

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2026-058
December 2025

PALM BEACH STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

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The Auditor General conducts 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.

The team leader was Tracey Walker-White, and the audit was supervised by Yvonne McNaughton, 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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PALM BEACH STATE COLLEGE

SUMMARY

This operational audit of Palm Beach State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2023-058. Our operational audit disclosed the following:

Finding 1: College controls over guaranteed maximum price construction contracts and related payments could be enhanced.

Finding 2: College textbook affordability procedures continue to need improvement.

Finding 3: Contrary to State law, the College assessed distance learning course fees for 109 courses, including 273 course sections that generated distance learning fee revenue totaling \$136,720, without listing the courses and fees in the Statewide Internet-based catalog of distance learning courses.

Finding 4: College controls over credit card expense approvals and cancellations could be enhanced to promote accountability.

Finding 5: Contrary to Board policies and College procedures, performance appraisals were not always timely completed for College personnel.

BACKGROUND

Palm Beach State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of 5 members appointed by the Governor and confirmed by the Senate. The Student Body President also is a member. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Construction Administration

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be retained by the College.

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 supervisions, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established procedures that provide appropriate guidance for effectively 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 procedures include verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records, and comply with the CME GMP contract.

State law¹ 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 law² also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. Consequently, it is important for College personnel to monitor the CME subcontractor selection, contracting, and payment processes to ensure that qualified subcontractors are selected at the lowest cost consistent with acceptable quality and to realize maximum cost saving under the GMP contract.

The College entered into GMP contracts with construction managers for the Loxahatchee Groves Dental/Medical Building Project on January 21, 2020, for \$54.9 million, including general condition costs totaling \$8.5 million, and for the Lake Worth 6th Avenue Entrance Project on April 18, 2023, for \$2.3 million, including general conditions costs totaling \$600,000. In response to our inquiries, College personnel indicated that the College had not established procedures for:

- Negotiating, monitoring, and documenting the reasonableness of GMP contract general conditions costs and, consequently, College records did not demonstrate how the College negotiated or monitored the reasonableness of these costs.
- Verifying that CMEs properly solicit and award subcontractor contracts. As such, College records did not demonstrate that College personnel attended CME subcontractor bid openings and verified that CMEs competitively selected and awarded contracts to qualified subcontractors at the lowest cost consistent with acceptable quality.

¹ Section 1013.45(1)(c), Florida Statutes.

² Chapter 489, Florida Statutes.

- Monitoring CME pay requests to verify that, before payments are made, the pay requests agree with GMP contracts and subcontractor bids and contracts. As such, College records did not demonstrate verification that CME pay requests were appropriate.

According to College personnel, the College relied on the CME for the reasonableness of the general conditions costs and related payments and for the subcontractor selection and payment processes. However, such reliance provides the College with limited assurance that these processes resulted in the lowest project costs consistent with acceptable quality.

As part of our audit, we requested for examination College records supporting the two construction projects. The records provided demonstrated that the construction manager of the Loxahatchee Groves Dental/Medical Building Project properly solicited and awarded contracts to qualified subcontractors and College payments to the construction manager were consistent with subcontractor bids and contracts and the GMP contract. However, the College did not maintain similar records for the Lake Worth 6th Avenue Entrance Project or request and obtain the records from the construction manager.

Absent effective controls over CME general condition costs and subcontractor services, there is limited assurance that general conditions costs are reasonable, and subcontractors are qualified to provide services at the best value for the College, or for the College to achieve maximum costs savings under a GMP contract.

