

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-209
May 2018

MIAMI DADE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period April 2016 through March 2017, Dr. Eduardo J. Padrón served as President of Miami Dade College and the following individuals served as Members of the Board of Trustees:

Armando J. Bucelo Jr., Chair from 7-27-16,
Vice Chair through 7-26-16
Armando J. Olivera, Vice Chair from 7-27-16
Helen Aguirre Ferré, Chair through 7-26-16
Mariana L. Cancio
Daniel Diaz Leyva
Benjamin León III
Bernardo Navarro

The team leader was Ramon L. Bover, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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

FLAuditor.gov

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

State of Florida Auditor General

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

MIAMI DADE COLLEGE

SUMMARY

This operational audit of Miami Dade College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-190. Our operational audit disclosed the following:

Finding 1: As similarly noted in our report No. 2016-190, throughout our audit fieldwork, College management delayed our access to certain College records and information needed to achieve some of our audit objectives and efficiently conduct the audit.

Finding 2: As similarly noted in our report No. 2016-190, College investment policies did not always comply with State law and College personnel did not always follow College-prescribed investment procedures.

Finding 3: The College did not always timely correct deficiencies noted in annual facility inspections.

Finding 4: College textbook affordability policies and procedures could be improved.

Finding 5: College controls over overtime payments need improvement.

Finding 6: As similarly noted in our report No. 2016-190, the College collected \$5.5 million and \$4.7 million in total parking and access fees during the 2015-16 and 2016-17 fiscal years, respectively; however, contrary to State law, the fees exceeded the costs of the services provided and were not always assessed only to the students who received the services.

Finding 7: College controls over assessment and collection of ground and facility use fees continue to need enhancement.

Finding 8: Policies and records supporting College property, facilities, and personal services used by the College direct-support organization could be improved.

Finding 9: College procedures did not always ensure that student receivables were timely recorded, holds were timely placed on records of students with receivable balances to prevent the students from enrolling in classes, or returned checks were referred to the State Attorney's Office to assist with collection efforts. A similar finding was noted in our report No. 2016-190.

Finding 10: The College continues to need to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 11: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur.

BACKGROUND

Miami Dade 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 campuses in Doral, Hialeah, Homestead, and Miami. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Miami-Dade County.

This operational audit of the College focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-190. 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: Significant Constraints Imposed on Audit

State law¹ provides that all officers whose respective offices the Auditor General is authorized to audit or examine shall enter into their public records sufficient information for proper audit or examination, and shall make the same available to the Auditor General on demand. Additionally, *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States, require that auditors obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. *GAS* also provide that management and officials of government programs are responsible for providing reliable, useful, and timely information for transparency and accountability of these programs and their operations. *GAS* require auditors to report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials or excessive delays of access to certain records or individuals.² According to generally accepted auditing standards,³ examples of significant findings include circumstances that cause the auditor significant difficulty in applying necessary audit procedures.

Throughout our audit fieldwork, our requests for access to certain College records and information necessary to achieve our audit objectives were met with significant delays. These delays created redundancies in audit requests and postponed or frustrated the performance of audit procedures. In addition, we were not permitted to make requests to and receive records and information directly from the College personnel responsible for an activity or function included in our audit scope. Instead, College management required all our audit requests for information be made through two audit liaisons who were to process the requests and then provide the requested information to our audit team.

To help facilitate the timely resolution of our audit requests, the College Senior Vice Provost for Business Affairs/Chief Financial Officer (CFO) requested that, after a period of usually 2 weeks and two

¹ Section 11.47(1), Florida Statutes.

² *Government Auditing Standards*, 2011 Revision, Section 7.11.

³ American Institute of Certified Public Accountants, *Codification of Statements on Auditing Standards AU-C Section 230.A10, Audit Documentation*.

unsuccessful attempts to obtain information through the audit liaisons had been made, audit requests be escalated to him for prompt resolution. From April 2017 to December 2017, we documented 103 separate written audit requests for information to the audit liaisons. As prompt responses were not provided, we escalated 21 of the 103 written audit requests to the CFO. Due to continued lack of responsiveness, we provided the CFO 8 of the written audit requests 2 to 5 times. As the established process for resolving our audit requests was unsuccessful for several of our written audit requests, we brought the requests to the attention of the College's Provost and Vice President. Despite our numerous follow-up requests and other efforts to encourage timely responses, 43 of our audit requests were not resolved until 22 to 159 days, or an average of 55 days, after the date of our initial request. For example:

- On May 11, 2017, we requested construction project information; however, the College did not provide us the information until October 17, 2017, 159 days later and after 12 written follow-up requests.
- On May 11, 2017, we requested direct-support organization information; however, the College did not provide us the information until July 24, 2017, 74 days later and after 5 written follow-up requests.
- On May 23, 2017, we requested purchasing card information for selected P-card transactions; however, the College did not provide us the information until October 9, 2017, 139 days later and after 9 written follow-up requests.
- On July 6, 2017, we requested real estate holdings and lease information; however, the College did not provide us the information until October 23, 2017, 109 days later and after 9 written follow-up requests.

In response to our request for an explanation as to the causes for the delays, College personnel indicated that the transition to the College's new ERP system continued to occupy abundant human capital resources and, as a result, certain College personnel, including the audit liaisons, had additional responsibilities and workloads that were not previously assigned. Consequently, the audit liaisons' ability to assist the auditors and timely respond to audit requests was limited. Notwithstanding this response, significant constraints were imposed on the audit due to College management's delays in providing the requested information and restrictions on our ability to make requests to and receive records and information directly from the responsible College personnel.

Constraints limiting timely access to records, information, and personnel requested for audit purposes frustrates the audit process and limits our ability to provide timely and relevant information to the Legislature and other decision makers. Additionally, the difficulties we encountered in obtaining access to College records, information, and personnel throughout our audit fieldwork exemplify the need for improved accountability and transparency for the College's operations. A similar finding was noted in our report No. 2016-190.

Recommendation: In future audits of the College, management should demonstrate a commitment to accountability, transparency, and compliance with State law by ensuring that access to the records, information, and personnel needed to facilitate a complete and timely audit are provided upon auditor request. In addition, management should evaluate whether the audit liaison process can be improved to better facilitate audits of the College or should be replaced.

Finding 2: Investment Policy and Procedures

State law⁴ requires that investment activity be consistent with written investment policies adopted by the governing body. Such policies are to address appropriate portfolio composition, including limits on security issues, issuers, and maturities; and bid requirements. College policies⁵ and procedures⁶ require that surplus moneys be invested in those institutions and instruments permitted under the provisions of State law.⁷ In addition, the investments must maintain a weighted average quality (WAQ) rating of at least 8.0, which is equivalent to a Standard & Poor's quality rating of AA or higher.

