

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2020-038  
October 2019

**PALM BEACH STATE COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period January 2018 through December 2018, Ava L. Parker served as President of Palm Beach State College and the following individuals served as Members of the Board of Trustees:

Carolyn L. Williams, Chair from 4-5-18,  
Vice Chair through 4-4-18<sup>a</sup>  
Barbara J. Miedema, Vice Chair from 10-16-18  
Charles K. Cross Jr., Chair through 4-4-18  
John W. Dowd III, Vice Chair 4-17-18,  
through 9-27-18<sup>b</sup>  
Darcy J. Davis from 4-5-18  
Wendy S. Link  
Philip H. Ward III from 9-28-18

<sup>a</sup> Vice Chair position vacant 4-5-18, through 4-16-18.

<sup>b</sup> Vice Chair position vacant 9-28-18, through 10-15-18.

The audit was supervised by Diana G. Garza, CPA.

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

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# PALM BEACH STATE COLLEGE

## **SUMMARY**

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This operational audit of Palm Beach State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2017-072. Our operational audit disclosed the following:

**Finding 1:** College textbook affordability procedures continue to need improvement.

**Finding 2:** The College did not require salary exempt employees to report time worked for supervisor review and approval.

**Finding 3:** The College misreported industry certifications for 21 students to the Florida Department of Education (FDOE) and was over funded \$14,829 for these certifications. Subsequent to our inquiries, the College returned the over-funded amount to the FDOE.

**Finding 4:** College rules and records supporting College property, facilities, and personal services provided to College direct-support organizations could be improved.

**Finding 5:** As similarly noted in our audit report No. 2017-072, the College could enhance policies and procedures for the mitigation, detection, and reporting of fraud.

## **BACKGROUND**

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Palm Beach State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

The College has campuses in Belle Glade, Boca Raton, Lake Worth, Loxahatchee Groves, and Palm Beach Gardens, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Palm Beach County.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: Textbook Affordability**

State law<sup>1</sup> requires the College to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days prior to 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 adopted

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<sup>1</sup> Section 1004.085(6), Florida Statutes (2018). Pursuant to Chapter 2019-004, Laws of Florida, Section 1004.085(5), Florida Statutes, effective July 1, 2019.

5,912 textbooks and instructional materials during the Fall 2017 Semester and 5,648 textbooks and instructional materials during the Spring 2018 Semester.

The College contracted with a vendor to manage and operate the College Bookstore; however, although we requested, College records were not provided to identify the date that the lists of required and recommended textbooks and instructional materials were posted in the course registration system and on the College Bookstore Web site. In response to our inquiries, College personnel indicated that they did not maintain a record identifying the date the textbook information was posted nor was the Bookstore vendor able to produce such information.

Without evidence of the timely postings for at least 95 percent of all courses and course sections offered at the College during the upcoming term, the College cannot demonstrate compliance with State law. Absent timely postings, students may not have sufficient time to gain an understanding of course requirements, consider purchase options, and potentially limit their costs. A similar finding was noted in our report No. 2017-072.

**Recommendation:** To demonstrate compliance with State law, the College should ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term.

## **Finding 2: Payroll Processing – Time Records**

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

During the 2018 calendar year, the College reported salary costs of approximately \$63 million for salary exempt employees (excluding the President). According to College personnel, leave records of salary exempt employees are submitted to supervisors for review and approval. However, College personnel indicated that salary exempt employees did not prepare records of time worked for supervisors to review and approve as they believe that the approval of leave is sufficient to support the payroll.

Absent records documenting salary exempt employees' time worked and supervisory review and approval of the records, there is limited assurance that salary exempt employee services were provided consistent with the Board's expectations. In addition, there is an increased risk that salary exempt employees may be incorrectly compensated and have inaccurate leave balances, and College records may not be sufficiently detailed in the event of a salary or leave dispute.

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

### Finding 3: Performance Funding for Industry Certifications

State law<sup>2</sup> provides performance funding for industry certifications for Florida College System institutions contingent upon specific appropriation in the General Appropriations Act. State law<sup>3</sup> also provides that the industry certifications eligible for funding will be identified on the Postsecondary Industry Certification Funding List approved by the State Board of Education. General Appropriations Act<sup>4</sup> proviso language provided funding for colleges based on student industry certifications reported during the 2017-18 academic year in certain occupational areas, such as public safety, health sciences, automotive service technology, and computer programming, and specified that performance funding could not be awarded for certifications earned through continuing workforce education programs.