Recommendation: The College should establish effective procedures that require College personnel to:

- **Negotiate, monitor, and document the reasonableness of GMP contract general conditions costs.**
- **Attend CME subcontractor bid openings and obtain and maintain records supporting subcontractor licenses, bids, and related contracts to verify that CMEs properly solicit and award contracts to qualified subcontractors with the lowest bid consistent with acceptable quality.**
- **Monitor CME pay requests to ensure that, before payments are made, the pay requests agree with GMP contracts and subcontractor contracts and bids.**

Follow-Up to Management's Response

Management's response states that "the College contractually requires the CMaR [Construction Manager at Risk] to solicit subcontracts in accordance with State law. As such, the College does not recommend duplication of this work, nor assuming responsibility and risk paid to the CMaR by also attending the subcontract bid openings and overseeing the appropriate documentation of same." Notwithstanding this response, the College is ultimately responsible for ensuring that qualified subcontractors provide services at the best value for the College and maximum costs savings are achieved under a GMP contract. As such, we continue to recommend that College personnel attend subcontract bid openings and maintain records supporting appropriate subcontractor selections.

Finding 2: Textbook Affordability

State law³ requires colleges to post prominently in the course registration and on its Web site, as early as feasible, but not less than 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 procedures require all faculty each year as part of the textbook review and certification process to complete an online form to attest that all items, students are required to purchase, are used in class. To ensure that the textbook information is timely posted to the course registration system, the form must be completed by the last day of spring term each academic year for all classes an instructor is scheduled to teach the following academic year. College procedures require textbook certifications to be completed no later than 45 days prior to the start of the semester.

The College publishes the list of required and recommended textbooks and materials on the College Web site before each enrollment period. In addition, the course registration system contains a hyperlink to the College Web site that provides lists of course materials for current semesters and for the prior 5 years. Once textbook certifications are completed, the information is available on the bookstore and the College Web site.

As part of our audit, we examined College records supporting the 6,340 course and course sections offered for the Fall 2023 and Spring 2024 Semesters and found that the College posted course and course sections to the College Web site at least 45 days prior to the first day of class. However, contrary to the 95 percent posting requirement, the postings were only for 88 percent of the Fall 2023 course and course section information and 91 percent of that information for the Spring 2024 Semester. In response to our inquiry, College personnel indicated that delays in posting course and course sections occurred primarily because certain instructors did not meet the final deadline to certify required textbooks and instructional materials, and certain instructor assignments were late.

Without timely postings for at least 95 percent of all courses and course sections offered at the College during the upcoming term, the College cannot demonstrate compliance with State law and students may not have sufficient time to gain an understanding of course requirements, consider purchase options, and potentially limit their costs. A similar finding was noted in our report Nos. 2023-058, 2020-038, and 2017-072.

Recommendation: The College should enhance procedures to ensure compliance with the required College Web site posting requirements. Such enhancements should include effective communication with College instructors to ensure that the instructors understand the significance of complying with the statutory requirement and certify required textbooks and instructional materials at least 45 days prior to the first day of class for each term and ensure that at least 95 percent of all courses and course sections offered at the College during the upcoming term are posted timely.

³ Section 1004.085(5), Florida Statutes.

Finding 3: Distance Learning

Pursuant to State law,⁴ the College may assess a student who enrolls in a course listed in the distance learning catalog a per credit-hour distance learning course user fee. The amount of the distance learning course user fee may not exceed the additional costs of the service provided which are attributable to the development and delivery of the distance learning course. State law also requires that, if a distance learning fee is assessed, the College must provide a link within the advising and distance learning sections of the College Web site to the Statewide Internet-Based Catalog (Catalog). According to College records, distance learning courses taught 80 percent online are assessed a fee of \$10 per course, and courses taught 100 percent online are assessed a fee of \$12 per credit hour.

During Fall 2023 and Spring 2024 Semesters, the College offered 481 distance learning courses, generated distance learning fee revenue totaling \$2.8 million, and recorded expenditures totaling \$2.9 million that were funded from that revenue. As part of our audit, we examined College records supporting the 481 distance learning courses, consisting of 4,168 course sections offered during the 2024 calendar year, to determine whether distance learning course fees were only assessed for the courses and sections listed in the Catalog. We identified 109 courses, consisting of 273 course sections that generated distance learning fee revenue totaling \$136,720, that were not listed in the Catalog. Although we requested, College personnel could not explain why the courses were not timely uploaded into the Catalog.