To provide for effective monitoring of surplus money investments, the College established an investment advisory committee that includes the College Senior Vice Provost for Business Affairs/CFO (as Chair), the Controller, and the Assistant Controller/Treasurer. College procedures require the Committee to meet quarterly with the College investment advisor to review investment returns and objectives and determine the appropriate investment strategy to meet the investment objectives.

At March 31, 2017, College investments totaled \$379 million, including surplus moneys of \$260 million and endowment funds of \$119 million. Also, on that date, College cash and cash equivalents totaled \$472 million and were invested with the State Board of Administration and in the State Treasury Special Purpose Investment Account. College procedures designate to the Senior Vice Provost for Business Affairs/CFO the responsibility to make investment transactions for the College surplus and endowment moneys.

Our discussions with College personnel and review of College records, including documentation supporting investment transactions and balances, disclosed control deficiencies and noncompliance with State law and College investment policies and procedures. Specifically, we found that:

- Contrary to State law,⁸ the College investment policy and procedures for surplus moneys did not contain:
 - Certain guidelines for portfolio composition, including limits on security issues, issuers, and maturities. In response to our inquiry, College personnel indicated that portfolio composition was addressed throughout the College procedures;⁹ however, although we requested, College personnel could not identify in the College procedures where limits on security issues, issuers, or maturities were addressed.
 - Bid requirements, including a determination of the approximate maturity date based on cash flow needs and market conditions, in order to analyze and select one or more optimal types of investments, and competitively bid the security in question when feasible and appropriate. College personnel indicated that the College does not bid investments because the College does not buy specific bonds. Notwithstanding, since neither College policies nor procedures prohibit the College from buying specific bonds, the policies and procedures should, in accordance with State law, contain bid requirements should the College decide to invest in this investment type.

⁴ Section 218.415, Florida Statutes.

⁵ College Policy III-11, *Investment of College Funds*.

⁶ College Procedures No. 3820, *Investments of Surplus Funds*.

⁷ Section 218.415(16), Florida Statutes.

⁸ Section 218.415(3), (7), and (12), Florida Statutes.

⁹ College Procedures No. 3820, *Investments of Surplus Funds*.

- During the period April 1, 2016, through March 31, 2017, the investment advisory committee was composed only of the Senior Vice Provost for Business Affairs/CFO and the Controller as, according to College personnel, the Assistant Controller/Treasurer position continued to be vacant during that period. Pursuant to our requests, College personnel provided copies of the investment advisor's analyses and quarterly investment reports. However, although we requested, College records were not provided to evidence investment advisory committee meetings or discussions, or the advisory committee's determination of investment strategies and the objectives of the investment program performance. Subsequent to our review in July 2017, the College amended College procedures and reduced the advisory committee composition to the Senior Vice Provost for Business Affairs/CFO and the Controller. However, given the sizable amount of surplus moneys available for investment (\$732 million at March 31, 2017), it was not readily apparent why the College did not provide a temporary replacement for the vacant advisory committee member position to help the committee function as intended. Additionally, without records to evidence the monitoring of surplus investments, the Senior Vice Provost for Business Affairs/CFO and investment managers had the ability to make surplus investment purchases, sales, exchanges, or other transactions without appropriate oversight by an independent advisory committee or other independent review and approval.
- The College had surplus money investments in alternative hedge funds and alternative investments totaling \$51 million at March 31, 2017, for which, contrary to College procedures, WAQ ratings were not available. Also, contrary to College procedures, as of March 31, 2017, these investments were not included in the College's weighted average calculation. In response to our inquiry, College personnel indicated that these investments should not be included in the College's weighted average calculation, and that, for the purpose of calculating the ratings for surplus money investments, these alternative hedge funds and alternative investments could be assigned a minimum rating of 6.0 (equivalent to the Standard & Poor's rating of BBB). However, College personnel did not provide documentation to demonstrate why these investments should be excluded from the College's weighted average calculation or documentation to support the minimum rating of 6.0 for these investments.

Effective investment policies and procedures that comply with State law and good business practices, such as appropriate investment committee oversight of investment activities or independent review and approval of investment transactions, and appropriate WAQ rating monitoring, provide necessary assurances as to the safety and liquidity of College investments. A similar finding was noted in our report No. 2016-190.

Recommendation: The College should:

- **Ensure that investment policies and procedures provide guidelines for portfolio composition. Such guidelines should include limits on security issues, issuers, and maturities, and bid requirements for determining the approximate maturity date based on cash flow needs and market conditions as required by State law.**
- **Enhance procedures to provide WAQ rating guidelines for College's investments that are not rated by a credit rating agency. Such guidelines should include how to assign quality rating values to investments that are not rated.**
- **Ensure that the investment advisory committee is sufficiently staffed to function as intended. If the College decides not to sufficiently staff the advisory committee, the College should establish adequate compensating controls, such as appropriate, independent review and approval of investment transactions.**

Finding 3: Annual Facility Inspections

State law¹⁰ requires the College to provide for periodic inspection of College facilities at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in rules of the State Board of Education. In addition, fire safety inspections are required to be performed annually by persons certified by the Division of State Fire Marshal as being eligible to conduct fire-safety inspections in public college facilities.

During the 2015-16 and 2016-17 fiscal years, the College obtained the required facility inspections and maintained reports of these inspections. According to the inspection reports for the 2016-17 fiscal year, there were 395 fire and safety hazard deficiencies, including 202 deficiencies identified in the 2015-16 annual inspection reports that were not corrected during the 2016-17 fiscal year. Further examination of the 2016-17 fiscal year inspection reports disclosed that 66 (33 percent) of the 202 uncorrected deficiencies had remained uncorrected for 3 to 7 years.

In response to our inquiry, College personnel indicated that some of the deficiencies identified on annual inspection reports had been timely corrected in prior fiscal years, but had resurfaced each year and were identified as uncorrected deficiencies. College personnel also indicated that none of the deficiencies noted in the inspection reports were considered serious fire safety violations. College personnel provided records indicating that, as of October 2017, 115 (57 percent) of the 202 repeated deficiencies had either been corrected or referred to campus personnel for correction. Notwithstanding, 87 (43 percent) of the 202 deficiencies remained uncorrected as of October 2017 including 19 that had remained uncorrected for 3 to 7 years. Examples of the 87 uncorrected deficiencies included combustibles stored in electrical rooms, inoperative handicap doors, inoperative emergency lights, inoperative emergency elevator telephones, sidewalk trip hazards, and rusted and broken electrical cables. Timely correction of facility deficiencies, including facility maintenance needs, is important to reduce safety and health risks of facility users and to avoid future additional costs.

Recommendation: The College should continue efforts to ensure that deficiencies and facility maintenance needs identified in the annual inspection reports are timely corrected.

