

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-008
August 2021

**STATE COLLEGE OF FLORIDA,
MANATEE-SARASOTA**



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2020 through December 2020, Dr. Carol Probstfeld served as President of State College of Florida, Manatee-Sarasota, and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Edward A. Bailey, Chair from 9-29-20, Vice Chair through 9-28-20	Manatee
Tracy Knight, Vice Chair from 9-29-20	Sarasota
Robert A. Wyatt through 9-29-20, ^a Chair through 9-28-20	Sarasota
Jaymie Carter	Manatee
Dominic DiMaio	Manatee
Richard Dorfman through 10-15-20 ^b	Sarasota
John Horne	Manatee
Rodney P. Thomson	Sarasota

^a Member resigned 9-29-20, and Trustee position vacant through 12-31-20.

^b Member resigned 10-15-20, and Trustee position vacant through 12-31-20.

Note: One Trustee position was vacant for the entire year.

The team leader was Sehrish Ladhani and the audit was supervised by Rachel P. Sellers, 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.

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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

SUMMARY

This operational audit of State College of Florida, Manatee-Sarasota, (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2019-045. Our operational audit disclosed the following:

Finding 1: As similarly noted in our report No. 2019-045, the College did not always make timely efforts to collect payments from students with delinquent accounts.

Finding 2: The College did not always demonstrate compliance with State law by limiting laboratory fees to the costs of services provided. For the 2020 calendar year, the College collected laboratory fees totaling \$428,998.

BACKGROUND

State College of Florida, Manatee-Sarasota, (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 nine 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 Bradenton, Lakewood Ranch, and Venice. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Manatee and Sarasota Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Student Accounts Receivable Collection Procedures

State law¹ provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The law further provides that the Board may adopt rules to implement a collection process that includes setoff procedures and restrictions on the release of transcripts, awarding of diplomas, and access to other College resources and services.

Board rules² require that, to continue enrollment, students may not have any outstanding financial obligations to the College and, the rules delegate to the President of the College, or his/her designee, the authority to establish policies and procedures and penalties to ensure that financial obligations of

¹ Section 1010.03, Florida Statutes.

² Rule 6Hx14-15.11 – *Student Debt*.

enrolled students are timely settled. The College finance department internal collection procedures³ require that, after the last day of registration, a financial hold is to be placed on student accounts with outstanding balances. After the account balances are outstanding for 90 days, the student accounts are to be sent to a collection agency that is to notify the applicable students that they have 30 days to settle their debt before the account is placed on full collection status.

To evaluate the adequacy of College collection efforts associated with the 1,384 student accounts with receivable balances totaling \$789,731 and outstanding more than 90 days as of December 31, 2020, we examined College records supporting 30 selected student accounts with receivable balances totaling \$56,157. We found that College efforts did not comply with the internal collection procedures for 17 of the accounts with receivable balances totaling \$31,497. Specifically, College personnel did not timely:

- Place financial holds on 11 student accounts with receivable balances totaling \$19,506. The holds on these accounts were placed 36 to 220 days, or an average of 109 days, after the last day of registration or, if the receivable was created after the last day of registration, the date the receivable was created.
- Send 15 student accounts with receivable balances totaling \$32,421 to a collection agency. The 15 accounts were sent 142 to 755 days, or an average of 252 days, after the accounts were outstanding 90 days. Of these 15 accounts, 9 were also included in the 11 student accounts with delayed financial holds.

College personnel indicated the delays were caused by high turnover in the accounts receivable position, transitioning the position to the Cashiering Office and training, and staff shortages in 2020 due to transitioning daily operations to remote work during the COVID-19 pandemic. On April 27, 2021, the College wrote off 507 student accounts with receivable balances totaling \$291,046, including 8 student accounts with balances totaling \$16,681 that were included in the 17 accounts without timely collection efforts.

The timely placement of financial holds on student accounts and timely use of collection agencies could improve collections and reduce the amount of student accounts receivable written off as uncollectible. A similar finding was noted in our report No. 2019-045.

Recommendation: The College should enhance student accounts receivable collection efforts by timely placing financial holds on student accounts with outstanding balances and promptly sending accounts outstanding more than 90 days to a collection agency.