When distance learning courses are not listed in the Catalog, the College cannot demonstrate compliance with State law, students may be assessed fees incorrectly, and students may not have access to proper information about available distance learning opportunities.

Recommendation: The College should establish effective procedures to ensure that all distance learning courses offered by the College are properly uploaded to and listed in the Statewide Internet-Based Catalog of distance learning courses before assessing distance learning fees for such courses.

Finding 4: Credit Card Program

State law⁵ requires the College to establish and maintain internal controls designed to promote and encourage compliance with applicable laws, rules, contracts, grants agreements and best practices. The College administers a credit card program and issues to authorized employees credit cards, including purchasing cards (P-cards) to purchase certain goods and services and travel cards (T-cards) for travel expenses. College P-cards and T-cards provide College departments with an efficient alternative to make purchases beyond the traditional purchase order. Effective controls, such as timely cancellation of credit cards upon cardholder separation from College employment, are important to avoid misuse of the cards and because the financial institution that administers the College credit card program allows only 60 days to dispute charges.

The College established cardholder procedures requiring that:

⁴ Section 1009.23(16), Florida Statutes.

⁵ Section 1010.01(5), Florida Statutes.

- P-cardholders verify expense details, upload receipts, and submit for approval within 5 days of the purchase posting in the College Enterprise Resource Planning (ERP) System.
- T-cardholder supervisors approve spend authorizations before any travel or incurrence of expense.
- The ERP System cardholders with roles or responsibilities with the manager classification, such as a cost center, grant, or project managers, process their credit card expenses without secondary review and approval.

During the 2024 calendar year, the College had 639 credit cards (244 P-cards and 395 T-cards) issued to 424 employees and recorded 10,456 credit card expenses totaling \$4.4 million. As part of our audit, we requested for examination College records supporting 30 credit card expenses⁶ totaling \$55,896 and found that College records supported the validity of the 30 expenses; however:

- 7 College manager P-card expenses, ranging from \$125 to \$5,000, averaging \$1,891, and totaling \$13,349, were not independently reviewed and approved. We expanded our procedures and found that 29 (12 percent) of the 244 P-cards and 47 (12 percent) of the 395 T-cards were assigned to managers and that credit card expenses totaling \$564,761 were incurred by the managers during the 2024 calendar year without independent review and approval. The deficiency occurred because the ERP System did not require independent approval for expenses incurred by College managers.
- Although expense details and related support should be submitted for approval within 5 days of posting in the ERP System, required information for 6 P-card expenses ranging from \$21 to \$2,176, averaging \$560, and totaling \$3,360, was not submitted for approval until 35 to 134 days or an average of 96 days after the expenses were posted in the System. According to College staff, the delays occurred because some P-cardholders took longer to collect paperwork or did not upload receipts timely.
- Due to lack of oversight, 4 T-card expenses ranging from \$569 to \$4,975, averaging \$2,663, and totaling \$10,653 were incurred before cardholder supervisors approved the required spend authorizations.

Without timely, independent expense approvals and supervisor travel spend authorizations, there is an increased risk for fraud or errors to occur without timely detection and remedy.

We also noted that, during the 2024 calendar year, 35 employees with credit cards separated from College employment. Our examination of College records supporting the cancellation of credit card privileges for 30 selected employees disclosed that 14 credit cards were canceled 10 to 313 days or an average of 106 days after the respective employment separations. Additionally, due to the untimely cancellations, subscriptions charged to 2 credit cards inadvertently continued, resulting in additional costs totaling \$630.

