

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2023-007  
August 2022

**COLLEGE OF CENTRAL FLORIDA**



Sherrill F. Norman, CPA  
Auditor General

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During the period January 1, 2020, through December 31, 2020, Dr. James D. Henningsen served as President of the College of Central Florida and the following individuals served as Members of the Board of Trustees:

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Note: Three Trustee positions were vacant during the entire period.

The team leader was Kara Cain, and the audit was supervised by Denita K. Tyre, CPA.

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

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# COLLEGE OF CENTRAL FLORIDA

## **SUMMARY**

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This operational audit of the College of Central Florida focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2019-133. Our operational audit disclosed the following:

**Finding 1:** Contrary to State law, the College disbursed extra compensation payments totaling \$1.2 million to 799 employees and paid \$206,360 for employee benefits associated with those payments.

**Finding 2:** Contrary to Florida Department of Management Services rules, the College contributed \$118,933 to the Florida Retirement System for extra compensation prohibited by State law.

**Finding 3:** The College did not always properly calculate and pay construction management entity (CME) fees. As a result, the College incurred questioned costs totaling \$25,684.60 associated with CME fees for the Health Science Technology Education Center (HSTEC Project) Phases 2 and 3, which had contract costs totaling \$2.6 million. A similar finding was noted in our report No. 2019-133.

**Finding 4:** The College needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs, which totaled \$417,892 for HSTEC Project Phases 2 and 3.

**Finding 5:** The College did not verify the licenses of applicable subcontractors before they commenced work on the HSTEC Project.

**Finding 6:** College textbook affordability procedures continue to need improvement.

**Finding 7:** College procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). A similar finding was noted in our report No. 2019-133.

**Finding 8:** College controls over contracted services and related payments could be enhanced.

**Finding 9:** College records did not always demonstrate compliance with applicable requirements to separately identify Public Education Capital Outlay (PECO) expenses in the College general ledger, ensure the general ledger PECO expenses appropriately supported amounts reported to the FDOE, or evidence that PECO funding was used only for authorized purposes, resulting in questioned costs of \$2 million.

**Finding 10:** As similarly noted in our report No. 2019-133, the College did not periodically purge the sensitive personal information of prospective students from the College information system to reduce the risk of unauthorized disclosure or misuse.

## **BACKGROUND**

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The College of Central Florida (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes

a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

The College has a main campus, the Vintage Farm campus, a special-purpose center, and a museum located in Ocala. The College also has a campus located in Lecanto and a campus located in Chiefland. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Marion, Citrus, and Levy Counties.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Extra Compensation**

State law<sup>1</sup> prohibits the College from making extra compensation payments to employees after services have been rendered. State law also provides that any policy, ordinance, rule, or resolution designed to implement a bonus scheme must base the award of a bonus on work performance; describe the performance standards and evaluation process by which a bonus will be awarded; notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and consider all employees for the bonus.

On May 26, 2021, the Board approved a non-recurring, one-time payment to full-time and part-time employees. The payment was based on 5 percent of the annual base salary plus \$500 for full-time employees and was \$250 for part-time employees. To be eligible for the payment, the employee had to be employed on or before December 31, 2020, and at the time of payment. In June 2021, the College disbursed the extra compensation payments totaling \$1.2 million to 799 employees and paid \$206,360 for employee benefits associated with the payments. As noted in Finding 2, \$118,933 of the employee benefit payments related to contributions to the Florida Retirement System (FRS) resulting from the extra compensation payments.

In response to our inquiries regarding how the June 2021 payments complied with State law, College personnel indicated that the College considered the compensation a pay increase given at the end of the fiscal year after the College determined funds were available and did not consider the compensation a bonus. Notwithstanding this response, since the payments were made after the employees had rendered services, did not increase the employee's base rate of pay, and were not a bonus, the payments represent extra compensation prohibited by State law.

**Recommendation: The College should abstain from making extra compensation payments to employees after services have been rendered.**

### ***Follow-Up to Management's Response***

*Management's response states that such compensation was intended to incentivize future performance and retain employees, was not tendered for services that had previously been rendered, did not constitute extra compensation, and was not contrary to law or prohibited. Notwithstanding this response, the*

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<sup>1</sup> Section 215.425, Florida Statutes.

payments did not increase the employees' base rate of pay and were not bonuses pursuant to Section 215.425(3), Florida Statutes. Consequently, the payments were extra compensation, which is prohibited by the State law cited in footnote 1, and the finding stands as presented.

## **Finding 2: Florida Retirement System Contribution Payments**

Florida Department of Management Services (DMS) rules<sup>2</sup> provide that a payment made in addition to an employee's regular salary that does not increase the employee's base rate of pay is not considered compensation and shall not be reported to the FRS as salary for retirement purposes. DMS rules<sup>3</sup> also provide for the calculation of retirement benefits for FRS members upon retirement, with the defined benefit calculation based, in part, on the FRS member's average final compensation. According to DMS rules,<sup>4</sup> average final compensation is to include all payments defined as compensation by DMS rules.

