

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-049
November 2019

SANTA FE COLLEGE



Sherrill F. Norman, CPA
Auditor General

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SANTA FE COLLEGE

SUMMARY

This operational audit of Santa Fe College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2018-094. Our operational audit disclosed the following:

Finding 1: College records supporting payments for contractual goods and services need improvement.

Finding 2: Contrary to State law and Florida Department of Education (FDOE), Office of Educational Facilities (OEF), publications, the College made the final payment to the contractor who constructed the addition and renovation of College Building T before the OEF-required certificate of occupancy and certificate of final inspection documents were issued by the College.

Finding 3: Without soliciting competitive proposals, the College opted to renew the bookstore service contract in 2018, extending the contract through 2023. In addition, the College recorded commission revenue totaling \$732,084 from the contract for the 2018 calendar year; however, College personnel did not independently verify the accuracy of the commission revenue provided to the College pursuant to the contract.

Finding 4: Contrary to State law, the College assessed distance learning course fees for courses not listed in the Statewide Internet-based catalog of distance learning courses.

Finding 5: College policies and State law require officials responsible for making investment decisions or chief financial officer (CFO) to annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products. Notwithstanding, the College CFO only completed, during the period July 2017 through December 2018, 4 hours of the continuing education requirements.

Finding 6: College records could be improved to document the College direct-support organization's use of College property, facilities, and personal services.

Finding 7: The College needs to establish an off-site backup and alternate information technology processing facility to ensure that critical operations continue in the event of a disaster.

BACKGROUND

Santa Fe College (College) is under the general direction and control of the Florida Department of Education (FDOE), 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 eight members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

The College has a campus in Gainesville and educational centers in Alachua, Archer, Gainesville, Keystone Heights, and Starke. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Alachua and Bradford Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Contractual Goods and Services

Effective contract management requires and ensures that, prior to payment, College personnel who have direct knowledge of the contracted goods or services document satisfactory receipt of the items. For the 2018 calendar year, College payments for contractual goods and services totaled \$4.5 million.

As part of our audit, we examined College records supporting 11 selected payments totaling \$402,669 relating to 11 contracts to determine the propriety of the payments. College records evidenced that the College designed and implemented internal controls that generally ensure payments are consistent with contract terms and provisions. However, for 3 payments totaling \$49,701 relating to 3 contracts, including dental service, public safety, and health education and clinical care contracts, we identified certain control deficiencies. Specifically:

- Although we requested, College records supporting the April 2018 payment of \$21,721 for dental services and the December 2018 quarterly payment of \$14,980 for public safety goods and services were not provided to evidence that College personnel with direct knowledge documented satisfactory receipt of the contracted goods and services. The Board contract with a State university for dental services was for services provided by a full-time professional and a full-time clinical assistant professor for monthly payments totaling \$260,655 for the 2018 calendar year. The Board contract with the Alachua County Sheriff's Office for \$59,921 for the 2017-18 fiscal year was for three full-time personnel to provide training services for the College Institute of Public Safety, a minimum of 40 tires for driver training, and use of three patrol cars.
- Our examination of College records supporting the September 2018 payment of \$13,000 for health education and clinical care services and discussions with College personnel confirmed that the College made the payment before services were rendered. The Board contracted with a State university to provide a full-time advanced registered nurse practitioner and a support staff member for 40 hours per week for the College Health Education and Clinical Care Program. The contracts totaling \$156,000 for the period January 2018 through December 2018 required the College to make monthly prepayments for the services. However, although we requested, College records were not provided to evidence how prepayments would effectively ensure services would be satisfactorily received.

In response to our inquiry, College management indicated that documented receipt of services by personnel with direct knowledge of services rendered is not necessary since College programs cannot operate without the contractual personnel and College contract administrators are responsible for informing the business office if contractual terms are not fulfilled. The College determined that the agreement terms are fulfilled when, for example, the dental clinic is open and serving students. In addition, the College indicated that funds are paid in advance for the health education and clinical care services pursuant to the agreement so monthly invoices are unnecessary. Notwithstanding this response, absent effective procedures requiring evidence of satisfactory receipt of contractual goods and services prior to payment, there is an increased risk that the College may make overpayments, goods and services may not be received consistent with Board expectations, and any overpayments that occur may not be timely detected or recovered.