Finding 4: Textbook Affordability

State law¹¹ requires each college to post prominently in the course registration system and on its Web site, as early as feasible, but not less than 45 days prior to the first day of classes, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the college during the upcoming term.

State law¹² also requires each college to examine the cost of textbooks and instructional materials by course and course section for all general education courses offered at the institution to identify any variance in the cost of textbooks and instructional materials among different sections of the same course. Courses that have a wide variance in costs among sections or that have frequent changes in textbook

¹⁰ Section 1013.12, Florida Statutes.

¹¹ Section 1004.085(6), Florida Statutes.

¹² Section 1004.085(4), Florida Statutes.

and instructional materials selections are to be identified and a list of such courses sent to the appropriate academic chair for review. Additionally, State law¹³ requires colleges to obtain confirmation by the course instructor or academic department offering the course, before each textbook and instructional materials adoption is finalized, of the intent to use all items ordered.

During the Fall 2016 Semester, the College offered 7,725 course sections and, during the Spring 2017 Semester, the College offered 6,860 course sections. As part of our audit, we inquired of College personnel and examined College records associated textbook affordability. We found that:

- The College contracted with a vendor to manage and operate the College Bookstore, as well as compile and post a list of adopted textbooks on the College Bookstore Web site. Although a list of textbooks was posted on the College Bookstore Web site, the College had not established monitoring procedures to ensure that textbook information for at least 95 percent of all course and course sections was posted on the College Bookstore Web site at least 45 days prior to the first day of classes. As part of our audit, we reviewed the dates the vendor posted the adopted textbook information to its Web site and identified 613 course sections for the Fall 2016 Semester, or 8 percent of all course sections offered during that semester, for which adopted textbook information was not posted timely. Specifically, the textbook and instructional material posting dates for 609 course sections were not at least posted 45 days before the first day of class. In addition, for 4 course sections, the textbooks and instructional materials were posted from 1 to 3 days after the first day of class. As the College only timely posted the textbooks and instructional materials for 7,112 (92 percent) of the course sections, the College did not comply with State law requiring such information be timely posted for at least 95 percent of the course sections. In response to our inquiries, College personnel indicated that the delays occurred because of technical issues and because several course sections were created after the deadline and instructors were assigned to the course sections thereafter.
- Contrary to State law, the College did not prominently post a hyperlink to the course registration system during the Fall 2016 or Spring 2017 Semesters. In response to our inquiries, College personnel indicated that due to transitioning to the College's new enterprise resource planning (ERP) system, the hyperlinks were not included in the course registration system for the Fall 2016 and Spring 2017 Semesters. However, College personnel also indicated that, as of the Fall 2017 Semester, the hyperlinks had been added. We extended our audit procedures to review 10 course sections offered during the Fall 2017 Semester and found that the course registration system did not include a hyperlink to the textbook information for these courses but rather provided for a statement indicating that the textbooks were "to be determined." The timely posting of required textbook information on the College's Web site and in the course registration system is necessary for students to understand course textbook requirements and have sufficient time to consider textbook purchase options and limit their textbook costs.
- Course instructor or academic department textbook confirmations for 30 selected course sections offered during the Fall 2016 and Spring 2017 Semesters were not available. College personnel indicated that the confirmations were not collected and maintained during the Fall 2016 and Spring 2017 Semesters because the faculty confirmation system was transitioning to a new adoption platform. Notwithstanding this response, without timely instructor confirmation, the risk increases that instructors may use textbooks not adopted by their departments and students may unnecessarily purchase books that are not needed for their courses.
- In September 2016, the College examined the costs of new textbooks and instructional material by course and course section for Fall 2016 Semester for all general education courses, and analyzed variances of \$100 or more for 56 courses and 3,014 course sections. In addition, College personnel provided a similar price variance analysis for the Spring 2017 Semester that

¹³ Section 1004.085(7)(b), Florida Statutes.

disclosed price variances of \$100 or more in the costs of new textbooks and instructional materials for 52 general education classes and 2,474 course sections. Our review of these analyses disclosed price differences ranging from \$149 to \$272 for new textbooks utilized in the same course for 22 courses and 1,096 course sections offered during the Fall 2016 Semester and 20 courses and 815 course sections offered during the Spring 2017 Semester. Table 1 provides examples of price differences that exceeded \$200 for new textbooks utilized in the same course during the Fall 2016 and Spring 2017 semesters.

**Table 1
Costs of New Textbooks**

Fall 2016					Spring 2017				
Course	Sections	High	Low	Difference	Course	Sections	High	Low	Difference
PHY1004	5	\$296	\$ 35	\$261	MAC2312	16	\$396	\$124	\$272
PHY1025	18	313	75	238	PHY1004	5	299	35	264
CHM1045	37	341	116	225	PHY1025	16	316	75	241
COP1334	44	286	60	226	CHM1045	29	345	129	216
CHM2210	9	379	165	214	CHM1046	16	345	129	216
ENC1101	518	233	22	211	CHM2211	6	384	175	209

Source: College records.

In response to our inquiries, College personnel indicated that the price variances were a result of different textbook adoption processes across College campuses. Notwithstanding this response, when the costs of new textbooks for the same course vary greatly across College campuses, instructional costs paid by students may not be fair and equitable.

Recommendation: The College should ensure compliance with State law by prominently posting in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term. The College should also ensure that textbooks and instructional materials of acceptable quality are available to students at the lowest prices and that properly completed instructor confirmations related to textbook and instructional materials use are maintained.

Finding 5: Overtime Payments

College procedures¹⁴ provide that non-exempt employees working in excess of 40 hours per week be paid at the overtime rate (1.5 times the regular hourly rate) and that all overtime be approved in advance by the employee supervisor. College procedures also require that employees obtain pre-approval of overtime by submitting an overtime approval form to their immediate supervisor. The form provides the total hours an employee is approved to work overtime for a pay period, and also provides that failure to obtain pre-approval may result in disciplinary actions to the employee.

During the period of April 2016 through March 2017, the College reported salary costs of \$234.7 million, including overtime payments totaling \$898,380. As part of our audit, we examined College records

¹⁴ College Procedures No. 2651, *Pay for Non-Exempt Employees* and Procedures No. 2831, *Compensation Practices for Non-Instructional Personnel*.

supporting 32 overtime payments totaling \$45,012. We found that overtime for 11 payments totaling \$13,405 to 11 employees was not documented as approved or was not pre-approved in accordance with College procedures. Specifically:

- 5 employees received overtime payments totaling \$4,472 without documented approval by the employees' supervisors.
- The applicable overtime approval forms for 6 other employees who received overtime payments totaling \$8,933 were not signed by supervisors until 3 to 40 days after the dates on which the employees recorded overtime. For example, 1 employee recorded 13 hours of overtime during the period September 19, 2016, through September 25, 2016; however, the supervisor did not sign the overtime approval form until October 30, 2016, or 40 days after the first day the employee recorded overtime during that period.