During the 2017-18 fiscal year, the College received performance funding of \$789,581 for 1,161 industry certifications reported to the Florida Department of Education (FDOE). As part of our audit, we requested for examination College records supporting 35 of the reported industry certifications. We found that one of the reported certifications was not identified on the Postsecondary Industry Certification Funding List and, therefore, should not have been reported for funding. In response to our inquiry, College personnel determined that all 21 students who were reported with this certification had been reported in error and the College returned \$14,829 to the FDOE in June 2019 for the misreported certifications. According to College personnel, the errors occurred because adequate monitoring procedures had not been established to verify the accuracy of the information reported for funding.

Since performance funding is based on the number of industry certifications earned in certain occupational areas, it is important that the College report accurate data.

**Recommendation: The College should establish adequate monitoring procedures to verify and ensure that industry certifications earned by students are accurately reported to the FDOE.**

### Finding 4: 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 use, demonstrate the reasonableness of the value associated with the use, and enhance government transparency.

State law<sup>5</sup> provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenses to, or for the benefit of, the institution. Additionally, State law<sup>6</sup> authorizes the 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 Palm Beach State College Foundation, Inc. (Foundation) as a

<sup>2</sup> Section 1011.81(2), Florida Statutes.

<sup>3</sup> Section 1011.81(2)(b), Florida Statutes.

<sup>4</sup> Chapter 2017-70, Laws of Florida, Specific Appropriation 125.

<sup>5</sup> Section 1004.70(1)(a), Florida Statutes.

<sup>6</sup> Section 1004.70(3), Florida Statutes.

DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

According to College records, during the 2018 calendar year, the College provided personal services to the Foundation with related costs totaling \$799,397. College personnel indicated that these costs were based on the services of 14 College employees who provided 100 percent of their work efforts for the Foundation. These employees used College property and 1,312 square feet of facilities to, among other things, administer and coordinate fundraising programs that have significant impact to planned donations to advance student success. Additionally, College records indicated that furniture and equipment totaling \$36,570 was assigned to the Foundation for use in the Foundation's day-to-day operations.

In response to our inquiries regarding Board approval of the Foundation's use of College property and facilities prior to use, College management indicated that the Board approved an agreement between the College and the Foundation that stipulated the College would provide facility, property, and other resources and had annually approved the Foundation budget, audited Foundation financial statements, and the Foundation's Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form 990 (IRS Form 990). The audited Foundation financial statements disclosed College support totaling \$799,397 to the Foundation for the 2018 calendar year. Notwithstanding these responses, we found that College records associated with Foundation use of College resources could be improved by prescribing in a Board-approved policy or rule any conditions with which the Foundation must comply in order to use College resources. Such conditions could:

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

**Recommendation: We recommend that:**

- **The Board prescribe by policy or rule any condition with which the Foundation must comply in order to use College property, facilities, and personal services and that the College monitor and document Foundation compliance with such conditions.**
- **The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the positions of employees who will provide the personal services, the square footage of the office space and related buildings and property that will be used by the Foundation, and the estimated value of the College resources provided.**
- **The College require and ensure that DSO personnel affirm, after use of College resources, that the College resources were used properly.**

## Finding 5: Anti-Fraud Policy

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

The College established an ethics policy<sup>7</sup> that addressed, among other things, educating employees about proper conduct, deterring dishonesty, requiring individuals to communicate and report known ethics violations, identifying consequences of violations, allowing anonymous reporting of violations, and requiring College personnel to comply with applicable laws and rules. The College has a hotline and an online reporting system where individuals can confidentially report activities that may involve safety concerns, criminal, unethical, or otherwise inappropriate activity or behavior, including fraud in violation of procedures, policies, rules, or state and federal laws. College personnel indicated that College campus security personnel send notifications to their employees regarding the anonymous reporting process three times a year.

While the policy and the online reporting system have many positive features, they do not:

- Provide examples of actions constituting fraud.
- Establish procedures for investigating potential or actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or College legal counsel if an incident involves College management; and protecting the reputation of persons suspected but not determined guilty of fraud.
- Require College personnel to maintain accurate records of reported known or suspected fraud.

In response to our inquiries, College personnel indicated that the College plans to draft an anti-fraud policy for Board approval in October 2019. A similar finding was noted in our report No. 2017-072.

**Recommendation: The College should continue efforts to ensure the adoption of an anti-fraud policy that addresses communicating, investigating, and reporting known or suspected fraud. We recommend that such policy, and related procedures:**

- **Provide examples of actions constituting fraud.**
- **Establish procedures for investigating potential or actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or College legal counsel if an incident involves College management; and protecting the reputation of persons suspected but not determined guilty of fraud.**
- **Require College personnel to maintain accurate records of reported known or suspected fraud.**

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<sup>7</sup> Board Policy 6Hx-18-5.90, *Ethics Policy*.