Recommendation: To ensure goods and services are received in accordance with contract provisions and Board intent, College personnel with direct knowledge of goods and services should document satisfactory receipt of such before payments are made.

Finding 2: Construction Administration

State law¹ provides that the Board may not occupy a facility until the project has been inspected to verify compliance with statutes, rules, and codes affecting the health and safety of the occupants. The Board is also required to provide project data to the Florida Department of Education (FDOE), as requested, for purposes and reports needed by the Legislature.

Pursuant to the FDOE, Office of Educational Facilities (OEF), publications,² final payment shall not be made until an OEF-required certificate of occupancy (COO) has been issued, the project has been completed, and the Board has accepted the project. Additionally, for all projects greater than \$300,000, the Board is to submit a copy of the certificate of final inspection (COFI) to the FDOE after the project has been inspected for occupancy and approved by the Board. The COO is to be signed by the College President or designee and the project architect or engineer and certified inspector, building official, and contractor, attesting that the subject property is ready for occupancy. The COFI is to be signed by the College President, attesting to the Board's acceptance, and the project architect or engineer and building official, attesting that the project is complete. Completed certificates are to be electronically transmitted to the FDOE.

As part of our audit, we requested for examination College records relating to the \$1.1 million project to add 1,720 square feet to and renovate the existing 1,640-square-foot Building T, which houses the Santa Fe College Police Department. College records indicated that, in April 2018, the contractor finished the certificate of substantial completion for the project and, in September 2018, the Board accepted the project as complete and made the final payment of \$58,489 to the construction contractor.

In response to our inquiry, College management indicated that the addition was occupied in January 2018 and that, in April 2018, the renovated building was occupied. On April 25, 2019, we requested the COO and COFI documents for examination; however, the documents were not available on that date but were made available after they were issued and transmitted to FDOE on April 26, 2019. According to College management, procedures had not been established to comply with State law and the *SREF* by timely issuing these documents before final payment for construction project services is made.

Timely issued and transmitted COO and COFI documents provide assurance that College facilities meet the prescribed safety standards and that construction services are completed and received as intended by the Board before final payment is made.

Recommendation: The College should establish procedures to ensure compliance with State law and the FDOE publications by timely issuing and transmitting the required certificate of occupancy and certificate of final inspection documents to the FDOE prior to final payment for construction services.

¹ Section 1013.37(2)(c), Florida Statutes.

² Section 4.2(3) and (4) of the *FDOE State Requirements for Educational Facilities - 2014 (SREF)*.

Finding 3: Bookstore Services and Related Commission Revenue

The Legislature has recognized in State law³ that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. In addition, contracts that generate commission revenue should require the vendor to provide records demonstrating vendor compliance with the contract and supporting the basis for the commission calculations. Such records should enable the College to recalculate and reconcile the commission revenue to the contract provisions.

The College entered into a 5-year bookstore contract, effective 2013, with a vendor based on a competitive selection process. Pursuant to the contract, the College exercised an option to renew the contract, effective 2018, for an additional 5 years through 2023; however, the College executed the contract renewal without soliciting competitive proposals.

The contract requires the vendor to periodically pay the College a commission based on a percentage⁴ of bookstore sales excluding non-commissionable sales,⁵ maintain records in accordance with accounting practices that sufficiently and properly reflect all revenue, and provide a financial and compliance audit of the bookstore to the College. According to College personnel, the audit would provide assurance as to the accuracy of the annual reported bookstore sales revenue, which is a necessary component for calculating commissions. The College recorded commission revenue monthly totaling \$732,084 from the bookstore for the 2018 calendar year and received some daily sales reports from the vendor. However, according to College personnel, they did not verify the commission received by multiplying bookstore sales (less non-commissionable sales) by the applicable commission revenue percentage in the contract. In addition, the College had not obtained the independent audit of the bookstore for any of the previous 5 years of the contract to help verify the accuracy of the bookstore sales reported.