As noted in Finding 1, the College made payments totaling \$1.2 million for extra compensation. The payments did not increase the employees' base rate of pay and, therefore, were not compensation under DMS rules. However, contrary to DMS rules, the College reported the extra compensation to the FRS as regular compensation and contributed \$118,933 to the FRS related to those payments. In response to our inquiries, College personnel indicated that they were not aware of the provisions in DMS rules, have since contacted the FRS, and plan to correct and submit payroll information in July or August 2022 to reduce future FRS contributions by the overcontributed amount.

**Recommendation: The College should establish procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS as salary for retirement purposes. In addition, the College should continue efforts to correct the \$118,933 contributed to the FRS in error.**

### **Follow-Up to Management's Response**

*Management's response indicates that, based on the conclusion that the underlying compensation was legal and proper, the corresponding contributions to the FRS were appropriate and required. Notwithstanding, DMS rules provide that a payment made in addition to an employee's regular salary that does not increase the employee's base rate of pay is not considered compensation and shall not be reported to the FRS as salary for retirement purposes. To support the assertion that the contributions to the FRS were appropriate and required, the College should obtain documented confirmation from the FRS that such contributions complied with DMS rules.*

## **Finding 3: Monitoring Construction Pay Requests**

Pursuant to State law,<sup>5</sup> under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon and the CME may be compensated based on a percent of the

<sup>2</sup> DMS Rule 60S-6.001(6), (11), and (16), Florida Administrative Code.

<sup>3</sup> DMS Rules, Chapter 60S-4, Florida Administrative Code.

<sup>4</sup> DMS, Division of Retirement, Rule 60S-6.001(6), Florida Administrative Code.

<sup>5</sup> Section 1013.45(1)(c), Florida Statutes.

costs associated with the total services. The College contracted with a CME in June 2018 to construct the College Health Science Technology Education Center (HSTEC Project) on the College main campus in Ocala. During the period October 2019 through December 2020, College CME contracts for Phases 2 and 3 of the Project totaled \$2.6 million,<sup>6</sup> which included a CME fee of 5.5 percent of the total costs for each phase.

To evaluate College controls over CME pay requests and related payments for the HSTEC Project, we examined College records supporting all payments totaling \$2.6 million for Phases 2 and 3. We found that the CME fees included on the pay requests and paid by the College were sometimes miscalculated based on costs associated with changes to the contracts and also on total contract costs. As a result, the College incurred questioned costs totaling \$25,684.60 for CME fees. In response to our inquiry, College personnel indicated that questioned costs occurred because they misunderstood how to calculate CME fees.

Absent effective procedures to monitor and pay CME fees based on total costs, there is an increased risk that the College may overpay for CME services. A similar finding was noted in our report No. 2019-133.

**Recommendation: The College should enhance procedures for monitoring CME pay requests to ensure that CME fees are properly calculated based on total costs before payment is made to the CME. In addition, the College should evaluate and document the propriety of the questioned costs totaling \$25,684.60 and seek reimbursement from the CME for any overpayments.**

#### **Finding 4: General Conditions Costs**

A CME may be required to offer a guaranteed maximum price (GMP), which allows for the net cost savings (i.e., the difference between the actual costs of the project and the GMP amount) to be returned to the College or utilized for other purposes. GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing.

Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For GMP contracts that include general conditions costs, appropriate policies and procedures include, for example:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other colleges.
- Negotiations with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices.
- Verifications that general conditions costs for which reimbursement is requested are reimbursable costs as identified in the GMP contract.

<sup>6</sup> Phases 2 and 3 of the HSTEC Project were for preliminary site work, along with demolition to older buildings, to prepare for facility construction.

Phases 2 and 3 of the HSTEC Project included general conditions costs totaling \$417,892, which were established through change orders in August 2019 and February 2020, respectively, to the original contracts. In response to our inquiry, College personnel indicated in October 2021 that the former Director of Facilities negotiated general conditions costs by e-mail. However, although we requested, neither e-mails nor other College records were provided to document the methodology used and factors considered during the negotiation process to establish the reasonableness of the general conditions costs.

Additionally, our examination of College records supporting general conditions costs disclosed that, on monthly CME pay requests, the CME billed the College for the CME Project Executive Manager and Senior Project Manager salaries and other labor costs. For support, the CME provided an invoice listing CME employee positions and amounts paid on a monthly basis for labor costs. However, although we requested, College records were not provided to document applicable hours worked and employee pay rates to calculate the related labor costs. Consequently, College records did not sufficiently support the CME general conditions labor costs totaling \$179,676 and \$185,987 included on the CME pay requests for Phases 2 and 3, respectively.

College policies and procedures had not been established to require the maintenance of records documenting the methodology used and factors considered during the negotiation process or records to document CME staff work hours and pay rates. The absence of established policies and procedures contributed to the lack of available records to support the general conditions costs negotiation and payment processes. Absent effective negotiation of general conditions costs and review of detailed documentation, such as CME payroll records, substantiating the amounts of general conditions costs requested by the CME, the College may be limited in its ability to determine the propriety of those costs and to realize cost savings associated with general conditions costs in GMP contracts.