According to College personnel, the Office of Human Resources (HR) requires employees, upon employment separation, to complete an exit checklist that addresses the return of College credit cards and the Cardholder Specialist periodically compares cardholders listed in records of the financial institution administering the credit card program to College records to determine whether credit cards should be canceled. However, the Office of HR was not required to notify, and did not notify, the Office

⁶ The 30 expenses included 15 P-card expenses totaling \$33,964 and 15 T-card expenses totaling \$21,932.

of Finance and Administration to cancel credit card privileges when a cardholder separated from College employment.

The untimely cancellation of credit cards increases the risk for the cards to be misused and may limit the College's ability to satisfactorily resolve disputed charges.

Recommendation: The College should effectively implement controls over credit card use. Such controls should ensure:

- **Documented, timely, and independent review and approval of all credit card expenses, including those incurred by College managers.**
- **The submittal of expense details and related support in the College ERP System for approval within 5 days after the expenses are posted to the College ERP System.**
- **Cardholder supervisor approval of spend authorizations before travel expenses are incurred.**
- **The establishment of College procedures requiring the Office of HR to promptly notify the Office of Finance and Administration to cancel credit card privileges when a cardholder separates from College employment.**

Follow-Up to Management's Response

Management's response states that "financial transactions have an independent review by a Finance staff member." However, although we requested, College records were not provided evidencing such review. Consequently, the finding stands as presented.

Finding 5: Performance Appraisals

State law⁷ requires the Board to establish the personnel program for all employees of the College pursuant to the provisions of State law and rules and guidelines of the State Board of Education (SBE). Board policies⁸ require that regular non-bargaining unit employees' annual reviews be conducted between July 1 through June 30 and be administered to the employee by their supervisor on or before August 31. College procedures⁹ provide for supervisors to complete written performance appraisals on their subordinates. Such appraisals are also required on newly hired employees for their 180-day probationary observation period and are to be sent to the Office of HR 10 days prior to the end of the probationary period. The Office of HR routinely follows up with supervisors when appraisals are not completed; however, College records did not include documented discussions with those supervisors emphasizing the critical importance of timely appraisals and required training for those who continue to neglect timely completion of the appraisals.

During the 2024 calendar year, the College employed 1,229 employees who were required to have a performance appraisal. As part of our audit, we requested for examination College records supporting performance appraisals for 35 selected employees. We found that 2 part-time instructors employed by the College for 10 and 8 years had never received a performance appraisal and a part-time instructor,

⁷ Section 1010.64(18), Florida Statutes and Chapter 1012, Florida Statutes.

⁸ Procedure for Performance Appraisal Number 6Hx-18-5.42P.

⁹ *Palm Beach State College Office of Human Resources Staff Performance Appraisal Manual* and Board Policy 6Hx-18-5.93 - *Probationary Observation Period*.

employed for 6 years, had not received a documented appraisal in 3 years. Additionally, a non-bargaining unit employee untimely received a performance appraisal 181 days late and a newly hired employee did not receive the required probationary observation period appraisal.

In response to our inquiry, College personnel indicated that deficiencies occurred because of department reorganizations, supervisor employment separations, and oversights. Timely conducted and documented employee performance evaluations are important management tools that inform employees of their accomplishments, needed improvements, and training, and helps management make and support decisions.

Recommendation: The College should effectively implement established procedures to ensure that employee performance appraisals are completed timely. Such procedures should include effective communications with supervisors emphasizing the importance for timely completion of the appraisals and required training for those who continue to neglect timely completion of the appraisals.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2023-058 except for Finding 2, which was also reported as Finding 4 in report No. 2023-058, Finding 1 in report No. 2020-038, and Finding 2 in report No. 2017-072.

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 2025 through August 2025 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. 2023-058.

- 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 the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of the 2024 calendar year 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, Board policies and College procedures, and other guidelines, and interviewed College personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Reviewed Board information technology (IT) policies and College 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 protecting sensitive personal information of students, including social security numbers. From the population of 70 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 selected employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.