Although we requested, records necessary to recalculate the commission revenue and verify the accuracy of the commission revenue received and recorded by the College were not provided for us. However, College management indicated that:

- As part of the original contract negotiation the College agreed to the contract renewal provision to receive a higher commission and have the vendor invest in College facilities.⁶
- The College was not subject to any statutory or legal requirement to re-solicit the bookstore services since the contract renewal option existed.
- The contract contained a termination clause if the College was not satisfied with the vendor's performance; however, the College was satisfied with the vendor's performance at the end of the first 5-year period and, therefore, the Board chose to renew the contract pursuant to the 2013 contract.

³ Section 287.001, Florida Statutes.

⁴ 14.1 percent of all sales up to \$7 million and 15.1 percent of all sales over \$7 million.

⁵ Non-commissionable sales include, for example, discounted departmental sales, computer hardware, and discounted faculty/staff sales.

⁶ The vendor contract required contractor to expend \$1 million within 18 months from contract inception toward College renovations, fixtures, and equipment. Any unexpended balance was required to be paid to the College without restriction.

- To verify the propriety of commission revenue, College personnel compared monthly sales and commissions revenue statement amounts to prior year statement amounts reported for the same months and evaluated significant variances. If there were any unexplained significant variances, College personnel considered a more detailed review of the monthly sales and commission revenue.
- Although the College did not determine it necessary to request prior year financial and compliance audits from the vendor, the College would request an audit report for the period ending October 2019.

Notwithstanding College management's responses, without documented competitive proposals to justify contract renewals over extended periods, documented monthly commission calculations and verifications, and contract-required audits of the accuracy of annual sales revenue, there is an increased risk that services will not be provided at the best value for the College and that the College will not receive the proper amount of bookstore commission.

Recommendation: To ensure bookstore services are provided at the best value, the College should:

- **Procure bookstore services, including contract renewals, using a documented competitive selection process.**
- **Obtain from the vendor:**
 - **The records necessary to verify the accuracy of the commission calculations.**
 - **The required financial and compliance audit report to evaluate the propriety of the reported annual bookstore sales.**
- **At least monthly, document verifications of the accuracy of commission revenue. Such verifications should include documented calculations of commission by multiplying the bookstore sales (less non-commissionable sales) by the applicable percentage stated in the bookstore contract.**

Finding 4: Distance Learning

State law⁷ provides, in part, that each college may assess a per credit hour distance learning course fee for a course listed in the Statewide Internet-based catalog of distance learning courses (Catalog). During the 2018 calendar year, the College offered 277 distance learning courses and generated distance learning fee revenue totaling \$763,650.

As part of our audit procedures, we reviewed the 277 courses coded as Web-based, Internet courses consisting of 1,174 course sections included in the College student registration system of courses offered for the 2018 calendar year to determine whether the courses and sections were listed in the Catalog. We found that 39 courses, consisting of 91 course sections, with distance learning fee revenue totaling \$56,220, were not listed. In response to our inquiry, College personnel indicated that the College only reports courses and course sections once each term at the recommended deadline; consequently, the Catalog did not include courses and course sections that were added after the reporting deadline to accommodate additional student enrollment.

⁷ Section 1009.23(16), Florida Statutes.

When distance learning courses are not listed in the Catalog, the College cannot demonstrate compliance with State law and students may incorrectly be assessed fees and not be informed of available distance learning opportunities.