In response to our inquiries, College personnel indicated that College employees may be requested to work overtime without prior notice due to unforeseeable circumstances beyond the control of the employees and supervisors. Notwithstanding this response, it is not apparent why, when an unforeseeable circumstance occurs, a supervisor would wait several days or even weeks after the occurrence to approve the employee's overtime. When overtime is not approved in advance and effectively monitored, there is an increased risk of unforeseen overtime costs and that errors, waste, or fraud may occur and not be timely detected.

Recommendation: The College should ensure that supervisory personnel pre-approve the overtime hours employees are authorized to work for each pay period.

Finding 6: Parking and Access Fees

State law¹⁵ authorizes the College to establish certain specified user fees, such as parking and access fees, that are not to exceed the cost of services provided and are only charged to persons who receive the service. During the 2015-16 and 2016-17 fiscal years, the College assessed all students a parking and access fee of \$3 per College credit hour regardless of whether or not the students used parking services or accessed College facilities. In response to our inquiry, College personnel indicated that all students were assessed the fee because all students benefit from having access to College resources, either through parking, physical access to facilities, or technical infrastructure access. However, since some students, such as those enrolled in online study courses, may not use parking facilities or receive services related to the access fee, the College may, contrary to State law, be assessing parking and access fees to students who are not receiving those services.

During the 2015-16 and 2016-17 fiscal years, the College collected parking and access fees totaling \$5.5 million and \$4.8 million, respectively. Revenues and collections of those fees were recorded in the Current Unrestricted Fund, and the College maintained a separate accounting of the expenditures related to those fees in the Unexpended Plant Fund. Our inquiry of College personnel and examination of College records supporting these parking and access fees for these 2 fiscal years disclosed that the amounts assessed appeared to exceed the cost of the services provided. Specifically:

¹⁵ Section 1009.23(12), Florida Statutes.

- The College transferred parking and access fees totaling \$4.5 million each year to the Unexpended Plant Fund, leaving \$1.3 million in the Current Unrestricted Fund. However, although we requested, College records were not provided to demonstrate that these moneys were used for parking and access projects. In addition, our review of the \$4.5 million transferred to the Unexpended Plant Fund each fiscal year disclosed that, contrary to State law, the fees collected exceeded the parking and access costs as:
 - During the 2015-16 fiscal year, the College spent approximately \$2.8 million of the \$4.5 million transferred to the Unexpended Plant Fund to fund, in part, the construction of the West Campus and Wolfson Campus parking garages. The balance of \$1.7 million remained unexpended at June 30, 2016, and was carried forward to the 2016-17 fiscal year.
 - During the 2016-17 fiscal year, the College spent \$1.7 million of the \$4.5 million transferred to the Unexpended Plant Fund for payroll expenses related to ongoing construction projects. The balance of \$2.8 million remained unexpended at June 30, 2017, and was carried forward to the 2017-18 fiscal year.
- As of July 1, 2016, the unspent parking and access fees in the Unexpended Plant Fund totaled \$20.6 million that, when combined with the \$2.8 million unspent fees for the 2016-17 fiscal year, made \$23.4 million available for additional parking and access services and projects at June 30, 2017. Although the parking and access fees are restricted for parking and access purposes and not subject to reversion, carrying forward large balances of these funds into subsequent years does not appear to be consistent with State law and College procedures that require user fees to not exceed the cost of the service provided and are only to be charged to persons who receive the service.

A similar finding was noted in our report No. 2016-190.

Recommendation: The College should:

- **Implement a user fee structure that ensures that parking and access fees are charged only to those persons receiving the services.**
- **Review and document the costs of providing parking and access services to ensure and demonstrate that the fees charged to users do not exceed the costs incurred by the College to provide the services.**

Finding 7: College Ground and Facility Use

State law¹⁶ authorizes the Board to permit the use of educational grounds and facilities for any legal assembly. College policies¹⁷ and procedures¹⁸ require that, 4 weeks prior to the rental (event), the College enter into written agreements with external organizations (lessees) requesting the use of College facilities. College procedures also require that external organizations acquire insurance for general liability coverage prior to the rental of College grounds and facilities. The College sends a facilities rental invoice to the lessee based on the College rental fee and rate schedule and requires the lessee to make payment to the College 1 week prior to the event. In addition, College procedures allow campus presidents or designees to waive rental fees for the use of College grounds and facilities. The Board

¹⁶ Section 1013.10, Florida Statutes.

¹⁷ College Policy V-24, *Use of College Facilities*.

¹⁸ College Procedures No. 3908, *Use of College Facilities by External Organizations*, and External Facility Rental Request Guidelines.

established ground and facility rental fees based on several factors, including the types of facilities rented and the support services required for the event.

For the period April 2016 through March 2017, the College reported rental fee collections totaling \$430,548 for use of College grounds and facilities. As part of our audit, we requested for examination College records, such as grounds and facility use agreements, supporting 26 selected events sponsored by external organizations with rental fee collections totaling \$89,271. Our examination of the records disclosed that College monitoring procedures associated with grounds and facilities use fees could be improved. Specifically, the College did not follow College procedures requiring lessees to make payments for use of the grounds and facilities at least 1 week before each of the 26 events. The untimely payments ranged from 2 days before the applicable event to 63 days after the event. We also found that:

- The College collected payments totaling \$52,551 relating to 18 events for advanced trainings, fairs, festivals, and health seminars. However, based on the College rental rates, the College was entitled to assess and collect \$126,105 for these events. Although we requested, College records were not provided to document the basis for reducing or waiving the fees. For example, College records did not document the basis for reducing or waiving fees for:
 - A nonprofit organization's use of a College facility for a gala event. The College collected \$1,338 for the organization's use of the facility and the support services provided by College personnel. However, the College waived fees totaling \$11,315, including \$10,000 for the rental of the facility, \$390 for 2.5 hours provided by two audio-visual (AV) technicians (there was a 4-hour minimum per AV technician per the College rental fee and rate schedule), and \$925 for the rental of 30 tables and 250 chairs.
 - The \$600 flat fee paid by another nonprofit organization's use of a theater, services provided by an AV technician, and rental of several tables and chairs, although the College rental fee and rate schedule required a fee of \$800 for the use of the theater, \$50 in processing fees, and \$260 for 4 hours for the AV technician.
 - A third nonprofit organization's use of the Koubek Center theater for a 2-day event, services provided by an AV technician, and 200 parking spaces. Although the \$1,954 charged by the College and paid by the organization for the rental of the Koubek Center and AV technician services were in accordance with the College rental fee and rate schedule, the College did not charge \$1,200 for use of the 200 parking spaces, \$40 for valet fees, \$100 service package fee for 1 day, a \$240 on-site manager fee for 2 days, a \$50 processing fee, or \$20 in incidentals for 2 days as required by the College rental fee and rate schedule.