Finding 2: Laboratory Fees

State law⁴ authorizes the Board to establish user fees, such as laboratory fees (lab fees), that are in addition to tuition fees. Such user fees shall not exceed the cost of services provided and shall only be charged to persons receiving the service. In addition, the *Accounting Manual for Florida's College System (College Accounting Manual)* requires the Board to establish policies for the implementation of lab fees that provide justification for the additional fee, define which costs are in excess of base

³ Procedure, *Student Accounts to Collection Procedure*.

⁴ Section 1009.23(12)(a), Florida Statutes.

instructional costs, and describe the documentation required to support the additional charge, the time period for review of the fees, and the manner of presenting such fees to the Board for approval.

To establish lab fees, College procedures⁵ require the lab fee schedule to be reviewed each spring and new fees, revisions, or deletions to existing lab fees be submitted in writing to the Vice President, Academic Affairs Office, along with appropriate justification and back-up documentation. In addition, a Schedule of Course Fees is to be submitted to the Board each year for approval. College procedures also require that lab fees associated with each class or lab be reviewed by the Vice President of Business and Administrative Services at least once every 3 years as part of the catalog and budget preparation process. College procedures specify the special fee components (i.e., costs in excess of base instructional costs) that should be included in fee calculations for items such as non-reusable commercial tests, student liability insurance, lab supplies, computer supplies, art supplies, field trip expenses, and specialized software.

For the 2020 calendar year, the College collected lab fees totaling \$428,998. We requested for examination College records supporting lab fees ranging from \$50 to \$275.50 per student for five selected classes. According to College personnel and records, none of the five lab fees had been reviewed in the last 3 years. Specifically, the most recent documented reviews for the fees were 8 to 11 years prior to the 2020 calendar year.

In addition, although College personnel provided records, including vendor invoice support for costs such as non-reusable commercial tests and student liability insurance, to support costs for the lab fees for three of the five classes selected, our review of College records for the other two selected classes' lab fees disclosed that:

- A music class lab fee of \$240 per student was approved in 2012 based on adjunct faculty compensation at that time, and College records for the 2020 calendar year indicated that the adjunct faculty compensation costs incurred by the College for the class totaled \$335 per student. According to College personnel, because College procedures did not specifically prohibit lab fees based on adjunct faculty compensation, costs for those services should justify collection of the fees. Notwithstanding, although we requested, documentation was not provided to demonstrate how adjunct faculty compensation represented costs in excess of base instructional costs and, since College procedures did not explicitly identify adjunct faculty compensation as an allowable use of lab fees, the basis for the \$240 lab fee was not readily apparent.
- A computer science class lab fee for computer equipment and educational materials and supplies was assessed at \$50 per student; however, documentation only supported costs totaling \$26.50 per student. Although we requested, College personnel could not explain why the College assessed each student \$23.50 more than the supported amount.

Absent College records demonstrating that lab fees are reviewed at least once every 3 years and appropriate justification and back-up documentation supporting those fees, the College cannot demonstrate compliance with State law, the *College Accounting Manual*, and College procedures, and there is an increased risk that lab fees may exceed the cost of services provided in excess of the base instructional costs.

⁵ SCF Procedure 6HX14-1.07.01 – *Special Course/Lab Fee Instruction*.

Recommendation: To demonstrate compliance with the lab fee requirements and ensure that the fees do not exceed the cost of services provided in excess of the base instructional costs, the College should:

- **Maintain records to support lab fees, including evidence of the review of each fee at least once every 3 years and appropriate justification and back-up documentation, such as vendor invoices.**
- **Document the basis for including adjunct instructor compensation costs in lab fee calculations or exclude such amounts from the calculations and related fees.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2019-045 except that Finding 1 was also noted in report No. 2019-045 as Finding 2.

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 March 2021 through June 2021 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.

This operational audit focused on information technology resources and related controls; direct-support organizations; student fees; construction; unexpended plant related expenses; collection agency related expenses; and other processes and administrative activities. For those areas, our audit objectives 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. 2019-045.
- 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 areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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 2020 through December 2020 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 applicable laws, rules, College policies and procedures, and other guidelines, and interviewed College personnel to obtain an understanding of applicable processes and administrative activities.
- 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, disaster recovery, and incident response and 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 during the audit period for 25 of the 141 total users 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.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. From the population of 49 employees who had access to sensitive personal information of students during the audit period, we examined College records supporting the access privileges granted to 22 employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.