Recommendation: The College should comply with State law by ensuring that all College distance learning courses and course sections for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

Finding 5: Investments – Continuing Education

At June 30, 2018, the College reported investments totaling \$24.7 million,⁸ including corporate notes totaling \$6.5 million, asset-backed securities totaling \$2.2 million, foreign notes totaling \$2.1 million, commercial paper totaling \$1.5 million, and mortgage-backed pass throughs totaling \$1.3 million. College policies require that surplus moneys be invested in those institutions and instruments permitted under the provisions of State law.⁹ The College invests surplus funds in accordance with policies that establish guidelines for investments and limits on security issues, issuers, and maturities in accordance with State law.

State law¹⁰ requires that investment policies provide for the continuing education of the officials responsible for making investment decisions or chief financial officer (CFO). Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products. According to College personnel, the College contracted with an investment management company for making investment decisions. However, the CFO was responsible for overseeing College investments and, during the period July 2017 through December 2018, only attended 4 hours of continuing education in subjects or courses of study related to investment practices and products. Our examination of the College investment policies¹¹ disclosed that the policies did not establish continuing education requirements for the officials responsible for making investment decisions or the CFO.

In response to our inquiry, College management indicated that the CFO did not complete the required continuing education hours because the College relied on the investment management company to make investment decisions based on the College investment policies. Notwithstanding, the CFO is responsible for overseeing College investments by presenting quarterly investment reports to the Board, addressing questions from those present at the meetings if the investment manager is not present, and corresponding with the College's investment management company. Without completing the required continuing education classes, the College did not comply with State law and there is an increased risk that the CFO may not possess the appropriate expertise to oversee College investments.

Recommendation: College investment policies should be revised to provide for the continuing education required by State law for the CFO. In addition, the College should ensure that the CFO annually completes the requisite continuing education.

⁸ The investments included College investments totaling \$8.4 million and investments totaling \$16.3 million that the College managed as fiscal agent for the Florida State College Risk Management Consortium.

⁹ Section 218.415(16), Florida Statutes. State Board of Education Rule 6A-14.0765(1), Florida Administrative Code, provides that College funds may be invested as authorized in Section 218.415, Florida Statutes.

¹⁰ Section 218.415(14), Florida Statutes.

¹¹ Board Investment Policy Statement.

Finding 6: Direct-Support Organization

To promote accountability over College property, facility, and personal services use, it is important that public records document the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. State law¹² 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 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 Santa Fe College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

As part of our audit, we interviewed College personnel and requested for examination College records related to the Foundation. According to College personnel, for the 2018 calendar year, the College contributed personal services in the amount of \$264,646 to the Foundation. College personnel indicated that this amount was based on the salaries and benefits costs for eight College employees who provided 10 to 80 percent of their work efforts to the Foundation. According to the job descriptions, all eight employees worked in the College Office of Advancement and used College property and facilities to, for example, seek, secure, and manage external funding from both private and public resources for the benefit and advancement of College students. However, as similarly noted in our report No. 2018-094, the College did not require or maintain records of the College employees' actual time and effort provided to the Foundation to support the purpose for the personal services provided or the related costs. As such, College records did not demonstrate that personal services costs were appropriately distributed among the specific College and Foundation activities. Additionally, although we requested, College records were not provided to evidence that the Board approved the personal services or facilities use, and the value of such use.

Also, 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, documenting when the Foundation used College resources and the purpose for and value of such use, and documenting College employee actual time and effort provided to the Foundation to support the purpose for and value of those services. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use.

Subsequent to our inquiries, in July 2019 the Board revised College rules¹³ to prescribe the conditions with which the College DSO must comply to use College property, facilities, and personal services, and approved for the 2019-20 fiscal year the anticipated Foundation use of College resources and the value of such use. In addition, as of that date, College management indicated that they were in the process of establishing procedures to document College employees' actual time and effort spent on Foundation activities.

¹² Section 1004.70(1)(a)2., Florida Statutes.

¹³ College Rule 2.3, *Direct Support Organization Use of College Resources*.

Recommendation: The College should continue efforts to document Board consideration and approval of the Foundation’s anticipated use of College resources, at least annually, before the use occurs. Additionally, the College should obtain certifications from Foundation management to affirm that College resources were used in accordance with the conditions for such use and document actual time and effort of employees on Foundation activities.