**Recommendation: The College should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating those costs. In addition, the College should include provisions in GMP contracts to require CMEs provide sufficient detailed documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.**

#### **Finding 5: Subcontractor Licenses**

State law<sup>7</sup> provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of service to be performed. State law<sup>8</sup> also establishes certain certification requirements for contracting services, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. However, the College had not established procedures requiring verifications of subcontractor licenses be performed and documented before subcontractors commence work on College facilities.

Phases 2 and 3 of the HSTEC Project included services totaling \$172,895 provided by four subcontractors required to be licensed for roofing, plumbing, and electrical. In response to our inquiry,

<sup>7</sup> Section 1013.45(1)(c), Florida Statutes.

<sup>8</sup> Chapter 489, Florida Statutes.

College personnel indicated that they did not verify subcontractor licenses but relied on the CME license verification process. However, the College did not evaluate the effectiveness of the CME subcontractor license verification process and, therefore, College reliance on that process provides limited assurance.

Timely documented verifications that subcontractors are appropriately licensed provides the College assurance that the subcontractors who will be working on College facilities meet the qualifications to perform the work for which they are engaged. As part of our audit procedures, we determined through online licensing searches that the four subcontractors were properly licensed. However, our procedures do not substitute for College management's responsibility to implement adequate internal controls over subcontractor services.

**Recommendation: The College should establish procedures to ensure that subcontractors are properly licensed before they commence work on College facilities. Such procedures could require College personnel to verify each subcontractor's license or, alternatively, to document evaluations of the effectiveness of the CME subcontractor license verification process.**

### **Finding 6: Textbook Affordability**

State law<sup>9</sup> requires the College to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.

College administrative procedures<sup>10</sup> require, before textbook adoptions are finalized, the departments to collect and maintain written or electronic certifications from course instructors attesting that all textbooks and instructional items ordered will be used, particularly each item sold as part of a bundled package, and that efforts were made to find less expensive alternatives. Course instructors are also to describe the extent to which a new edition differs substantially from earlier versions and the value of changing to a new edition. For all general education common core courses, a Collegewide department will choose an official textbook or create a list of no more than three official textbooks. In addition, the Collegewide department and individual instructors may choose to use materials in addition to the official textbook.

According to College personnel, the College contracted with a vendor to manage and operate the College Bookstore, as well as to compile and post lists of adopted textbooks on the College Bookstore Web site. Textbook and instructional material information was updated on the Web site and simultaneously made available through a link in the course registration system to the Web site. Our examination of College records and discussions with College personnel disclosed that:

- The College had not established effective procedures to ensure that textbook information was posted on the Bookstore Web site at least 45 days before the first day of classes. The textbooks and instructional materials for certain Summer 2020 and Fall 2020 course sections were posted an average of 32 days late and 23 days late, respectively. As the College only timely posted the textbooks and instructional materials for 358 (83 percent) of the 430 course sections for the Summer 2020 Term and 627 (67 percent) of the 931 course sections for the Fall 2020 Term, the

<sup>9</sup> Section 1004.085(5), Florida Statutes.

<sup>10</sup> Administrative Procedure, Implementing Procedure for Policy #4.01 / 3.07, *Textbook Adoption Procedures and Guidelines*.

College did not comply with State law requiring such information be timely posted for at least 95 percent of the course sections.

In response to our inquiries, College personnel agreed that textbook information was not always timely adopted and posted. Without evidence of the timely posting of textbook information on the College Bookstore Web site, the College cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.

- College records did not always demonstrate the proper completion and approval of instructor-prepared textbook affordability course certifications. Specifically, from the population of 2,185 course sections for the Spring 2020, Summer 2020, and Fall 2020 Terms, we requested for examination 30 certifications for required textbooks and 3 were not provided.

In response to our inquiry, College personnel indicated that the certifications were unavailable mainly due to staff turnover. Without properly completed instructor-prepared certification forms subjected to appropriate review and approval, increases the risk that instructors may use textbooks and instructional materials not adopted by their departments and students may purchase textbooks and instructional materials that are not needed for their courses.

Similar findings were noted in report Nos. 2019-133 and 2017-046.

**Recommendation: To demonstrate compliance with State law and College administrative procedures, the College should:**

- **At least 45 days before the first day of classes, prominently post in the course registration system and on its Web site, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.**
- **Maintain records that demonstrate the proper completion and approval of instructor textbook certifications.**

### **Finding 7: Adult General Education Classes**

State law<sup>11</sup> defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act<sup>12</sup> proviso language requires each college to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.<sup>13</sup> FDOE procedures state that fundable instructional contact hours are scheduled classroom hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. Additionally, State Board of Education (SBE) rules<sup>14</sup> require contact hours for online courses be reported based upon actual hours documented by an online software program or by an instructor.

<sup>11</sup> Section 1004.02(3), Florida Statutes.

<sup>12</sup> Chapter 2019-115, Laws of Florida, General Appropriations Act, Specific Appropriation 130, and Chapter 2020-111, Laws of Florida, General Appropriations Act, Specific Appropriation 134.