Also, for 11 of the 18 events, College records did not evidence that the lessee obtained the required insurance or named the College as an additional insured and, for 3 of the 11 events, the ground and facility use agreements were not executed prior to the event.

- For 6 other events, including election campaign, magazine, and sports events, the College collected payments totaling \$24,126, and the payments were made in accordance with the College rental fee and rate schedule. However:
 - College records did not evidence that the lessee obtained the required insurance or named the College as an additional insured for 4 of the events and the agreement for 1 of the 4 events was not executed prior to the event.
 - Agreements were not executed prior to 2 other events.

In response to our inquiries, College personnel indicated that fees were waived after determinations were made that the events were commensurate with the philosophy, objectives, and mission of the College. According to College personnel, fees assessed differently than the fees provided in the College rental

fee and rate schedule were based on negotiations between the campus presidents or their designees and the event organizers. College personnel also indicated that, although agreements were not always executed prior to events, the campus presidents or their designees had given preliminary approval to the lessees for use of the College grounds and facilities.

Notwithstanding these responses, the absence of Board-approved conditions to waive grounds and facility use fees, consistent assessment of fees in accordance with the College rental fee and rate schedule, evidence of required insurance, and agreements executed prior to the rental of College grounds and facilities, increases the risks that facility users may not be treated equitably in accordance with Board intent, the College may not be properly protected from liability, and the College may not recover all the costs associated with facility use by organizations external to the College. A similar finding was included in our report No. 2016-190.

Recommendation: The College should:

- **Prescribe by Board rule the conditions for which the College grounds and facility use fees may be reduced or waived.**
- **Enhance procedures to ensure that payments and proof of required insurance are obtained prior to lessee use of College grounds and facilities.**
- **Ensure that agreements are received and executed prior to lessee use of College grounds and facilities.**
- **Enhance procedures to ensure that, absent Board-approved reductions or waiver of fees, grounds and facility use fees are assessed consistent with the College rental fee and rate schedule.**

Finding 8: Direct-Support Organization

To promote accountability over College property, facility, and personal services 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 law¹⁹ 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 law²⁰ authorizes the College Board of Trustees (Board) to permit the use of College property, facilities, and personal services by a DSO, and to prescribe by rule any conditions with which a DSO must comply for such use. The Board approved the Miami Dade College Foundation, Inc. (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

In response to our inquiries, College personnel indicated that during the period April 2016 through March 2017, the College paid salaries and benefits totaling \$1.5 million for 25 employees, including

¹⁹ Section 1004.70(1)(a), Florida Statutes.

²⁰ Section 1004.70(3), Florida Statutes.

department directors, analysts, alumni relations specialists, and Web site management specialists, who provided personal services to the Foundation. Although the College had not entered into a written agreement with the Foundation to provide for reimbursement, on March 31, 2017, the Foundation reimbursed these costs to the College. According to College personnel, in addition to the personal services, the College provided the Foundation with space for 15 offices and related support services.

In October 2017, the Board approved the Foundation's audited financial statements for the fiscal year ended March 31, 2017. According to the audited financial statements, the College provided certain services to the Foundation, primarily the use of office space and employees, and the value of such services amounted to \$100,000, including rent expense of approximately \$15,000. However, although we requested, College records were not provided to evidence that the Board approved the square footage of the office space and related buildings that would be used by the Foundation, and the value of such use.

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

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

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

Recommendation: We recommend that:

- **The Board prescribe by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the College monitor and document Foundation compliance with such conditions.**
- **The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the square footage of the office space and related buildings that will be used by the Foundation, and the value of such use.**
- **The Board enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements.**

Finding 9: Student Accounts and Notes Receivables

On May 19, 2017, College accounts receivable totaled \$7.9 million for current unrestricted funds and included, for example, amounts for insufficient student fees, fee deficiencies, and returned checks.

Additionally, on that date, College loan and endowment funds notes receivable totaled \$2.7 million and included, for example, amounts for student short-term loans, book loans, and loan penalties.

If a student owes money to the College, College procedures²¹ require the College to withhold the student's records, privileges for registration, and grade reports and transcripts until the debt is satisfied. According to College personnel, 90 days after the College initially bills the student, the College sends the student a 30-day notice letter to again request payment. College procedures require that delinquent student receivables be referred to a collection agency 30 days after the College sends the 30-day notice letter to a student and that student receivables delinquent for more than 2 years be written off.

To evaluate student accounts and notes receivables, we examined College records for 76 delinquent receivables totaling \$80,368 selected from the population of 18,472 student accounts and notes receivables totaling \$10.6 million at May 19, 2017. We found that:

- College personnel untimely recorded 34 receivables, ranging from \$15 to \$5,700, or an average of \$1,257, and totaling \$42,739, from 2 to 31 months, or an average of 6 months, after the term for which the receivables were accrued.
- College personnel did not timely place holds on the students' records for the 76 receivables. As a result, 14 students registered for 1 to 5 terms after the term for which the receivables were accrued. In addition, although we requested, College records were not provided to evidence the total receivables, if any, that were accrued after the holds should have been placed on the students' records. As noted in Finding 1, audit requests were not always timely resolved.
- College personnel did not timely refer 74 receivables to collection agencies. The delays ranged from 31 to 291 days, or an average of 123 days, after the due date established by the College 30-day notice.

In addition, College records indicated that as of May 19, 2017, student receivables included \$61,523 for 108 checks returned for insufficient funds. Although College collection procedures included the referral of the obligation to a collection agency and the placement of financial holds on the students' records, the procedures did not include the referral of returned checks to the State Attorney's Office.

In response to our inquiries, College personnel indicated that, due to conversion delays related to implementation of the College's new ERP system and College personnel transitioning to new roles, student receivables were not always timely recorded and referred to collection agencies, and holds on student records were not always timely placed. In addition, College personnel indicated that, although the College does not refer returned checks to the State Attorney's Office, the College is diligent in attempting to collect unpaid obligations from students. Notwithstanding these responses, when student receivables are not timely recorded and efforts to collect student receivables are not timely or comprehensive, there is an increased risk that the College may not be able to collect amounts due from students. A similar finding was noted in our report No. 2016-190.

Recommendation: The College should enhance procedures to ensure that student receivables are timely recorded, holds are placed on records of students with receivable balances to prevent those students from enrolling in classes, delinquent receivables are timely referred to a collection

²¹ College Procedures No. 3106, *Student Returned Checks*; No. 3149, *Financial Obligations – Students (Loans and Fee Deficiencies)*; No. 3243, *Outstanding Financial Obligations to the College*; and No. 4050-A, *Administration of Student Short Term Loans*.

agency, and returned checks are referred to the State Attorney's Office for assistance with collection efforts.

