

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-024
September 2023

FLORIDA GATEWAY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2022, Dr. Lawrence M. Barrett served as President of Florida Gateway College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
John D. Crawford, Chair	Baker
Carolyn Renae Allen, Vice Chair	Union
Robert C. Brannan III	Baker
Lindsey Lander	Gilchrist
Kathryn L. McInnis	Dixie
Suzanne M. Norris	Columbia
Dr. James Surrency	Gilchrist
Dr. Miguel J. Tepedino	Columbia

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

The team leader was Nicole Lee, and the audit was supervised by Glenda K. Hart, 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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FLORIDA GATEWAY COLLEGE

SUMMARY

This operational audit of Florida Gateway College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2021-025. Our operational audit disclosed the following:

Finding 1: The College's disbursement of extra compensation payments totaling \$142,250 to 142 employees did not comply with State law.

Finding 2: For the 2022 calendar year, the College assessed and collected laboratory fees totaling \$534,120. However, College records did not always demonstrate compliance with State law and College procedures by limiting laboratory fees to the cost of services provided. A similar finding was noted in our report No. 2021-025.

BACKGROUND

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

The College has campuses in Lake City, and centers in Baker, Dixie, and Gilchrist Counties. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Baker, Columbia, Dixie, Gilchrist and Union Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Extra Compensation

State law¹ 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.

The Board approved a non-recurring, one-time payment on May 12, 2022, to certain part-time adjunct instructors and on June 16, 2022, to full-time administrative employees. To be eligible for the payment, the individual had to be a College employee at time of the payment and part-time adjunct instructors had

¹ Section 215.425, Florida Statutes.

to teach more than 3 credit hours. The payment did not increase employee base pay and was \$500 for part-time adjunct instructors and \$1,500 for full-time administrative employees. On May 31, 2022, and June 30, 2022, the College disbursed the extra compensation payments totaling \$142,250 to 142 employees.

In response to our inquiries regarding how the payments complied with State law, College personnel indicated that the College considered the compensation to be payment to directly offset the rising inflation rate related to the COVID-19 pandemic. Notwithstanding, since the payments were made after the employees had rendered services, did not increase the employee's base rate of pay, and did not meet the statutory requirements of a bonus, the payments represent extra compensation prohibited by State Law.

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

Finding 2: Laboratory Fees

State law² authorizes the Board to establish user fees, such as laboratory fees (lab fees), that are in addition to tuition fees. Such user fees shall not exceed the cost of the services provided and shall only be charged to persons receiving the service. In addition, the *Accounting Manual for Florida's College System* requires the Board to establish policies for the implementation of lab fees that provide justification for the additional fee, define which costs are in excess of base instructional costs, and describe the documentation required to support the additional charge, the time period for review of the fees, and the manner of presenting such fees to the Board for approval.

Board policies³ authorize the College to establish a procedure for delineating costs associated with fees for unusual services and materials not provided for in direct instructional support discipline categories. College procedures⁴ require the fees to be calculated and determined at least every 3 years based on the cost of the service or material, divided by the number of students who would normally use that service or material in a semester. In addition, College procedures specify the special fee components (i.e., costs in excess of base instructional costs) that should be included in fee calculations for items such as testing fees, equipment maintenance, and instructional resources. Lab fees may be charged only to the students receiving the unusual service or materials for the current semester of enrollment.

To establish or change an existing lab fee, College procedures require applicable instructional supervisors to complete a lab fee approval form, submit the form and required documentation to the Educational Affairs Committee for review and approval, and obtain Board and President approval of the form. College personnel are to maintain documentation of the actual per student costs with the lab fee approval form to support the calculation, assessment, and collection of the lab fee.

During the 2022 calendar year, the College assessed a lab fee for 295 classes and collected \$534,120 related to those fees. As part of our audit procedures, we requested for examination College

² Section 1009.23(12)(a), Florida Statutes.

³ Board Policy 6HX12: 5-12, *Student Fees*.

⁴ College Procedure, *Laboratory/Special Course Fees and User Fees*.

records supporting, for 5 selected classes, the amounts of the lab fees, which ranged from \$30 to \$1,588 per student and totaled \$80,739. The College provided us with records demonstrating Board, President, and Educational Affairs Committee approval of the lab fees for the 5 classes; however, College records supporting the student costs associated with the lab fees or that the fees were determined every 3 years were not provided.

Subsequently, College personnel researched College accounting records and identified and provided to us invoices dated after the Educational Affairs Committee, Board, and President approval dates that agreed with certain cost components (e.g., testing fees, equipment maintenance, and instructional resources) of the selected lab fees. However, since the approval dates preceded the dates of the support provided, the basis for the approvals was not readily available. In addition, as noted in Table 1, College records were not provided to support other supplies and mileage costs.