<sup>13</sup> The FDOE's Technical Assistance Paper: Adult General Education Instructional Hours Reporting Procedures, Dated September 2019.

<sup>14</sup> SBE Rule 6A-10.0381(10), Florida Administrative Code.

For the Spring, Summer, and Fall 2020 Terms, the College reported a total of 14,625 instructional contact hours for 146 students enrolled in 64 adult general education classes. As part of our audit, we requested for examination College records for 2,061 reported contact hours for 30 selected students enrolled in 40 adult general education classes. We found that:

- Instructional contact hours for the Spring 2020 Term were overreported by 133 hours for 1 student enrolled in 2 classes.
- Attendance records supporting 192 reported Summer 2020 Term instructional contact hours for 7 students enrolled in 9 online classes could not be located.

In response to our inquiry, the College personnel indicated that the errors and lack of documentation resulted from the College's transition to online classes and teleworking due to the COVID-19 pandemic.

Since funding may be based, in part, on enrollment data submitted to the FDOE, it is important for the College to report accurate data. A similar finding was noted in report No. 2019-133.

**Recommendation: The College should strengthen controls to ensure instructional contact hours for adult general education classes are properly supported and accurately reported to the FDOE. Support should include appropriately detailed student attendance records to substantiate the accuracy of the reported hours.**

#### **Follow-Up to Management's Response**

*Management's response states that, for the 133 overreported hours for 1 student enrolled in 2 classes, the College could report scheduled student hours instead of student seat hours during the COVID-19 pandemic. The Florida Department of Education allowed such reporting if students met a ten-hour minimum direct instruction threshold before the scheduled student hours were reported. However, although we requested, College records were not provided to demonstrate that the student met the ten-hour minimum threshold. Consequently, the finding stands as presented.*

#### **Finding 8: Contracted Services**

Effective contract management requires and ensures that satisfactory receipt of services is documented and services conform to contract provisions and related costs before payments are made. The College routinely enters into contracts for services and has designed and implemented internal controls that generally ensure payments are consistent with contract terms and conditions.

For the 2020 calendar year, the College paid a total of \$9.2 million for contracted services not related to construction activities. As part of our audit procedures, we requested for examination College records supporting seven selected payments totaling \$4.1 million relating to nine contracts to determine the propriety of the payments and found that College controls over these services and related payments could be enhanced. Specifically:

- The College contracted with a sole-source information technology (IT) service provider in December 2003 for support and maintenance of the College enterprise resource planning system and the contract required an annual fee at (the provider's) then-current rates and provided for a current-rate discount. For the 2020 calendar year, the College continued to contract for provider services and paid the provider a total of \$540,079.

As part of our audit, we examined College records supporting a \$501,242 selected payment and found that College personnel documented satisfactory receipt of the services and approved payment of the invoice costs. However, although we requested, College records were not provided to evidence that College personnel had obtained the provider's then-current rates, along with any applicable discounts, to verify that the invoice costs were based on those rates and discounts.

In response to our inquiry, College personnel indicated that they compare the annual change in fees for this provider to the change in fees paid for other information technology services to evaluate the reasonableness of the annual fees. Notwithstanding this response, without procedures to verify the accuracy of the invoiced amounts, along with any applicable discounts, the College may overpay for these services.

- While the College employed individuals to provide campus security services at four locations, the services were mainly obtained by College contract with a security company on an as-needed basis when College employees did not provide the services.<sup>15</sup> The contracts for the 2020 calendar year required the College to pay company security officer services at hourly rates<sup>16</sup> and the officers to complete daily time sheets available for inspection by College personnel. For that year, the College paid \$346,109 for company security officer services and we found that College personnel documented satisfactory receipt of the services for two locations. However, although we requested, College records were not provided to demonstrate that College personnel with direct knowledge documented satisfactory receipt of services for the Ocala and Lecanto campuses.

In response to our inquiry, College personnel indicated that, for the Ocala and Lecanto campuses, company security service invoices were compared to College security employee schedules to verify that the College did not pay College employees and contracted services for the same shifts. Although College personnel believed these procedures were sufficient, subsequent to our audit procedures, College personnel obtained the time sheets supporting the invoices for the Ocala and Lecanto campuses and determined the invoice costs were appropriate.

Absent effective procedures for monitoring services and related costs for those contracts, there is an increased risk is 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: The College should enhance procedures to ensure that satisfactory receipt of services is documented and that the services and related costs conform to contract provisions before payments are made.**

#### **Follow-Up to Management's Response**

*Management's response states that, "if applicable discounts hadn't been applied to the invoices, the College would have paid 50% more than was paid" and that "tracking the year to year cost, comparing increases with other vendors and making sure all products on maintenance are in use and removed if not in use is the only way to keep costs in check." Notwithstanding management's response, College procedures should be enhanced to ensure that services and related costs conform to contract provisions before payments are made.*

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<sup>15</sup> Contracted security services were provided in Ocala at the main campus and the Appleton Museum and at the Lecanto and Chiefland campuses.