Finding 10: Adult General Education

State law²² 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 Act²³ proviso language requires each college to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.²⁴

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. 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 2016 semester, the College reported 502,312 instructional contact hours for 609 adult general education classes provided to 4,358 students. As part of our audit, we reviewed 6,278 instructional contact hours reported for 30 students enrolled in 60 adult general education classes. Our review disclosed that, due to various errors, the College over reported a total of 1,540 instructional contact hours for 25 students enrolled in 34 adult general education classes. Over-reported hours occurred because, for example, contact hours were reported although College records did not always evidence student attendance, more contact hours were reported than the scheduled contact hours attended, and more hours were reported than the contact hours attended by the students before withdrawing from class.

In response to our inquiries, College personnel indicated that the over reporting occurred principally due to adult education instructors not timely providing the student withdrawal dates or nonattendance information to College personnel responsible for reporting the instructional contact hours to the FDOE. As a result, the College reported more contact hours than the scheduled contact hours attended by the students. Notwithstanding this response, since future funding is based, in part, on enrollment data reported to the FDOE, it is important that the College report accurate data. A similar finding was noted in our report No. 2016-190.

Recommendation: The College should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the 2016-17 fiscal year and contact the FDOE for proper resolution of the misreported hours.

²² Section 1004.02(3), Florida Statutes.

²³ Chapter 2016-066, Specific Appropriation 126 for the 2016-17 fiscal year.

²⁴ FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

Finding 11: Information Technology User Access Privileges

The Legislature has recognized in State law²⁵ 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 SSNs for various purposes, such as to register newly enrolled students, to comply with Federal tax reporting requirements and other Federal and State requirements related to financial and academic assistance, and to perform other College responsibilities. According to College personnel and records, the College established a unique identifier, other than the SSN, to identify each student and maintained student information, including SSNs, in the College information technology (IT) system.

As of November 15, 2017, the College IT system contained SSNs for a total of 2.4 million current, former, and prospective students and 408 employees had access to the student SSNs. To help protect student information from unauthorized disclosure, modification, or destruction, applicable supervisors and security administrators are responsible for approving employee access to sensitive data. College procedures²⁶ require employee access privileges to be reviewed annually by a designated employee with in-depth knowledge of the IT system to ensure the access privileges are commensurate with each employee's job duties and responsibilities; however, this review did not extend to access privileges to student SSNs.

As part of our audit procedures, we examined the access privileges for 37 job positions that included 124 employees with access privileges to student SSNs. We found that 20 employees in 10 positions such as part-time employees including continuing education instructors, classified technical specialists, and program assistants; and full-time employees such as senior clerks, a manager of professional development, and an athletic director, had unnecessary access to student SSNs.

In response to our inquiry, College personnel confirmed that the access was not needed and subsequently removed the unnecessary access privileges for these 20 employees. In addition, as of December 13, 2017, the College determined that 65 of the other 388 employees did not need access to student SSNs and removed the access for these employees. However, the College determined that the remaining 323 employees needed continuous access to the student SSNs to perform their job duties and responsibilities.

We noted that, since the College IT system does not have a mechanism to differentiate employee access privileges to current student SSNs from access privileges to former or prospective student SSNs, the 323 employees retained access to all 2.4 million current, former, and prospective student SSNs. Although we requested, College records were not provided to demonstrate the public purpose served by

²⁵ Section 119.071(5)(a), Florida Statutes.

²⁶ College Procedures No. 7960, *Institution Data Management and Proper Use*.

indefinitely maintaining the SSNs of individuals who applied but had not enrolled in the College. Additionally, according to College personnel, these 323 employees needed access to former student SSNs, for example, to assist former students who may return to the College for additional classes or may request administrative action on their records. Notwithstanding this response, 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 and others.

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

- Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.
- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.
- Document periodic reviews of access privileges to student SSNs to determine whether such privileges are necessary and timely remove any inappropriate or unnecessary access privileges detected. If an employee only requires occasional access to student SSNs, the access should be granted only for the time needed.

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1, 2, 6, 7, 9, and 10 and shown in Table 2, the College had taken corrective actions for findings included in our report Nos. 2016-190 and 2013-075.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	Operational Audit Report No. 2016-190, Finding	Operational Audit Report No. 2013-075, Finding
1	8	Not Applicable
2	2	Not Applicable
6	7	Not Applicable
7	3	Not Applicable
9	6	Not applicable
10	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 April 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. 2016-190.
- 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 the audit period of April 2016 through March 2017, 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.

*Government Auditing Standards*²⁷ state “Auditors should describe the scope of the work performed and any limitations, including issues that would be relevant to likely users, so that they could reasonably interpret the findings, conclusions, and recommendations in the report without being misled. Auditors should also report any significant constraints imposed on the audit approach by information limitations or scope impairments, including denials or excessive delays of access to certain records or individuals.” Significant constraints were imposed on the audit including delays of access to certain records and information and restricted access to College personnel. These issues are addressed in Finding 1 of this report.

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. We also examined College records supporting:
 - 30 selected employees’ access privileges to the College’s database and finance and human resources applications during the audit period in 17 critical areas of access to determine the appropriateness and necessity of the access privileges based on employees’ job duties and user account functions and whether access prevented the performance of incompatible duties.
 - Administrator account access privileges granted 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, from the population of 408 individuals who had access to student SSNs, we examined 20 selected College employees’ access privileges 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’s 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 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.

²⁷ *Government Auditing Standards*, 2011 Revision, Section 7.11.

- Evaluated the College's policies and procedures, plans, and forms related to security incident response and reporting for the audit period.
- Examined Board of Trustees meeting minutes to determine whether Board approval was obtained for 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 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.
- Analyzed the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balances at June 30, 2016. We also performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.
- Examined College records to determine, for the 26 cash accounts and 6 investment bank accounts maintained during the audit period, whether bank account reconciliations were timely prepared, approved, and performed by employees who were independent of the cash handling and recording functions.
- Evaluated College investment policies and procedures during the audit period to determine whether such policies and procedures were in compliance with Section 218.415, Florida Statutes, and adhered to good business practices, and to determine whether investments were in accordance with those policies and procedures.
- Examined College records supporting 2 payments totaling \$400,000 to its direct-support organization, the Miami Dade College Foundation, Inc. (Foundation), to determine whether the payments were authorized by Section 1004.70(1)(a)2. and (3), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule the conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the Foundation and the related costs.
- Examined College records, to determine whether student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and College policies. Specifically, we examined:
 - From the population of 10,799 student receivables totaling \$11 million and recorded as of March 31, 2017, documentation relating to 30 selected student receivables totaling \$80,368.
 - Documentation supporting the write-off of uncollectible accounts to determine whether the write-offs were properly approved.
 - College records to determine whether 108 returned checks totaling \$61,524 at March 31, 2017, were referred to the State Attorney's Office for assistance with collection efforts.