- Examined Board, committee, and advisory board meeting minutes and other College related records to determine whether Board approval was obtained for Board policies and College procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records to determine whether the College had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with the anti-fraud policy.
- Reviewed the College's capital improvement plans for the 2024-25 through to 2027-28 fiscal years to determine whether the capital improvement plans were properly prepared in accordance with Division of Florida Colleges instructions for consideration in the Florida Department of Education annual legislative budget request for Public Education and Capital Outlay funding submitted to the Legislature.
- Evaluated the effectiveness of College controls during the audit period to ensure that FTE enrollment data reported to the Division of Florida Colleges was reliable and properly classified as to discipline.
- To determine whether student fees totaling \$19 million during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with Board policies and statutory and State Board requirements, examined College records for 30 selected students and their related fees totaling \$33,139 to determine whether the fees were correctly charged and promptly deposited or registration was canceled if the student did not timely pay fees, and deferred fees were recorded as receivables.
- Examined supporting documentation to determine whether the College complied with Section 1009.23, Florida Statutes, by properly calculating and assessing financial aid, student activity, technology, and capital improvement fees with revenues totaling \$33,189.
- From the population of 481 distance learning courses with fee revenue totaling \$2.8 million during the Fall 2023 and Spring 2024 Semesters, examined College records to determine whether distance learning fees were assessed in accordance with Section 1009.23(16)(a), (b) and (c), Florida Statutes.
- From the population of 6,340 course and course sections offered during the Fall 2023 and Spring 2024 Semesters, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$107.4 million made to 2,735 employees during the audit period, selected payments totaling \$64,340 made to 35 employees and examined College records supporting the payments to determine whether the rate of pay was accurate, employment contracts were valid, employees met the required qualifications, performance evaluations were completed, and leave records were accurate.
- Examined College records supporting one-time payments totaling \$6.6 million made to 536 employees during the calendar year 2024 to determine whether the payments were in accordance with Section 215.425(3), Florida Statutes, and whether amounts reported to the Florida Retirement System complied with Department of Management Services, Division of Retirement, Rule 60S-6.001(6), (11), and (16), Florida Administrative Code.
- Evaluated Board policies and College procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 113 employees who separated from College employment during the audit period and were paid \$613,070 for

terminal leave, we selected 6 employees with terminal payments totaling \$302,890 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865(2), Florida Statutes, and Board policies.

- Evaluated the reasonableness of the \$383,875 compensation paid to the President.
- From the population of Unexpended Plant expenses totaling \$46 million during the audit period, examined College records supporting 30 selected expenses totaling \$5.6 million to determine whether use of the funds was consistent with restricted resources for capital outlay.
- Examined College records to determine whether selected expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable State law, contract terms, and Board policies. Specifically, from the population of expenses totaling \$93.6 million for the audit period, we examined College records supporting 30 selected expenses totaling \$5.3 million.
- From the 639 credit cards issued to 424 employees during the audit period, examined credit card records for 40 selected cardholders to determine if the employee had accepted the card and conditions for its use, and if there was a signed agreement on file.
- From the population of 10,456 credit card transactions totaling \$4.4 million during the audit period, examined College records supporting 30 selected credit card transactions totaling \$55,896 to determine whether the credit card program was administered in accordance with Board policies and College procedures and transactions were not of a personal nature.
- Examined credit card records relating to the timely reconciliation of the monthly statements and combined statements during the audit period to determine whether the College was in compliance with Board policies and College procedures.
- Reviewed College credit card records relating to the periodic evaluation of card usage and spending limit to determine whether the College was in compliance with Board policies and College procedures.
- Examined credit card records for 30 of the 35 cardholders who separated from College employment during the audit period to determine whether the College promptly canceled the cardholders' credit cards.
- Reviewed College credit card records for timely handling questionable purchases, disputed charge purchases, and lost or stolen cards to determine whether the College complied with Board policies and College procedures.
- Reviewed Board policies and College procedures related to identifying potential conflicts of interest. We also researched Department of State, Division of Corporations, records; statements of financial interest; and reviewed College records for 23 selected College officials to identify any relationships that represented a potential conflict of interest with vendors used by the College.
- From the two major construction projects with contract amounts totaling \$57.2 million and construction costs totaling \$36.3 million and in progress during the audit period, selected 4 payments totaling \$5.9 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.
- Requested for examination College records supporting the two major construction projects 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 properly negotiated, monitored, and documented the reasonableness of general conditions costs and appropriately monitored the selection of qualified subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals and design

professionals provided evidence of required insurance; and construction funding sources were appropriate.