Finding 7: Information Technology – Disaster Recovery

Disaster recovery planning is an important element of information technology (IT) controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. The effectiveness of a disaster recovery plan requires key elements such as step-by-step procedures for recovery, identifying, and initiating the necessary agreements for an alternative processing facility to be used in the event of a disaster, and testing of the plan.

The College IT Service maintains two data processing centers in close proximity to one another on the College campus that provide Internet access and access to the College Web site and house and run the central-site hardware and systems software to support major College administrative systems, such as financial systems, human resources, and student records. The College developed a disaster recovery plan; however, the plan assumes one of the two data processing centers will remain usable without consideration of an alternate location to continue operations should the campus data centers become inoperable. Consequently, should the processing facilities on campus become disabled for an extended period of time, the College may have difficulty continuing IT operations. Subsequent to our inquiries in September 2019, College management indicated that discussions are underway to modify an existing classroom at the Blount Center in downtown Gainesville to serve as a redundant processing center.

Recommendation: The College should continue efforts to establish an alternate processing facility to help ensure the continuity of IT operations.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2018-094 except that Finding 6 was also noted in report No. 2018-094 as Finding 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 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. 2018-094.
- 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, and systems development and maintenance.
- 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 during the audit period for 27 of the 277 employees who had access such access to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and 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 over finance and human resource applications to determine whether these accounts had been appropriately assigned, managed, and monitored.
- Reviewed application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. From the population of 83 employees with access to the College enterprise resource planning system who separated from College employment during the audit period, we examined the access privileges for 23 selected former employees to determine whether their access privileges had been timely deactivated.
- Evaluated the appropriateness of the College's comprehensive IT disaster recovery plan effective during the audit period.
- Analyzed the College's Unrestricted Current Funds unencumbered balance at April 30, 2019, to determine whether the total was less than 5 percent of the approved operating budget, as specified in Section 1011.84, Florida Statutes.
- Determined whether one transfer in January 2018 for \$1.5 million and two transfers in January 2019 totaling \$4 million from the current restricted fund to the unexpended plant fund were submitted to the Division of Colleges Chancellor for review as required by State Board of Education Rule 6A-14.0716, Florida Administrative Code.
- Evaluated College procedures for protecting student and employee social security numbers (SSNs). We examined College records supporting the access privileges of the 34 employees who had access to student SSNs and the 19 employees who had access to employee SSNs at the time of our audit fieldwork in April 2019, to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined Board, committee, and advisory board meeting minutes and other College records to determine whether Board approval was obtained for Board policies and College procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records for the audit period to determine whether the College informed students and employees 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.

