

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-046
November 2021

GULF COAST STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2020, Dr. John Holdnak served as President of Gulf Coast State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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Donald R. Crisp	Bay
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Steve D. Millaway	Bay
Ralph C. Roberson	Gulf
Joe K. Tannehill Jr.	Bay
David P. Warriner	Gulf

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

The team leader was Melissa F. Hall, CPA, and the audit was supervised by Shelly G. Curti, 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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GULF COAST STATE COLLEGE

SUMMARY

This operational audit of Gulf Coast State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2019-046. Our operational audit disclosed the following:

Finding 1: College controls over contracted services and related payments could be enhanced.

BACKGROUND

Gulf Coast 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 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 Panama City and Port St. Joe. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Bay, Gulf, and Franklin Counties.

FINDING AND RECOMMENDATION

Finding 1: Contracted Services

Effective management for contracted services requires and ensures that contracts establish the basis for payment and that services and vendor invoices conform to contract terms before payment. For the 2020 calendar year, College expenses for contracted services, other than construction services, totaled \$2.2 million. The Board routinely enters into contracts for such services and internal controls have been designed and implemented to ensure payments are generally consistent with contract terms and conditions.

As part of our audit, we examined College records supporting 13 selected contracted services payments totaling \$687,747 to seven contractors to determine the propriety of the payments and found that College controls over these services and related payments could be enhanced. Specifically:

- College records indicated that costs associated with consulting services totaled \$123,888. College personnel indicated that the services received were funded by two grants for communication and community partnerships associated with projects for renovating, supporting, and revitalizing the Tyndall Air Force Base after damage by Hurricane Michael. However, the consultant to be utilized, amounts to be paid, and deliverables were not specified in the grants or otherwise preauthorized by College contracts, purchase orders, or other College records. Additionally, the consulting services invoices included a monthly fee without identifying any deliverables and College personnel did not document approval for payment for the services.

- The College contracted in 2018 with a university police department for campus day security services. The contract required the College to pay the university to train and employ “an agreed upon number of full-time police officers.” For the 2020 calendar year, the College paid \$191,974 for these services at invoiced hourly rates varying from \$29 to \$35 per hour; however, neither the contract nor other College records established hourly rates with the university for these services, how many officers would be employed, or how many hours and days would be expected for full-time campus day security services. In addition, the College Director of Financial Accounting received and approved the invoices for campus day security services but, although we requested, College records were not provided to demonstrate that someone with direct knowledge documented satisfactory receipt of the services.
- In 2015, a College vice president approved a vendor form for campus night security services that required an officer from the Panama City Police Department to provide services from 11 pm to 7 am at a minimum rate of \$25 per hour. For the 2020 calendar year, the College paid \$36,876 for the campus night security services which were billed at \$3 per hour more than the \$25 minimum hourly rate. The College Director of Financial Accounting received and approved the invoices for the campus night security services but, although we requested, College records were not provided to demonstrate that someone with direct knowledge documented satisfactory receipt of the services.

In response to our inquiry, College personnel indicated that a new employee monitored the two grants that funded the consulting services but inadvertently did not establish a contract for the services or request supporting documents, such as detailed progress reports or a list of specific tasks provided by the services, prior to payment. College personnel also agreed that the College needs to specify in the campus day security services contract the number of police officers and service time frames. According to College personnel, personnel with direct knowledge of the campus day and night security services monitored, but did not document, receipt of those services; and the College had not established campus day security service rates with the university. When procedures are not effective to require and ensure that contracts establish the basis for payment and that services and vendor invoices conform to contract terms before payment, there is an increased risk that the College may make overpayments, services may not be received consistent with Board expectations, and any overpayments that occur may not be timely detected or recovered.

Recommendation: The College should enhance procedures to ensure that contracts establish the basis for payment and that services and vendor invoices conform to contract terms before payment. Such enhancements should include appropriately established contracts describing the price, deliverables, and agreed-upon conditions and terms and appropriate documentation demonstrating satisfactory receipt of services at agreed-upon prices prior to payment.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2019-046.