- Evaluated Board policies and College procedures to determine whether College procedures ensured that vendor and employee information changes, such as address and bank information changes, were properly authorized, documented, and verified before payments were made.
- From the population of 1,051 industry certifications reported for performance funding that were attained by students during the 2023-24 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Inquired and examined College records to determine whether the College had any expenses or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- 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



**PALM BEACH STATE
COLLEGE**

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November 25, 2025

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Dear Ms. Norman:

The College reiterates its appreciation to the Office and its team generally and, in particular, welcomes its review of college processes.

The following is Palm Beach State College's response to the preliminary and tentative audit findings resulting from the operational audit of Palm Beach State College:

Finding 1: College controls over guaranteed maximum price construction contracts and related payments could be enhanced.

Finding 1 Response:

The College's Construction Management at Risk project delivery method is an integrated team approach that applies modern management techniques to the planning, design, and construction of a project, controlling time and cost, and ensuring quality for the College (the owner). The team consists of the College (owner), the architect/engineer, and the construction management firm or CMAR.

The CMAR scope includes pre-construction and construction services. As the College's agent, the CMAR's role is to represent the interests of the College in all phases of the project. The CMAR assumes the risk of meeting the Guaranteed Maximum Price (GMP) by holding all the subcontracts. This allows the College to hold one entity legally accountable for the project delivery – the CMAR, serving as the prime contractor. Additionally, the CMAR is contractually required to solicit all subcontracts in accordance with Florida law.

Current College practice also includes certifying construction pay applications/invoices by the design professional (architect/engineer of record) prior to issuing payment. This certification requires the signature by the design professional of record and includes a certification statement that the work performed meets contractual requirements.

To this effect, the College's position is that these practices align with the intended audit recommendation and ensure the payment and work agree with the GMP, including subcontractor work performed in

accordance with all (sub)contracts. To enhance these practices, the College intends to refine corresponding procedures to address the audit recommendations, including:

1. Methodologies for consistently determining and documenting GMP reasonableness (which includes general conditions), considering specific project risks and complexities.
2. Designer/Architect/Engineer of Record certification that the project was completed in accordance with the GMP and subcontractor contracts.
3. The College project manager to ensure CMAr compliance with subcontractor solicitation and licensure requirements, correctness of all pay applications, and proper project documentation through project completion.

Note: As mentioned above, the College contractually requires the CMAr to solicit subcontracts in accordance with Florida law. As such, the College does not recommend duplication of this work, nor assuming the responsibility and risk paid to the CMAr by also attending the subcontract bid openings and overseeing the appropriate documentation of same.

4. Project acceptance by the District Board of Trustees (DBOT).

Finding 2: College textbook affordability procedures continue to need improvement.

Finding 2 Response:

The College has taken comprehensive steps to address gaps in its textbook certification process, including redesigning workflows and strengthening monitoring and accountability mechanisms as well as improving documented compliance.

Palm Beach State College adds sections to the course schedule throughout the registration period. At the time the 45-day list was posted to the consumer disclosures website, PBSC believes that the 95% benchmark was met based on the number of course sections available to students at that time. During the audit process, a list of course sections as of the time of audit was used to compare to the list posted at the 45-day mark. There were additional courses then available, which would make the posted list appear not to meet the 95% benchmark. The College will now document the course offerings used to calculate our compliance demonstration at the 45-day posting of course materials. A list of all course sections being offered will be obtained from our ERP system, saved in PDF format with a date/time stamp. This should assist in being able to match the list of course materials/posted at the 45-day mark versus the number of course sections offered.