- From the population of three payments totaling \$61,166 to its direct-support organization (DSO) during the audit period, examined College records supporting two payments totaling \$61,091 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.
- Examined supporting documentation to determine whether required audits of the College DSO were timely performed pursuant to Section 1004.70, Florida Statutes, for the 2017 and 2018 fiscal years.
- Determined whether student tuition and fees totaling \$40.5 million that were assessed during the audit period pursuant to Section 1009.23, Florida Statutes, were within amounts authorized, paid into appropriate accounts to maintain accountability, and used as required by law.
- From the population of 277 distance learning courses with fee revenue totaling \$763,650 during the audit period, examined College records to determine whether distance learning courses were listed in the Statewide Internet-based catalog of distance learning courses in accordance with Section 1009.23(16)(c), Florida Statutes.
- From the population of ten decentralized locations with collections totaling \$1.3 million during the audit period, selected a location with collections totaling \$470,583 and examined College records supporting collections totaling \$55,875 to determine the effectiveness of College collection procedures.
- From receipts for rental of College facilities totaling \$239,194 during the audit period, examined nine facilities rental contracts totaling \$64,552 to determine whether the College properly monitored compliance with the contract terms for fees and insurance provisions.
- From the population of six contracts for auxiliary operations, which generated revenue totaling \$972,403 during the audit period, examined College records supporting a selected contract, which generated revenue totaling \$732,084, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether College auxiliary services were self-supporting.
- From the population of 1,959 course sections offered during the Fall 2018 Term, examined College records supporting textbook adoptions for 30 course sections to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of 34,335 compensation payments totaling \$66.1 million to employees during the audit period, selected 32 payments totaling \$44,149 to 32 employees and examined College records to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined records for 24 employees selected from a total of 956 faculty, career service, and technical and professional employees requiring annual performance evaluations who were employed by the College during the Spring 2018 Term to determine whether the College appropriately completed the employees' performance evaluations.
- Evaluated Board policies and College procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 118 employees who separated from College employment during the audit period and were paid \$979,037 for terminal leave, we selected ten employees with terminal payments totaling \$429,364 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 two employee contracts in effect during the audit period to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined compensation payments made to the President during the 2017-18 fiscal year to determine whether payments from State appropriated funds did not exceed the limits established in Section 1012.885, Florida Statutes.
- Evaluated Board policies and College procedures for obtaining personnel background screenings and examined College records for 20 of the 39 employees who worked in the College's Little School (for toddlers and preschoolers) during the audit period to determine if they had undergone the appropriate background screenings.
- 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 \$38.6 million for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$163,766.
 - 11 selected payments for contractual services totaling \$402,669.
- From the population of 1,913 purchasing card (P-card) transactions totaling \$258,539 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$3,240 to determine whether the P-card program was administered in accordance with Board policies and College procedures and that transactions were not of a personal nature.
- Examined P-card records for the four cardholders who separated from College employment during the audit period to determine whether the College timely canceled the cardholders' P-cards.
- From the population of 966 payments totaling \$62,849 during the audit period to employees for other than travel and compensation, examined College records supporting 31 selected payments totaling \$17,221 to determine whether such payments were reasonable, adequately supported, for valid College purposes, and whether such payments were not related to employees doing business with the College.
- Examined College records to determine whether selected Florida College System Risk Management Consortium payments processed by the College as fiscal agent of the Consortium were reasonable, correctly recorded, and adequately documented; for a valid purpose; properly authorized and approved; and in compliance with applicable laws and contract terms. Specifically, from the population of nonpayroll expenses totaling \$134.1 million for the audit period, we examined College records supporting:
 - 6 selected payments for general expenses other than travel totaling \$15.3 million.
 - 16 selected travel expense payments totaling \$31,383.
- From the population of 14 significant building addition, remodeling, and renovation projects (each exceeding \$100,000) with expenses totaling \$4.7 million during the audit period, selected 2 projects with guaranteed maximum price construction management contracts totaling \$1.9 million and expenses totaling \$1.6 million, and examined documentation to determine compliance with College policies and procedures and provisions of State laws and rules. We also:

- Evaluated College procedures for monitoring subcontractor selection and licensure and examined College records to determine whether the College ensured subcontractors were properly selected and licensed.
- Determined whether the College established and followed appropriate policies and procedures addressing the negotiation of general conditions costs.
- Examined College records supporting eight selected payments totaling \$1.1 million to determine whether College procedures for monitoring payments were adequate and payments were sufficiently supported.
- From the population of Public Education Capital Outlay and other restricted capital outlay expenses totaling \$8.8 million during the audit period, examined records supporting ten selected expenses totaling \$902,339 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 809 adult general education instructional students reported for 100,335 contact hours during the audit period, examined College records supporting 635 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 requirements.
- From the population of 555 industry certifications reported for performance funding during the 2017-18 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Determined whether the Board established appropriate investment policies and procedures and whether College investments during the audit period complied with those policies and procedures. Also, we determined whether any investment income was properly allocated to the funds that generated the investment income.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

SANTA FE COLLEGE

President Jackson N. Sasser

October 30, 2019

Ms. Sherrill F. Norman, CPA
Auditor General of the State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman,

In response to the preliminary and tentative audit findings and recommendations from your operational audit of Santa Fe College, we submit the following comments including corrective action taken or to be taken.