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 2021 through July 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; student fees; textbook affordability; contracted services, other 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. 2019-046.
- 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. 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 data center physical security, authentication, and disaster recovery.
- Examined College records supporting the access for 13 employees assigned access privileges to either the finance or payroll applications 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.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. From the population of 61 employees who had access to sensitive personal information of students during the audit period, we examined College records supporting the access privileges granted to 21 employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined College accounting records to determine whether the College's unencumbered balance in the general fund was below the threshold established in Section 1011.84, Florida Statutes.
- Examined College records supporting textbook adoptions for the 793 course sections offered during Fall 2020 Semester to determine whether College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of 5,211 students enrolled as Florida residents during the audit period, examined College records for 30 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, and 1009.23, Florida Statutes, and State Board of Education Rules 6A-10.044 and 6A-14.054, Florida Administrative Code.
- From the population of 240 distance learning courses with fee revenue totaling \$489,024 during the Fall 2020 Semester, examined College records supporting 40 selected distance learning courses with fee revenue totaling \$13,590 to determine whether the distance learning fees were assessed, collected, and separately accounted for in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- From the population of capital improvement fees totaling \$571,976 during the audit period, examined College records to determine whether the College properly assessed and separately accounted for the amounts as required by Section 1009.23(11), Florida Statutes.
- From the collections totaling \$9,964 at the College's dental clinic, selected and examined College records supporting collections totaling \$3,179 to determine the effectiveness of the College's collection procedures for the dental clinic.

- Evaluated Board policies and College procedures for obtaining personnel background screenings to determine compliance with Section 1012.8551, Florida Statutes, and reviewed College records to determine whether background screenings for contractor workers with direct contact with persons under age 18 were obtained in accordance with College procedures.
- Evaluated Board policies and College procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from College employment, insurance benefits were timely canceled as appropriate based on Board policies. We also determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- 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 contracted services expenses (not related to construction) totaling \$2.2 million during the audit period, examined College records supporting selected contracted services payments totaling \$687,747 to determine whether services were competitively selected, contracts were timely executed, and receipt of services was properly documented.
- From the population of purchasing card (P-card) transactions totaling \$212,069 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$56,189 to determine whether the P-card program was administered in accordance with Board policies and College procedures and transactions were not of a personal nature.
- Examined P-card records for the seven cardholders who separated from College employment or no longer needed the card during the audit period to determine whether the College timely canceled the cardholders' P-card.
- From the population of five transfers out totaling \$6.1 million from the Current Funds – Restricted, Scholarship, and Retirement of Indebtedness Funds, examined College records supporting two transfers out totaling \$5.7 million to determine the propriety of the transfers.
- From the population of 33 non-Federal programs with expenses totaling \$2.5 million during the audit period, examined College records supporting 2 programs' expenses totaling \$1.1 million to determine whether the expenses were approved by authorized personnel, authorized by the grant terms, reasonable, and properly coded and whether any equipment purchases were used to accomplish program activities and identified by appropriate records evidencing College ownership.
- From the population of 299 industry certifications reported for performance funding that were attained by students during the 2019-20 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



November 3, 2021

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

Re: Gulf Coast State College
Response to Operational Audit
Preliminary & Tentative Finding

Dear Ms. Norman,

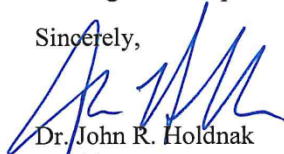
The following is Gulf Coast State College's response to the Preliminary and Tentative Finding resulting from the college's recent operational audit.

Finding 1: Contracted Services

Recommendation: The College should enhance procedures to ensure that contracts establish the basis for payment and that services and vendor invoices conform to contract terms before payment. Such enhancements should include appropriately established contracts describing the price, deliverables, and agreed-upon conditions and terms and appropriate documentation demonstrating satisfactory receipt of services at agreed-upon prices prior to payment.

Response: The College has taken steps to address the recommendation of the Auditor General's staff as stated above. Additional training has been provided to those involved in the contracting process, and those involved in the approval process will ensure appropriate terms are spelled out in all agreements prior to execution and payments are made accordingly.

Sincerely,



Dr. John R. Holdnak
President

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