- Examined the College's unencumbered balance in the general fund to determine whether it was below the threshold established in Section 1011.84, Florida Statutes.
- From the population of 1,384 student accounts with receivable balances totaling \$789,731 and outstanding more than 90 days as of December 31, 2020, evaluated College records supporting 30 selected accounts with receivable balances totaling \$56,157 to determine whether College collection efforts were adequate and restrictions on student records were appropriate and enforced pursuant to Section 1010.03, Florida Statutes, and College Administrative Procedure 5.11.01.
- From the population of \$6.7 million in user fees collected during the audit period, examined College records supporting selected collections totaling \$5.9 million, including \$428,998 in lab fees, for compliance with Section 1009.23, Florida Statutes.
- From the population of \$4.6 million in expenses from collected user fees, examined College records supporting 31 selected expenses totaling \$1 million, including 14 selected expenses totaling \$148,770 from student activity and service fees, 9 selected expenses totaling \$478,953 from technology fees, and 8 selected expenses totaling \$411,923 from capital improvement fees, for compliance with the restrictions imposed on the use of those fees.
- Reviewed documentation related to the major construction project contract totaling \$6.3 million and with total construction costs of \$6.2 million during the audit period to determine whether the College process for selecting design professionals and construction managers complied with Section 287.055, Florida Statutes; the College 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 major construction project with construction costs totaling \$6.2 million and in progress during the audit period, selected seven payments totaling \$1.5 million 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.
- From the population of expenses totaling \$16.3 million from Public Education Capital Outlay and other restricted capital outlay resources during the audit period, examined records supporting 30 selected expenses totaling \$2.6 million to determine whether the expenses complied with the restrictions imposed on the use of these resources.
- Evaluated College controls for selecting the collection agency used by the College during the audit period and whether the controls effectively ensured compliance with applicable State laws.
- Examined College records supporting payments totaling \$740,097 from the population of payments totaling \$2.9 million from the College to its direct-support organization (DSO) during the audit period, to determine whether the payments were authorized payments 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 College procedures for prohibiting employees from soliciting or accepting gifts in connection with any decision, approval, disapproval, or recommendation affecting the institution's purchasing or contracting decisions.
- From the population of 181 industry certifications reported as attained by students for performance funding during the 2019-20 fiscal year, examined 26 industry certifications to

determine whether the College maintained documentation to support student attainment of the industry certifications.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

OFFICE OF THE PRESIDENT
Carol F. Probstfeld, Ed.D.

August 5, 2021

Sherrill F. Norman, CPA
Auditor General
3505 East Frontage Rd, Suite 350
Tampa, FL 33607

Dear Ms. Norman:

In response to your letter dated August 2nd, 2021, regarding the operational audit for the State College of Florida, Manatee-Sarasota, you will find attached a written statement of explanation and proposed corrective actions to the Preliminary and Tentative Audit Findings.

Please let me know if you have questions or need additional information.

Respectfully,

Dr. Carol F. Probstfeld, President
State College of Florida, Manatee-Sarasota
5840 26th Street West
Bradenton, Florida 34207

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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND
RECOMMENDATIONS

OPERATIONAL AUDIT
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2020

The following is the State College of Florida, Manatee-Sarasota (SCF) response to the findings identified in the State Auditor General's Operational Audit Report for the Calendar Year Ended December 31, 2020.

RESPONSE TO FINDINGS AND RECOMMENDATIONS

Finding No. 1: Student Accounts Receivable Collection Procedures

Recommendation: The College should enhance student accounts receivable collection efforts by timely placing financial holds on student accounts with outstanding balances and promptly sending accounts outstanding more than 90 days to a collection agency.

College Response: SCF will improve the timeliness of financial holds and the delivery of outstanding accounts to a collection agency.

Finding No. 2: Laboratory Fees

Recommendation: To demonstrate compliance with the lab fee requirements and ensure that the fees do not exceed the cost of services provided in excess of the base instructional costs, the College should:

- Maintain records to support lab fees, including evidence of the review of each fee at least once every 3 years and appropriate justification and back-up documentation, such as vendor invoices.
- Document the basis for including adjunct instructor compensation costs in lab fee calculations or exclude such amounts from the calculations and related fees.

College Response: SCF will ensure regular review of each laboratory fee with appropriate justification and documentation.