Table 1
Schedule of Unsupported College Class Lab Fee Components
2022 Calendar Year

College Class	Total Lab Fee Assessed Per Student	Fee Component Not Supported	
		Supplies	Mileage
Heat Pumps II	\$ 70.00	\$ 55.00	Not Applicable
Firefighter II	1,588.00	806.00	Not Applicable
Physical Therapy Clinical Practice II	50.00	Not Applicable	\$9.95
Microbiology Lab	30.00	30.00	Not Applicable

Source: College records.

Consequently, College records did not support cost components totaling \$37,778 (47 percent) of the \$80,739 total lab fees for the five classes. College personnel indicated that the College had planned to evaluate and document all lab fees in response to the finding noted in our report No. 2021-025; however, since the COVID-19 pandemic, the finding had not been corrected.

Absent College records supporting the cost of services for classes that charge lab fees and timely submittal of applicable records to the Educational Affairs Committee, Board, and President for review and approval, compliance with State law and College procedures is not demonstrated and there is an increased risk that the fees may exceed the cost of services provided.

Recommendation: The College should enhance procedures to demonstrate compliance with State law and College procedures and ensure that lab fees do not exceed the cost of services provided. Such enhancements should ensure and document that College personnel determine each lab fee at least every 3 years, based on actual costs, and the Educational Affairs Committee, Board, and President timely review and approve fees established and any subsequent fee changes.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2021-025 except that Finding 2 was also noted in report No. 2021-025 as Finding 1.

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 2023 through August 2023 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. 2021-025.
- 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 January 2022 through December 2022 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 and the related requirements.
- Reviewed College information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, disaster recovery, and incident response and recovery.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the finance and human resources applications for 30 of the 81 users as of May 2023 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 that prohibit former employees' access to College IT data and resources. From the population of 36 employees who separated from College employment during the period January 1, 2022, through April 30, 2023, we examined the access privileges for 25 selected former employees to determine whether the access privileges had been timely deactivated.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. For the 20 employees who had access to sensitive personal information of students as of May 2023, we examined College records supporting the access privileges 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.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed the College's capital improvement plan for the 2023-24 through 2025-26 fiscal years, including the current status of funded and budgeted projects for the 2022-23 fiscal year, to determine whether the College properly reported the capital outlay project funding sources 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.

- From the population of laboratory fees totaling \$534,120 for 295 courses during the 2022 calendar year, examined College records and supporting documentation for 5 selected classes with laboratory fees totaling \$80,739, ranging from \$30 to \$1,588 per student, to determine whether the College properly calculated these fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- Performed analytical procedures to determine whether College auxiliary services were self-supporting.
- From the population of compensation payments totaling \$12,455,611 made to 475 employees during the period July 2022 through March 2023, selected 30 payments totaling \$56,911 made to 26 employees and examined College records supporting the payments to determine whether the rate of pay was accurate, the employment contracts were valid, the employees met the required qualifications, performance evaluations were completed, leave records were accurate, and supervisory personnel reviewed and approved employee reports of time worked.
- Examined College records supporting extra compensation totaling \$142,250 paid for 142 employees in May 2022 and June 2022 to determine whether the payments complied with Section 215.425, Florida Statutes.
- 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 complied with applicable laws, contract terms, and Board policies. Specifically, from the population of expenses totaling \$6.7 million for the period July 2022 through March 2023, we examined College records supporting 30 selected payments for general expenses totaling \$58,388.
- 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 selected College officials to identify any relationships that represented a potential conflict of interest with vendors used by the College.
- Reviewed documentation related to the only major construction project with a contract amount totaling \$7.4 million and total construction costs of \$2.4 million during the 2022 calendar year to determine whether the College process for selecting design professionals and construction contractor complied with State law, the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, design professionals provided evidence of required insurance, and construction funding sources were appropriate. Additionally, we examined College records supporting 6 selected construction payments totaling \$2.2 million to determine whether the payments complied with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules.
- For the 14 adult general education instructional students reported for 1,244 contact hours for the Fall 2022 Semester, examined College records to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.
- From the population of 191 industry certifications reported for performance funding that were attained by students during the 2021-2022 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Determined whether the College's unencumbered balance in the general fund was below the threshold established in Section 1011.84, Florida Statutes.
- Inquired 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.

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

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



**FLORIDA GATEWAY
COLLEGE**

From the Office of the President

September 20th, 2023

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

Dear Ms. Norman:

The following is the response to the preliminary and tentative finding of your operational audit of Florida Gateway College.

Finding No. 1 Extra Compensation

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

Response: The college will refrain from making any payments of prohibited extra compensation in the future.

Finding No. 2 Laboratory Fees

Response: The College concurs with the finding and will review all lab fees and make necessary adjustments.

Sincerely,



Lawrence M. Barrett, Ed.D.

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