## ***PRIOR AUDIT FOLLOW-UP***

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The College had taken corrective actions for findings included in our report No. 2017-072 except as noted in Findings 1 and 5, which were also reported in our report No. 2017-072 as Findings 2 and 4, respectively.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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 March 2019 through July 2019 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. 2017-072.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit;

obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the audit period of January 2018 through December 2018 and selected College actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed College information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the database and finance and human resources applications for seven administrative and senior managers hired during the audit period to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy with regard to preventing the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned, managed, and monitored.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. From the population of 633 employees who separated from College employment during the audit period, we examined the access privileges for 27 selected former employees who held positions in Accounting, Human Resources, Student Services, Executive Leadership, and Information Technology to determine whether the access privileges had been timely deactivated.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers (SSNs). From the population of 93 employees who had access to sensitive personal information of students during the audit period, we examined College records supporting the access privileges granted to 14 employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities. We also examined College records to determine whether the College had provided individuals with written statements of the purpose for collecting their SSNs.
- Evaluated Board security policies and College procedures for the audit period governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it had been recently tested.

- Examined College records for the audit period to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy for the audit period 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 an anti-fraud policy.
- From the population of transactions totaling \$223,994 during the audit period between the College and its direct-support organization (DSO), examined College records supporting transactions totaling \$198,483 to determine whether the transactions were authorized as described in Section 1004.70(1)(a)2., (3), and (4), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the DSO must comply in order to use College property, facilities, and personal services and whether the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the DSO and the related costs.
- Evaluated the effectiveness of College controls during the audit period to ensure that students who had not paid fees in an approved manner were not considered in calculating full-time equivalent (FTE) enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- Determined whether the College had established procedures to cancel the registration of students who did not timely pay fees; make student status and Florida residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.
- From the population of 12 decentralized locations with collections totaling \$783,517, selected collections totaling \$46,220 (one daily collection from each location) during the period of July through December 2018 and examined College records supporting the collections to determine the effectiveness of College collection procedures.
- From the population of 6,916 course sections offered during the audit period, examined College records supporting textbook adoptions for all course sections to determine whether College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Examined Board policies, College procedures, and related records for the audit period to determine whether the records documented the supervisory review and approval of time worked and leave used by salary exempt employees.
- From the population of compensation payments totaling \$94.9 million during the audit period, selected payments totaling \$952,534 made to 30 employees and examined College records to determine the accuracy of the rate of pay, the validity of employment contracts, whether performance evaluations were completed, and the accuracy of leave records.
- Evaluated Board policies and College procedures for payments of accumulated annual and sick leave (terminal leave) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 113 employees who separated from College employment during the audit period and were paid \$615,238 for terminal leave, we selected 24 employees with terminal payments totaling \$375,759 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.

- Examined severance pay provisions in one employee contract to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined College records supporting compensation totaling \$635,000 paid to two administrative employees (including the President) during the audit period to determine whether the amounts paid did not exceed the limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Examined College records to determine whether selected expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and Board policies. Specifically, from the population of expenses totaling \$47.7 million for the audit period, we examined College records supporting:
  - 30 selected payments for general expenses totaling \$8 million.
  - 5 selected payments for contractual services totaling \$864,590.
- From the population of five major construction projects payments totaling \$2,533,394 during the audit period, selected 19 payments totaling \$1,886,580 related to three major construction projects with contract amounts totaling \$3,407,533 and examined College records to determine whether the payments were made in accordance with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to two major construction projects with total construction costs of \$1,380,516 during the audit period to determine whether the College's process for selecting design professionals and construction managers was in accordance with State law and adequately monitored the selection process of subcontractors, the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, and design professionals provided evidence of required insurance.
- From the population of 1,161 student industry certifications reported to the Florida Department of Education for performance funding during the 2017-18 fiscal year, selected and examined 35 industry certifications to determine whether the student industry certifications were eligible for funding.
- From the payments totaling \$15,911,188 as of June 5, 2019, for new Enterprise Resource Planning (ERP) software applications, examined documentation supporting the contractual payments to determine whether deliverables met the contract terms and conditions and payments did not exceed contractual limits.
- 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***

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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



**PALM BEACH STATE  
COLLEGE**

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President

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Dear Sherrill F. Norman, CPA:

We are in receipt of your correspondence of September 16, 2019 regarding the preliminary and tentative audit findings and recommendations for your operational audit of Palm Beach State College.