<sup>16</sup> Contracted hourly rates were \$13.64 per hour for January through June 2020 and \$15.64 for July through December 2020.

## Finding 9: Public Education Capital Outlay Expenses

State law<sup>17</sup> requires each Board to maintain fund accounting in a manner which will permit a detailed audit of the Public Education Capital Outlay (PECO) funds expended. State law<sup>18</sup> also requires the College to receive, account for, and expend all funds in accordance with law and SBE rules. SBE rules<sup>19</sup> require the College to keep financial records in accordance with the *Accounting Manual for Florida's College System (Accounting Manual)*, which provides an accounting system for colleges to uniformly classify activities and services performed between colleges and provide meaningful reporting.

According to the *Accounting Manual*, PECO revenues and related expenses should be recorded in the organization unit code for PECO in the accounting system general ledger. In addition, State law<sup>20</sup> requires the College to certify to the FDOE a project's compliance with the requirements for expenses of PECO funds prior to release of funds, including certifying the project meets the definition of a PECO project and the limiting criteria for expense of PECO funding.

Pursuant to SBE rules,<sup>21</sup> the Fixed Capital Outlay (FCO) 442 Form identifies legislatively approved PECO project appropriations and is used to demonstrate compliance with the PECO statutory certification requirement. The Form provides a mechanism for reporting PECO expense amounts and requesting and obtaining FDOE approval for PECO disbursements from the FDOE to the College. According to College personnel, Business Office personnel prepare the FCO 442 Form monthly using PECO expenses tracked by College personnel on a manual record, based on College budget and expense information, and electronically submit the form to the FDOE.

The Legislature appropriated PECO funds totaling \$6 million for the 2017-18 and 2018-19 fiscal years for the HSTEC Project.<sup>22</sup> In addition, the College reported HSTEC Project PECO expenses totaling \$5.15 million and received that amount from the FDOE. To determine whether the College general ledger properly supported PECO expense amounts reported to the FDOE, we compared the HSTEC Project's PECO expenses recorded in the College general ledger for the 2017-18 through 2020-21 fiscal years to the PECO expenses reported on the College FCO 442 Forms for that period. As shown in Table 1, we found that the recorded HSTEC Project PECO expense amounts exceeded the amounts reported by \$1,194,009.

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<sup>17</sup> Section 1013.64(1)(d), Florida Statutes.

<sup>18</sup> Section 1010.02(1), Florida Statutes.

<sup>19</sup> SBE Rule 6A-14.072, Florida Administrative Code.

<sup>20</sup> Section 1013.31(2), Florida Statutes.

<sup>21</sup> SBE Rule 6A-2.0010, Florida Administrative Code.

<sup>22</sup> Chapter 2017-70, Laws of Florida, General Appropriation Act, Specific Appropriation 20 for the 2017-18 fiscal year and Chapter 2018-9, Laws of Florida, General Appropriation Act, Specific Appropriation 23 for the 2018-19 fiscal year.

**Table 1**  
**HSTEC Project PECO Expenses**  
**2017-18 through 2020-21 Fiscal Years**

	Totals
Recorded in the General Ledger	\$6,275,673
Reported on the FCO 442 Forms	\$5,081,664
Difference	<u>\$1,194,009</u>

In response to our inquiry, College personnel explained that all HSTEC Project expenses, regardless of funding source, were recorded in the organization unit code for PECO and that local sources financed the \$1,194,009 difference. However, although we requested, neither the College general ledger nor other records were provided to detail the expenses included in the \$5,081,664 reported amount or in the \$1,194,009 difference recorded in the general ledger. Without separately identifying PECO expenses in the College general ledger and properly supporting amounts reported on FCO 442 Forms, College records did not demonstrate compliance with State law, SBE rule, and *Accounting Manual* requirements and the risk is increased that the College will violate the expense restrictions governing the use of PECO funding.

To evaluate College compliance with PECO expense restrictions, we requested for examination College records supporting selected expenses totaling \$4.6 million from the HSTEC Project PECO expenses recorded in the College general ledger for the 2019-20 and 2020-21 fiscal years. We determined that \$2.6 million was associated with the HSTEC Project and, therefore, complied with the statutory PECO restrictions. We also found that two payments totaling \$2 million were expended for a College energy savings contract to upgrade existing lighting and a chiller plant on the Ocala main campus where the HSTEC will be located. According to the energy savings contract, the chiller plant will serve buildings excluded from the scope of the HSTEC Project and future chiller plant connections will be made when the HSTEC is constructed.

In response to our inquiry, College personnel indicated that PECO funding was only used for \$800,000 of the \$2 million recorded in the College general ledger as PECO expenses and the energy savings contract was an allowable use of PECO funding. However, although we requested, College records were not provided to demonstrate how the \$800,000 represented allowable costs for the unconstructed HSTEC or will ultimately be used for future connections to the HSTEC. Absent such records, and without detailed support for the \$5,081,664 reported to the FDOE, the \$2 million represents questioned PECO costs subject to disallowance by the FDOE.