Each academic department has designated a textbook contact person who has received targeted training on the certification process. Enhanced monitoring capabilities have been established through the development of new compliance reports, enabling deans and department chairs to track and audit adherence to certifications. Textbook certification compliance has also been formally integrated into the



Faculty Annual Performance Appraisal process, reinforcing accountability and institutional commitment to the timely posting of materials. These coordinated improvements demonstrate a proactive response to preliminary audit findings, positioning the College to achieve sustained compliance.

Finding 3: Contrary to State law, the College assessed distance learning course fees for 9 courses, including 273 course sections that generated distance learning fee revenue totaling \$136,720, without listing the courses and fees in the statewide internet-based catalog of distance learning courses.

Finding 3 Response:

The College recognizes that to maintain an accurate listing of distance learning courses offered, there should be multiple submissions to the catalog *FloridaShines*. The College will begin implementing multiple submissions points throughout the term as new sections are offered. The College will also reconcile and compare the current College offerings to the catalog *FloridaShines* throughout the term. We believe by adding more submission points and a review process, the College will comply with Fla. Stat. § 1009.23(16) and enhance our reporting controls.

Finding 4: College controls over credit card expense approvals and cancellations could be enhanced to promote accountability.

Finding 4 Response:

Related to operational audit finding #4-Credit Card Program, the College agrees that enhanced controls for administering the Procurement Card and Travel Card should be implemented to better comply with Fla. Stat. § 1010.01, Uniform Records and Accounts. Adding more automated and periodic reviews to the following items should enhance the overall controls for the Credit Card Program: 1) oversight for timeliness of transactions, 2) enhanced training for cardholders, 3) more communication to cardholders, 4) promptness for cancelling a card as a result of separation of employment, and 5) increased documentation of card issuance and cardholder compliance to the program.

There are several changes that have already been made to ensure the Card Office, under the Office of Finance Administration, promptly ends the cardholder's privileges once the employee separates from the College. We currently have reports that will alert or notify the Card Office staff when an employee has been terminated or separated from the College, who can then promptly deactivate the card within the external Card Office portal with the issuing bank. We no longer rely on an exit checklist to be presented to the Card Office. We will also continue to work with Human Resources to implement additional steps beyond reporting tools, ensuring prompt deactivation and better aligning external Card Office software information with our ERP system.



We have also implemented enhanced communication and escalation of transactions with an inactivation of the card for anything beyond 90-days. We will continue to strive to shorten the time from initiation of the transaction to the completion of the transaction with more follow-up.

We have enhanced the card application process, the activation steps for cards, and ongoing training requirements for cardholders, which we feel will improve our controls with the Credit Card Program.

Although financial transactions have independent review by a Finance staff member, the College will enhance review by adding additional system approval(s) review when the budget manager is also the cardholder. Enhancing procedures to improve the College's review of transactions to prevent and detect fraud, waste, and abuse has already been addressed.

Finding 5: Contrary to Board policies and College procedures, performance appraisals were not always timely completed for College personnel.

Finding 5 Response:

The College has enhanced our reporting, communication, and training for managers to better ensure compliance. The following items have been implemented:

1. The College provided executive management with a list of supervisors who missed the appraisal deadline. They were informed of the seriousness of the issue and advised to follow up with their supervisors.
2. The College created targeted training for supervisors who did not meet the appraisal deadline, focusing on the significance of timely performance appraisals and best practices. Supervisors will be trained before the next appraisal period.
3. The College has strengthened its current communication regarding timely appraisals. Supervisors already receive reminders to complete and administer the performance appraisals. Instructional observations will be included in the messaging. The communication also includes language on the importance of completing the appraisals.

Sincerely,



Ava L. Parker, J.D.
President