Finding 1: Contractual Goods and Services

Recommendation: To ensure goods and services are received in accordance with contract provisions and Board intent, College personnel with direct knowledge of goods and services should document satisfactory receipt of such before payments are made.

Response: College staff will review the payment processing of the three contracts identified in the finding and adjust the processing of payments as needed.

Finding 2: Construction Administration

Recommendation: The College should establish procedures to ensure compliance with State law and FDOE publications by timely issuing and transmitting the required certificate of occupancy and certificate of final inspection documents to the FDOE prior to final payment for construction services.

Response: College staff agrees that formal procedures are required and has begun to document procedures to ensure compliance for future projects.

Finding 3: Bookstore Services and Related Commission Revenue

Recommendation: To ensure bookstore services are provided at the best value, the College should:

- Procure bookstore services, including contract renewals, using a documented competitive selection process.
- Obtain from the vendor:
 - The records necessary to verify the accuracy of the commission calculations.
 - The required financial and compliance audit report to evaluate the propriety of the reported annual bookstore sales.

Office of the President

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October 30, 2019

Ms. Norman

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- At least monthly, document verifications of the accuracy of commission revenue. Such verifications should include documented calculations of commission by multiplying the bookstore sales (less non-commissionable sales) by the applicable percentage stated in the bookstore contract.

Response: The College takes its responsibility for competitive procurement seriously and believes its recommendation to renew the bookstore management services was a proper business decision for the College. However, the College will review the auditors finding and recommendation, State law and best practices in college bookstore management service arrangements regarding contract renewals for future opportunities. College staff has requested the vendor provide an independent audit report for the period ending October 2019 that verifies sales reported to the College and have begun a monthly reconciliation process to verify commission revenue.

Finding 4: Distance Learning

Recommendation: The College should comply with State law by ensuring that all College distance learning courses and course sections for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

Response: The College complied with the Florida Virtual Campus' (FLVC) submission deadline date to be included in the Statewide Internet-based catalog. To meet student demand distance learning courses were added to the College's course offerings after the FLVC deadline. College staff will ensure that distance learning courses added or dropped after the FLVC submission deadline are provided to FLVC as required.

Finding 5: Investments – Continuing Education

Recommendation: College investment policies should be revised to provide for the continuing education required by State law for the CFO. In addition, the College should ensure that the CFO annually completes the requisite continuing education.

Response: The College will ensure that its investment policy provides for the annual completion of 8 hours of continuing education in subjects or courses of study related to investment practices and products required by State law. Documentation of continuing education completion shall be provided as necessary.

Finding 6: Direct-Support Organization

Recommendation: The College should continue efforts to document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. Additionally, the College should obtain certifications from Foundation management to affirm that College resources were used in accordance with the conditions from such use and document actual time and effort of employees on Foundation activities.

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Ms. Norman
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Response: The College understands the importance of the accountability of its resources. The College agrees to continue to improve documentation to support the use of College resources by its direct support organization.

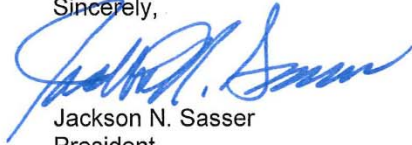
Finding 7: Information Technology – Disaster Recovery

Recommendation: The College should continue efforts to establish an alternate processing facility to help ensure the continuity of IT operations.

Response: The College is continuing its efforts to create another redundant processing center at an alternative location other than the northwest campus.

Should you have any questions regarding the College's responses, please contact, Ms. Ginger Gibson, Vice President for Administrative Affairs/CFO at (352) 395-5208 or ginger.gibson@sfcollge.edu.

Sincerely,



Jackson N. Sasser
President

cc: Ginger Gibson
Lisa Armour
Ed Bonahue
Patti Locascio
Naima Brown
Chuck Clemons
Liam McClay