**Recommendation:** The College should demonstrate compliance with State law, SBE rule, and *Accounting Manual* requirements by separately identifying PECO expenses in the College general ledger, ensuring that general ledger PECO expenses appropriately support amounts reported on FCO 442 Forms, and ensuring that PECO expenses are only for authorized purposes. In addition, the College should provide documentation to the FDOE supporting the allowability of the \$2 million energy savings contract costs or restore this amount to the organization unit code for PECO in the general ledger.

## Finding 10: Prospective Student Sensitive Personal Information

The Legislature has recognized in State law<sup>23</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information.

The College collects and uses student SSNs for various purposes, such as to register newly enrolled students, comply with Federal and State requirements related to financial and academic assistance, and perform other College responsibilities. The College maintains sensitive personal records, including SSNs, of prospective, current, and former students. The College maintains former students' SSNs to provide student transcripts to universities and potential employers based on authorized requests. According to College personnel, the College retains prospective student records indefinitely as a procedural practice for the convenience of the applicant.

As of December 2021, according to the College IT Systems Analyst, the College IT system contained SSNs for 108,606 current and former students. The College also maintained a separate database for the 54,616 prospective students who applied for admission, but did not enroll, in the College. While State *General Records Schedules*<sup>24</sup> require retention periods of 5 years for certain records of students who apply for admission but are denied or who did not register, the College did not have a policy requiring prospective student records to be purged and did not document the public purpose served for indefinitely maintaining that information. The existence of unnecessary access to prospective student information for prolonged periods increases the risk of unauthorized disclosure of sensitive personal information and the possibility that the information may be used to commit a fraud against College students or others. A similar finding was noted in report No. 2019-133.

**Recommendation:** To ensure sensitive personal information, including SSNs, of prospective students who apply but do not enroll in the College is properly safeguarded, the College should document the public purpose served by retaining that information beyond 5 years and, based on that purpose, establish a reasonable time frame for retention and promptly remove the information when the time frame expires.

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

The College had taken corrective actions for findings included in our report Nos. 2019-133 and 2017-046 except as noted in Findings 3, 6, 7, and 10 and shown in Table 2.

<sup>23</sup> Section 119.071(5)(a), Florida Statutes.

<sup>24</sup> Florida Department of State, Division of Library and Information Services - *General Records Schedule GS5 For Public Universities and Colleges*, Item #97.

**Table 2**  
**Findings Also Noted in Previous Audit Reports**

Finding	Operational Audit Report No. 2019-133, Finding	Operational Audit Report No. 2017-046, Finding
3	1	Not Applicable
6	3	2
7	4	Not Applicable
10	7	Not Applicable

## **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 January 2022 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 selected College 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. 2019-133.
- 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, network configuration management, system backups, and disaster recovery.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the finance and human resources applications during the audit period for the 44 users 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. We examined College records supporting the access privileges granted to 35 employees with access to student's sensitive personal information to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it had been recently tested.
- Examined selected network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- 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 direct-support organization (DSO) must comply in order to use College property, facilities, and personal services and whether

the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the DSO and the related costs.

- Evaluated the effectiveness of College controls during the audit period to ensure that students who had not paid fees in an approved manner were not considered in calculating full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 355 distance learning courses with fee revenue totaling \$534,280 during the audit period, examined College records supporting 32 selected distance learning course sections with fee revenue totaling \$34,670 to determine whether distance learning fees were assessed, collected, and separately accounted for in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- Examined supporting documentation to determine whether the College properly calculated and assessed, in compliance with Section 1009.23, Florida Statutes, financial aid, student activity, technology, capital improvement, distance learning, laboratory, and application fees with revenue totaling \$4.6 million.
- From the population of 2,185 course sections offered during the audit period, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes. In addition, we requested for examination College records, such as instructor certifications that the course materials would be used in the course, supporting the listed course materials for 30 courses.
- From the population of supplemental duties payments totaling \$652,452 made to 303 employees during the 2020-21 fiscal year, selected payments totaling \$122,494 made to 8 employees and examined College records supporting the payments to determine whether selected supplemental duties payments were adequately documented and complied with Board policies.
- Examined College records supporting extra compensation totaling \$1.4 million paid for 799 employees in June 2021 to determine whether the payments were in accordance with Section 215.425(3), Florida Statutes, and whether the extra compensation reported, and the associated Florida Retirement System contributions totaling \$118,933, complied with Department of Management Services, Division of Retirement, Rule 60S-6.001(11), Florida Administrative Code.
- Examined compensation payments totaling \$1.3 million made to the nine administrative employees (including the College President) during the 2020-21 fiscal year to determine whether the amounts paid did not exceed the limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Reviewed Board policies 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 (other than construction) totaling \$9.2 million during the audit period, examined College records supporting selected contracted services payments totaling \$4.1 million to determine whether selected payments were reasonable; adequately documented; for a valid college purpose; properly authorized and approved; and in compliance with applicable State laws, contract terms, and Board policies.
- For the only major construction project with guaranteed maximum price contracts totaling \$2.6 million during the period October 2019 through December 2020, we:
  - Determined whether the College process for selecting the construction manager was in accordance with State law.