- From the population of 56,976 students enrolled as Florida residents during the Fall 2016 Term, 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.
- Examined College records for parking and access fees with fee revenues totaling \$5.5 million and \$4.7 million during the 2015-16 and 2016-17 fiscal years, respectively, to determine whether the fees were assessed only to students who received the relevant services. We also examined supporting documentation to determine whether the College properly calculated the fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- Examined College documentation supporting textbook adoptions for 14,585 course sections offered during the audit period to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- Examined three selected contracts for auxiliary operations, which generated revenues totaling \$3.3 million during the 2015-16 fiscal year, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the population of payroll transactions for 9,920 employees compensated a total of \$235.7 million during the audit period, selected 32 payroll transactions totaling \$102,747 and examined related payroll and personnel records to determine the accuracy of the rate of pay, whether supervisory personnel reviewed and approved employee reports of time worked, the validity of employment contracts, whether the employees met the required qualifications, whether performance evaluations were completed, and the accuracy of leave records.
- Requested for examination College records supporting 32 overtime payments totaling \$45,012 from the overtime payments totaling \$898,380 during the audit period to determine whether supervisory approval was obtained before the overtime was earned.
- Evaluated the College's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and College policies. Specifically, from the population of 218 employees who separated from College employment during the audit period and were paid \$1.9 million for terminal leave, we selected 24 employees with terminal payments totaling \$611,022 and examined the supporting records to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and College policies.
- Examined the College President contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records for three employees (including the President and two administrative employees) who received compensation totaling \$833,767 during the audit period to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated College policies and procedures for obtaining personnel background screenings to determine whether individuals in positions of special trust and responsibility, such as positions that have direct contact with persons under age 18, had undergone the appropriate background screenings.
- Examined College expense documentation to determine whether the expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and College policies and whether applicable vendors were properly selected and carried adequate insurance. From the population of expenses totaling \$341.4 million for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$16.8 million.

- 30 selected payments for contractual services totaling \$2.9 million.
- The competitive selection of 30 selected vendors with payments totaling \$4.5 million.
- From the population of 17,145 purchasing card (P-Card) transactions totaling \$3.6 million during the audit period, examined College records supporting 194 selected P-card transactions totaling \$191,335 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature. We also determined whether the College timely canceled the P-cards for 53 cardholders who separated from College employment during the audit period.
- From the population of \$31,003 in total President and Board member travel expenses during the audit period, examined 7 selected travel reimbursements totaling \$13,681 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.
- Examined documentation for the 70 payments, totaling \$6,768, made to employees for other than travel and compensation during the audit period, to determine whether such payments were reasonable, adequately supported, and for valid College purposes. We also evaluated whether the payments related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- From the population of 193 facility rental agreements and rental receipts totaling \$430,538, examined 26 selected rental agreements and related rental receipts totaling \$89,271, and the supporting documentation to determine whether rental agreements conformed to good business practices, agreements were Board approved, receipts were consistent with agreements and Board-approved fee schedules, and College records evidenced appropriate insurance for the facility rentals.
- From the population of 41 major construction projects totaling \$104.1 million and in progress during the 2016-17 fiscal year, selected 242 payments totaling \$72.4 million related to 2 major construction projects with contract amounts totaling \$82.6 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 2 major construction projects with total construction costs of \$72.4 million during the audit period to determine whether the College properly selected design professionals and construction managers, and monitored the selection of subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- From the population of 4,358 adult general education instructional students reported for 502,312, contact hours during the Fall 2016, examined College records supporting 6,278 reported contact hours for 30 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education (FDOE) requirements.
- From the population of 448 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.
- Examined documentation supporting four payments totaling \$1.7 million during the audit period for the software application to determine whether deliverables met the contract terms and conditions.
- Evaluated College policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.

- Determined whether College deposits were secured in a qualified public depository as required by Section 280.03, Florida Statutes.
- Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and determined whether timely corrective actions had been taken for noted deficiencies.
- Evaluated the College's process for acquiring real property and leases, including property appraisals, negotiations, site inspections, approvals, and easements, as well as procedures to identify any potential related party transactions.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each College on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

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

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Office of the College President
300 N.E. Second Avenue
Miami, Florida 33132-2297



Eduardo J. Padrón
College President
(305) 237-3404 / FAX: (305) 237-3109
email: epadron@mdc.edu

April 12, 2018

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

Dear Ms. Norman:

Please find the attached College response to the Preliminary and Tentative Findings for the Miami Dade College Operational Audit for the Fiscal Year Ended June 30, 2017. Should you have any questions, please contact Mr. E.H. Levering at (305) 237-2389.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Eduardo J. Padrón', written over a light blue grid background.

Eduardo J. Padrón

Attachment

Miami Dade College
RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2018 Operational Audit

Finding #1 – Significant Constraints Imposed on Audit

As similarly noted in our report No. 2016-190, throughout our audit fieldwork, College management delayed our access to certain College records and information needed to achieve some of our audit objectives and efficiently conduct the audit.

AG Recommendation

In future audits of the College, management should demonstrate a commitment to accountability, transparency, and compliance with State law by ensuring that access to the records, information, and personnel needed to facilitate a complete and timely audit are provided upon auditor request. In addition, management should evaluate whether the audit liaison process can be improved to better facilitate audits of the College or should be replaced.

College Response

Although the College dedicated significant resources to address this matter by creating an escalation process that is documented in the tentative finding, we understand that additional improvements are warranted. Among the challenges this year was the auditors' transition to an audit by email process that has resulted in at least 459 separate requests and thousands of total emails to College personnel on this audit to date. The College will review the escalation process, key contacts and will appoint a dedicated audit liaison to coordinate the process.

Finding #2 – Investment Policy and Procedures

As similarly noted in our report No. 2016-190, College investment policies did not always comply with State law and College personnel did not always follow College-prescribed investment procedures.

AG Recommendation

The College should:

- Ensure that investment policies and procedures provide guidelines for portfolio composition. Such guidelines should include limits on security issues, issuers, and maturities, and bid requirements for determining the approximate maturity date based on cash flow needs and market conditions as required by State law.
- Enhance procedures to provide WAQ rating guidelines for College's investments that are not rated by a credit rating agency. Such guidelines should include how to assign quality rating values to investments that are not rated.
- Ensure that the investment advisory committee is sufficiently staffed to function as intended. If the College decides not to sufficiently staff the advisory committee, the College should establish adequate compensating controls, such as appropriate, independent review and approval of investment transactions

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2017-18 Operational Audit
Page 2

College Response

In light of the prior finding, the College exerted significant efforts to address each of the elements of the prior finding, as were discussed in the prior Audit Exit Conference. Examples of these actions included, but are not limited to, adding guidelines for portfolio composition as noted above, outlining what investments are included in the Investment Procedure for Surplus Funds and which are not (and thus WAQ ratings are not calculated by the College's Investment Advisor), and adding language to address vacancies in the Investment Committee.