The College appreciates the opportunity to respond and has taken action on the preliminary and tentative findings pursuant to Section 11.45(4)(d) as follows:

- (1) College textbook affordability procedures continue to need improvement. Recommendation: To demonstrate compliance with State law, the College should ensure that a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term is prominently posted in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term.
  - o The College continues to monitor compliance with this State law and believe that the College is in compliance, but unable to produce physical evidence. Faculty members begin submitting their course adoptions well in advance of the policy deadline. For example, fall semester adoptions are due to the bookstore by April 15. The 45-day deadline for posting these materials is in July. The bookstore and the office of Auxiliary Services work closely together to follow up on missing adoptions.
  - o The office of Auxiliary Services maintain missing lists to verify that the College complies with the deadlines. The College's bookstore operator, Follett, publishes the list of required and recommended textbooks and materials in advance of each enrollment period. The bookstore activates a feature that allows the required and recommended textbook links to be live on the "Class search" feature on the college's website; however, the bookstore operator does not archive the load files with the timestamp of the publication date.
  - o The College has implemented a process by which a screenshot is being archived to show a sample of courses and the links as active. The information will be recorded at each semester interval based on the time requirements set forth by the state and stored electronically for auditing purposes.
- (2) The College did not require salary exempt employees to report time worked for supervisor review and approval. Recommendation: The College should establish a mechanism for salary exempt employees to report time worked and implement procedures that require supervisors to document the review and approval of such time worked.
  - o Higher education institutions nationally do not require time accounting of exempt employees except by exception. The methodology the College uses in compliance with the Fair Labor Standards Act (FLSA) wage and hours rules and with Board Policy 6Hx-18-4.32 which reads "*payroll reports shall indicate the number of duty days or hours depending upon the type of employment, for the payroll period covered and shall indicate absences from duty for the regular full-time or contracted employees.*" The practice is to report and account for unworked time in lieu of worked time for exempt positions, as those with an exemption do not have a *daily or hourly* requirement as opposed to those employees in a non-exempt classification.
  - o However, in response to the auditor's request, the College is identifying a possible solution to the attestation of time worked. The College must rely upon available resources for testing and implementation of such a solution that will not violate the FLSA intent nor set a precedent that impacts the workers classifications.
- (3) The College misreported industry certifications for 21 students to the Florida Department of Education (FDOE) and was over funded \$14,829 for these certifications. Subsequent to our inquiries, the College returned the over-



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funded amount to the FDOE. Recommendation: The College should establish adequate monitoring procedures to verify and ensure that industry certifications earned by students are accurately reported to the FDOE.

- This was an error that was corrected. In the future, when the databases are processed, we will extract the list of students earning certifications. We will then send the list to the department heads to review and verify that the certifications are valid. The process will ensure that the supporting documentation is stored. Internal audits will be performed to ensure that the required documentation is available. The change in process has been implemented
  
- (4) College rules and records supporting College property, facilities, and personal services provided to College direct-support organizations could be improved. Recommendation: We recommend that: The Board prescribe by policy or rule any condition with which the Foundation must comply in order to use College property, facilities, and personal services and that the College monitor and document Foundation compliance with such conditions. [That] The College document Board consideration and approval of the Foundation’s anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the positions of employees who will provide the personal services, the square footage of the office space and related buildings and property that will be used by the Foundation, and the estimated value of the College resources provided. [That] The College require and ensure that DSO personnel affirm, after use of College resources, that the College resources were used properly.
  - The College and its DSO have been functioning under a Memorandum of Understanding (MOU) approved by both the DSO Board of Directors and the District Board of Trustees. The MOU outlined the items noted above.
  - The College has since developed a Board Policy titled “Direct Support Organization-Use of Resources” which is now in the approval process, and a draft has been provided to the local Audit Team.
  
- (5) As similarly noted in our audit report No. 2017-072, the College could enhance policies and procedures for the mitigation, detection, and reporting of fraud. Recommendation: The College should continue efforts to ensure the adoption of an anti-fraud policy that addresses communicating, investigating, and reporting known or suspected fraud. We recommend that such policy, and related procedures: Provide examples of actions constituting fraud; Establish procedures for investigating potential or actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or College legal counsel if an incident involves College management; and protecting the reputation of persons suspected but not determined guilty of fraud; Require College personnel to maintain accurate records of reported known or suspected fraud.
  - The College has a history of vigorously following up on any implication of fraud or related matters and has followed its policies in place for conflict of interest and ethics violations.
  - We recognize the importance of this type of process and procedure, and as such have expanded our current policies and practices by documenting them into Board Policy as recommended.
  - The College has drafted a policy titled “Anti-Fraud Policy” and it’s currently in the approval process. A copy has been provided to the local Audit Team.

Sincerely,

Ava L. Parker, J.D.  
President.