- Examined College records supporting four selected payments totaling \$791,314 to determine whether College procedures for monitoring payments were adequate and payments were sufficiently supported.
  - Examined College records supporting payments totaling \$2.6 million for Phases 2 and 3 to determine if the CME fees were properly calculated and paid.
  - Determined whether the College established appropriate policies and procedures addressing negotiation and monitoring of general condition costs.
  - Evaluated whether the College adequately monitored the selection process and licensing of subcontractors.
- Examined College records to determine whether the selection of an energy performance savings contractor complied with Section 1013.23, Florida Statutes.
  - From the population of capital improvement fee expenses totaling \$258,000 during the audit period, examined records supporting expenses totaling \$211,000 to determine whether College funds were expended in compliance with the restrictions imposed on the use of these resources.
  - From the population of Public Education Capital Outlay (PECO) expenses totaling \$6.3 million recorded in the general ledger for the Health Science Technology Education Center for the 2017-18 through 2020-21 fiscal years, examined records supporting selected expenses totaling \$4.6 million to determine whether PECO funds were properly accounted for and expended in compliance with the restrictions imposed on the use of these resources.
  - From the population of 146 adult general education instructional students reported for 14,625 contact hours for the Spring 2020, Summer 2020, and Fall 2020 Terms, requested for examination College records supporting 2,061 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 282 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.
  - Examined College records to determine whether the College's unencumbered balance in the general fund at June 30, 2020, was below the threshold established in Section 1011.84, Florida Statutes.
  - Examined College records to determine whether the process for selecting collection agencies was appropriate.
  - Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
  - Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
  - Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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

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

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## College of Central Florida Office of the President

July 27, 2022

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:

The following is our response to the findings in the audit period of January 1, 2020 – December 31, 2020 operational audit of the College of Central Florida.

**Finding No. 1:** Contrary to State law, the College disbursed extra compensation payments totaling \$1.2 million to 799 employees and paid \$206,360 for employee benefits associated with those payments.

**Finding No. 2:** Contrary to Florida Department of Management Services rules, the College contributed \$118,933 to the Florida Retirement System for extra compensation prohibited by State Law.

**Finding No. 1 & 2 Response:** Findings 1 and 2 stem from the Auditor General's conclusion that the College's disbursement of payments to employees were "contrary to" or "prohibited by" State law. This response will address both findings. As described below, the subject payments do not constitute "extra compensation" prohibited by law.

While no specific State law is cited, it is assumed for the purpose of this response that the Auditor General is referencing section 215.425, Florida Statutes, which provides, in relevant part, as follows: "(1) No extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered..." In this case, due to budget concerns related to COVID-19, enrollment projections, and other factors outside of the College's control, the College took a conservative approach and did not adopt salary increases for existing employees at the beginning of the fiscal year. Subsequently, during the fiscal year, it became apparent that the aforementioned concerns had not negatively impacted the College to the extent originally suspected and the College determined it to be prudent to adopt compensation increases for employees. Relevant to this inquiry, it is important to note that such compensation was not tendered for services that had been rendered. Such compensation was intended to incentivize future performance and retain employees in the midst of the most competitive job market in recent history. Since the payments were not tendered for services that had previously been rendered, they did not constitute "extra compensation" as such term is defined by section 215.425, Florida Statutes. Thus, the payments were not contrary to law or prohibited.

3001 SW College Road • Ocala, Florida 34474-4415  
Phone: 352-873-5835 • Fax: 352-873-5847 • E-mail: jim.henningsen@cf.edu  
– an equal opportunity college –

Concerning Finding 2, based upon the foregoing conclusion that the underlying compensation was legal and proper, corresponding contributions to the Florida Retirement System were appropriate and required, rather than prohibited by, State law and Florida Department of Management Services rules.

**Finding No. 3:** The College did not always properly calculate and pay construction management entity (CME) fees. As a result, the College incurred questioned costs totaling \$25,684.60 associated with CME fees for the Health Science Technology Education Center (HSTEC Project) Phases 2 and 3, which had contract costs totaling \$2.6 million. A similar finding was noted in our report No. 2019-133.

**Finding No. 3 Response:** The College concurs with the auditor's finding concerning the monitoring of construction pay requests and the paying of construction management entity (CME) fees. The College will ensure that the CME fee, overhead and profit are properly credited back to the College in future projects by double checking the line items in the Change Order or contingency adjustment. We have contacted the construction manager and they are going to reimburse the College via check for the overpayment of \$25,684.60 for the Health Science project and Phase 2 and Phase 3 of that project.

**Finding No. 4:** The college needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general condition costs, which totaled \$417,892 for HSTEC Project Phases 2 and 3.

**Finding No. 4 Response:** The College concurs with the auditor's finding concerning General Conditions Costs. The College verbally negotiated the Construction Manager (CM) Fee and provided a memo discussing comparable CM fees of previous College of Central Florida projects which were higher than the agreed upon 5.5%. Ultimately, we were unable to provide emails or other documentation that fully corroborated the in-person discussions that showed the fee was initially higher and was negotiated down. In future Pay Applications the College will request the CM provide employee time sheets to compare to the hours billed. The College is in the process of enhancing current Administrative Procedure No. 5.16 and 5.17 to include the following language...

