid College purposes and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- From the population of five major construction projects totaling \$10.1 million and in progress during the audit period, selected two major construction projects with contract amounts totaling \$6.3 million and examined College records to determine whether 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 two selected major construction projects with total construction costs of \$987,869 during the audit period to determine whether the College properly selected design professionals and construction managers (CMs), and CMs maintained evidence to demonstrate proper selection of subcontractors; the College had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- Examined records supporting the College's Public Education Capital Outlay (PECO) and other restricted capital outlay expenses totaling \$6.5 million to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.

- Examined supporting documentation for adult general education instructional and contact hours reported during the 2015-16 fiscal year by the College to the Florida Department of Education (FDOE) to determine whether the hours were reported in accordance with FDOE requirements.
- From the population of 513 industry certifications reported for performance funding that were attained by students during the 2015-16 fiscal year, examined 30 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



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March 26, 2018

Sherrill F. Norman, CPA
Auditor General
Section 3033-332
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

In response to the preliminary and tentative findings and recommendations from your operational audit of Tallahassee Community College, the following comments and corrective actions are provided.

Finding No. 1: Background Checks and Fingerprinting

Recommendation: The College should continue efforts to adopt procedures to ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility.

Response: *The College's District Board of Trustees approved Policy #04-49, Background Screening at the October 2017 Board Meeting and the College has implemented Level II background screenings for all individuals in positions of special trust or responsibility.*

Finding No. 2: Payroll Processing – Time Records

Recommendation: The College should establish a mechanism for exempt employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Response: *The College follows standard procedures based on Federal Fair Labor Standards Act (FLSA) for exempt employees. Our exempt employees are required to submit requests for (paid or unpaid) leave, and those requests are approved by their supervisors. We have implemented internal controls to ensure proper payment, and we require our exempt employees properly document their leave through our Enterprise Resource Planning (ERP) system, which requires supervisory approval. While we do agree with the assertion that compensation payments and leave balances should be accurate and that internal controls are important to ensure such, we are confident that our current practices meet all legal requirements and are consistent with best practices in Human Resources.*

Finding No. 3: Collection Procedures

Recommendation: The College should ensure that follow-up payment requests are timely sent to students after initial billings and before delinquent accounts are submitted to a collection agency.

Response: *While the College consistently provides reminder notifications to each student with an outstanding balance, during the relocation of our Information Technology offices, the automated process was inadvertently interrupted. The College has implemented internal checks to confirm delinquent accounts prior to submission to a collection agency. The College also requires students to electronically acknowledge, before being allowed to register each semester that they understand that outstanding balances may be assigned to a collection agency and that the collection agency fee of 30% will also be assessed on the outstanding balance due to the College. This information is also included in the annual student catalog.*

Finding No. 4: Purchasing Cards

Recommendation: The College should enhance procedures to ensure that P-Card privileges are promptly canceled upon a cardholder's separation from College employment. Such procedures should include revisions to the P-Card User's Policy Manual to establish who is responsible for initiating the P-card cancellation process and verifying that P-cards are promptly canceled.

Response: *The College has revised its Human Resources Management System's employee termination process to include an automated notification to the P-Card Administrator upon an employee's termination. If applicable, this alert will enable the P-Card Administrator to ensure the card cancellation is promptly processed upon termination of the employee.*

The College has also revised its P-Card User's Policy Manual and the employee's cardholder agreement, to include the requirement of the cardholder to submit a termination notice and their assigned card to the P-Card administrator prior to termination.

Finding No. 5: Direct-Support Organization

Recommendation: We recommend that:

- The Board prescribes by rule any conditions with which the Foundation must comply in order to use College resources.
- The College document Board approval, at least on an annual basis, of the estimated value of College resources that will be used by the Foundation before the use occurs. To enhance government transparency, Board approval documentation should identify the square footage of the College facilities that will be used by the Foundation and the value of such use.

- The College obtain certifications from Foundation management to affirm that College resources were used in accordance with the conditions for such use.
- In the absence of specific statutory authority, discontinue the practice of making payments to or on behalf of the Foundation and seek to recover from the Foundation the \$199,265 in questioned payments.