Notwithstanding those actions, the College will meet with the auditors to determine what additional actions are necessary to address any remaining elements noted in this finding.

Finding #3 – Annual Facility Inspections

The College did not always timely correct deficiencies noted in annual facility inspections.

AG Recommendation

The College should continue efforts to ensure that deficiencies and facility maintenance needs identified in the annual inspection reports are timely corrected.

College Response

The College exerts its best efforts to prioritize safety related deficiencies and wishes to emphasize that the third-party inspection firm that conducts the annual inspections noted zero serious fire safety violations college-wide; all items noted were deemed to be “non-serious.” The College will continue to review its prioritization, and maintenance and repair processes to ensure the safety of its facilities

Finding #4 – Textbook Affordability

College textbook affordability policies and procedures could be improved.

AG Recommendation

The College should ensure compliance with State law by prominently posting in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term. The College should also ensure that textbooks and instructional materials of acceptable quality are available to students at the lowest prices and that properly completed instructor confirmations related to textbook and instructional materials use are maintained.

College Response

As previously noted to the auditors, the transition to the new Enterprise Resource Planning (ERP) system has been a significant challenge to the College. The ERP-related issues with the hyperlink process is being addressed and the new process is currently in testing. Related to textbook affordability, the College presents the mandated textbook affordability review to the Board of Trustees each semester, and actions are being taken to continue to reduce textbook costs.

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2017-18 Operational Audit
Page 3

Finding #5 – Overtime Payments

College controls over overtime payments need improvement.

AG Recommendation

The College should ensure that supervisory personnel pre-approve the overtime hours employees are authorized to work for each pay period.

College Response

The College acknowledges this finding and will take the actions necessary to rectify it, including implementation of college-wide time and attendance system, and enforcement of the pre-approval process

Finding #6 – Parking and Access Fees

As similarly noted in our report No. 2016-190, the College collected \$5.5 million and \$4.7 million in total parking and access fees during the 2015-16 and 2016-17 fiscal years, respectively; however, contrary to State law, the fees exceeded the costs of the services provided and were not always assessed only to the students who received the services.

AG Recommendation

The College should:

- Implement a user fee structure that ensures that parking and access fees are charged only to those persons receiving the services.
- Review and document the costs of providing parking and access services to ensure and demonstrate that the fees charged to users do not exceed the costs incurred by the College to provide the services

College Response

The Student Access/Parking fee that was initially authorized by the Board and implemented in 2011-12 has to date been used principally to support the construction of parking related construction projects, since those cannot be funded by State PECO funds. In order to resolve this finding, larger year-end closing allocations of this fund source to broader access initiatives will be made and clearly documented to eliminate the possibility that it is not clear that the Access/Parking fee applies to all students, as was intended with its initial implementation. In addition, the College plans to expend a significant portion of the accumulated Access/Parking fee balances and fees collected during 2017-18 on parking related construction projects and other student access initiatives during the present fiscal year.

Finding #7 – College Grounds and Facility Use

College controls over assessment and collection of ground and facility use fees continue to need enhancement.

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2017-18 Operational Audit
Page 4

AG Recommendation

The College should:

- Prescribe by Board rule the conditions for which the College grounds and facility use fees may be reduced or waived.
- Enhance procedures to ensure that payments and proof of required insurance are obtained prior to lessee use of College grounds and facilities.
- Ensure that agreements are received and executed prior to lessee use of College grounds and facilities.
- Enhance procedures to ensure that, absent Board-approved reductions or waiver of fees, grounds and facility use fees are assessed consistent with the College rental fee and rate schedule.

College Response

The College acknowledges the need for enhancements and will take the actions necessary to standardize the process, related forms and approvals.

Finding #8 – Direct Support Organization

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

AG Recommendation

We recommend that:

- The Board prescribe by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the College monitor and document Foundation compliance with such conditions.
- The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the square footage of the office space and related buildings that will be used by the Foundation, and the value of such use.
- The Board enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements.

College Response

The College is proud to be the only member of the Florida College System or the State University System that does not subsidize the payroll and benefits of its Foundation staff and annually discloses in its Foundation's financial statements, and thus the College's consolidated financial statements, the value of in-kind services and rent that its Foundation receives. Further, the College presents an Annual Certification that Miami Dade College Foundation, Inc. operates in a manner consistent with the goals of Miami Dade College and the best interest of the State, along with the FLDOE Direct-Support Organization Audit Review Checklist to its Board of Trustees for certification annually in accordance with s. 1004.70 F.S.

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2017-18 Operational Audit
Page 5

While the College believes that these actions support the recommendations noted in this finding and meet the requirements of Florida Statute, it will further strengthen its controls by addressing the additional recommendations as part of its financial planning and Board approval processes.

Finding #9 – Student Accounts and Notes Receivable

College procedures did not always ensure that student receivables were timely recorded, holds were timely placed on records of students with receivable balances to prevent the students from enrolling in classes, or returned checks were referred to the State Attorney's Office to assist with collection efforts. A similar finding was noted in our report No. 2016-190.

AG Recommendation

The College should enhance procedures to ensure that student receivables are timely recorded, holds are placed on records of students with receivable balances to prevent those students from enrolling in classes, delinquent receivables are timely referred to a collection agency, and returned checks are referred to the State Attorney's Office for assistance with collection efforts.

College Response

The College acknowledges this finding and will take the actions necessary to rectify it. As previously noted to the auditors, the transition to the new Enterprise Resource Planning (ERP) system has been a significant challenge to the College. Further refinements to the Student Financials modules in the ERP have been implemented and continue to be tested and improved to ensure the timely recording of student receivables.

Finding #10 – Adult General Education

The College continues to need to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

AG Recommendation

The College should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the 2016-17 fiscal year and contact the FDOE for proper resolution of the misreported hours.

College Response

The College acknowledges this finding and will take the actions necessary to rectify it. As previously noted to the auditors, the transition to the new Enterprise Resource Planning (ERP) system has been a significant challenge to the College. A review of attendance recording and reporting procedures for adult general education is currently underway.

RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS

2017-18 Operational Audit

Page 6

Finding #11 – Information Technology User Access Privileges

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

AG Recommendation

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

- Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.
- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.
- Document periodic reviews of access privileges to student SSNs to determine whether such privileges are necessary and timely remove any inappropriate or unnecessary access privileges detected. If an employee only requires occasional access to student SSNs, the access should be granted only for the time needed.

College Response

The College acknowledges this finding and has already begun and will continue to implement actions to address this issue including further restrictions on SSN access.