Under Section II – Pre-Construction Services Contract Negotiation and Preparation –  
The Facilities Director and Project Manager will document the negotiations in writing including project fee comparisons.

**Finding No. 5:** The College did not verify the licenses of applicable subcontractors before they commenced work on the HSTEC Project.

**Finding No. 5 Response:** The College concurs with the auditor's finding concerning subcontractor licenses. In future projects the College will request the Construction Manager submit the Sub-Contractors licenses and numbers at the time the permit application is submitted. If the Sub-Contractors are still being selected they will be provided prior to the GMP being submitted for approval and review by the College Code Official.

**Finding No. 6:** College textbook affordability procedures continue to need improvement.

**Finding No. 6 Response:** The College concurs with the auditor's finding concerning textbook affordability. The college is currently working with a new vendor to purchase a software/database product (Simple Syllabus) which will allow us to be in compliance with the Textbook Affordability requirements for HB 7044; which requires the posting of course syllabi and textbooks for general education core courses at least 45 days in advance of the first day of instruction and be able to maintain a searchable database for a 5-year rolling window. Implementation is planned to be complete in early November 2022. Additionally, we will be expanding to use for all courses, therefore, the textbook information will be available without any dependency on a vendor, like Barnes & Noble, which has been problematic with the recording of static posting dates.

**Finding No. 7:** College procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education (FDOE). A similar finding was noted in our report No. 2019-133.

**Finding No. 7 Response:** The College agrees with the findings, however there were mitigating circumstances surrounding both findings. For the first finding that instructional contact hours for the Spring 2020 Term were overreported by 133 hours for 1 student enrolled in 2 classes, the student did have 3 hours of class time after the initial 12-hour orientation. This was during COVID-19 and our understanding was there was an exception that allowed us to report scheduled hours for students versus in seat hours. Explanation was given to auditor on 9/21/2021. For the second finding that attendance records supporting 192 reported Summer 2020 Term instructional contact hours for 7 students enrolled in 9 online classes could not be located, the adjunct instructor involved said he emailed sign-in sheets to full-time staff responsible for the attendance roster. Then the adjunct instructor left the college before the audit took place and we were unable to pull reports from his Zoom account to confirm attendance. As a result of these findings, the Adult General Education program has created local procedures and implemented effective ways to track and confirm attendance hours. We have created an Excel spreadsheet attendance roster that is updated daily by full-time adult education staff. We have the breakdown of the courses on the attendance roster and students are marked for attendance daily after they have signed in on the sign-in sheets that we also created. This was developed to assist with accurate reporting of attendance hours to the state (FLDOE). We keep the daily sign-in sheets in a file folder and attach the attendance roster at the end of every semester, so we have them for our records. We are currently not offering virtual or hybrid classes, due to the return of in-person classes in summer 2021.

**Finding No. 8:** College controls over contracted services and related payments could be enhanced.

**Finding No. 8 Response:** The College partially agrees with the audit finding concerning contracted Services. In the case of campus security services, the College will continue to obtain timesheets so that services billed can be verified. In the case of the Jenzabar agreement, the College compared the cost paid to previous years billings to ensure that the invoices paid were cost effective for the College and that Jenzabar wasn't overcharging the college. If applicable discounts hadn't been applied to the invoices, the College would have paid 50% more than was paid. Tracking the year to year cost, comparing increases with other vendors and making sure all products on maintenance are in use and removed if not in use is the only way to keep costs in check.

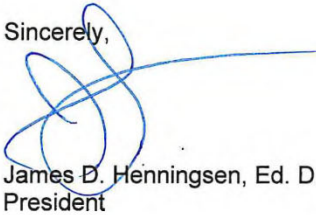
**Finding No. 9:** College records did not always demonstrate compliance with applicable requirements to separately identify Public Education Capital Outlay (PECO) expenses in the College general ledger, ensure the general ledger PECO expenses appropriately supported amounts reported to the FDOE, or evidence that PECO funding was used only for authorized purposes, resulting in questioned costs of \$2 million.

**Finding No. 9 Response:** The College will comply with the auditor's recommendations and applicable guidelines set forth in the Accounting Manual for Florida's College System concerning the technical codes assigned to PECO expenses in the general ledger. As a result of this amendment to organization unit codes, the records will clearly demonstrate that all PECO funds were expended properly, on authorized projects, and in the most efficient and cost-effective manner.

**Finding No. 10:** As similarly noted in our report No. 2019-133, the College did not periodically purge the sensitive personal information of prospective students from the College information systems to reduce the risk of unauthorized disclosure or misuse.

**Finding No. 10 Response:** The College concurs with the auditor's findings concerning the safeguarding of sensitive personal information. The College is in the process of developing a procedure to document the public purpose and or disposing of that information over the five-year timeline for keeping sensitive personal information.

Sincerely,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

James D. Henningsen, Ed. D.  
President

JDH/cap