Response: *The Tallahassee Community College Board of Trustees (Board) has approved the use of College personal services, property, and facilities by the College's direct support organization (DSO), TCC Foundation, since it was established in 1983. The DSO's well-documented support of the College, its faculty, students, and staff, continue to exceed the actual value associated with the designated College personal services, property, and facilities. Board Rule 02-04 establishes the relationship of the DSO to the College.*

To formalize this agreement, the College agrees with the recommendation that the Board prescribes the conditions of the TCC Foundation's use of College resources. Accordingly, we are currently developing a Memorandum of Understanding (MOU) between the College and the TCC Foundation which will address the use of college resources that will be used by the Foundation. The MOU will also prescribe the conditions by which the DSO will be annually recertified by the Board, to include the DSO's annual report, the annual financial statements, and the identification of the College's property, facilities, and personal services for use by the DSO and the conditions of such use.

Finding No. 6: Florida Resident Classification

Recommendation: The College should enhance procedures to ensure that documentation is obtained to support the classification of students as Florida residents for tuition purposes in compliance with State law.

Response: *The College has revised its procedures for determining a student's residency for tuition purposes. Students who elect to use the 'family ties' exception are now required to submit a notarized affidavit, confirming the student has resided with the designated adult Florida-resident relative for at least 3 continuous years immediately prior to the initial enrollment. The student must also provide supporting documents to prove the adult relative meets the Florida residency 'for tuition purposes' requirement.*

Finding No. 7: Auxiliary Enterprises – Coffee Retail Store

Recommendation: The College should maintain records to demonstrate that the coffee retail store, as an auxiliary enterprise of the College, primarily provides non-instructional services for sale to students, faculty, and staff and that the general public is only incidentally served. Absent such records, the College should seek an opinion from the Attorney General regarding the authority to operate the coffee retail store.

Response: *The coffee retail store auxiliary enterprise is located in the College's downtown service center, the Center for Innovation (Center). Like the College's other service centers in Gadsden County and Wakulla County, the Center provides increased opportunities for the College to meet the needs of our students, particularly the non-traditional students who come to the Center to participate in computer technology training, not-for-profit operations training, retail training, and special programs offered by the College. The Center furthers the College's mission of providing a learning environment that prepares students for success in a global economy by offering higher education pathways, workforce opportunities, and civic engagement experiences. While we do not offer traditional, semester-long academic courses at the Center, its centralized downtown location allows for the successful delivery of community programs and workforce development offerings.*

To demonstrate that the auxiliary enterprise provides services for sale to students, faculty, and staff, including those attending TCC programs and events, the College will improve record-keeping of Center participants. Effective March 19, 2018, the Center implemented a tracking system for all training and workshop related activity. This system will account for both traditional and non-traditional training provided to all customers. Records pertaining to the traditional training will be maintained in the College's MIS system, and the remaining records will be maintained by the Center's coordinator/manager who reports directly to the Vice President for Workforce Innovation.

Finding No. 8: Information Technology User Access Privileges

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

- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.
- Incorporate user access privileges to former student SSNs into the periodic reviews of IT user access privileges and timely remove any unnecessary privileges detected. If an employee's responsibilities do not require continuous access to student information, the access privileges should be granted only for the time needed.

Response: *The College recognizes the sensitive nature of the student information we are required to obtain to administer the various state and federal programs effectively. Access to any student information covered by the Family Educational Rights and Privacy Act (FERPA) is restricted to only those employees with specifically assigned duties for which the access is required and only after the employee has completed FERPA-specific training. The College will continue to monitor employee access and will develop an annual process to recertify assigned user privileges, to be implemented prior to the Fall 2018 semester.*

With the College's open enrollment policy, we frequently serve students who were previously enrolled at the College numerous years before. For example, for the Fall 2017 semester, the College had 135 enrolled students that were also previously last enrolled in the Fall 2011

Ms. Sherrill Norman
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March 26, 2018

semester. In an effort to further ensure access to confidential student information is minimized, the College will establish criteria for the determination of a "former student" based on a review of historical student enrollment data. Access to former student data will then be restricted accordingly.

We wish to express our appreciation to your staff for the professional and helpful manner in which they conducted the audit. If you have questions regarding the College's responses, please contact Dr. Barbara Wills, Vice President for Administrative Services & Chief Business Officer at willsba@tcc.fl.edu or (850) 201-8590.

Sincerely,



Jim Murdaugh, Ph.D.
President

Cc: Barbara Wills, Ph.D.