

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-070
January 2016

CHIPOLA COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Jason Hurst served as President and the following individuals served as members of the Board of Trustees:

| | <u>County</u> |
|--|---------------|
| Daniel E. Ryals, III, Chair | Calhoun |
| Virginia C. Stuart, Vice Chair | Jackson |
| Dr. Leisa H. Bailey to 11-24-14 ^a | Holmes |
| Hannah S. Causseaux | Liberty |
| Gary F. Clark ^b | Washington |
| Kyle Hudson from 11-25-14 | Holmes |
| Thomas S. Lassmann ^b | Jackson |
| John W. Padgett ^c | Jackson |
| Jan L. Page ^d | Washington |
| Vacant ^e | Holmes |

Notes: ^a Board member served beyond the end of term, May 31, 2013.

^b Board member served beyond the end of term, May 31, 2015.

^c Board member served beyond the end of term, May 31, 2014.

^d Board member served beyond the end of term, May 31, 2011.

^e Position remained vacant from July 1, 2014, through June 30, 2015.

The team leader was Pamela L. Corbin, CPA, and the audit was supervised by Shelly G. Curti, CPA. Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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CHIPOLA COLLEGE

SUMMARY

This operational audit of the Chipola College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-035. Our operational audit disclosed the following:

Finding 1: Contrary to Section 215.425(3), Florida Statutes, the College made bonus payments totaling \$13,500 without documenting the performance standards and evaluation processes upon which the bonuses were based.

Finding 2: College procurement procedures could be enhanced to provide for the Business Office's routine review and consideration of required statements of financial interests.

BACKGROUND

Chipola 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 a campus in Marianna, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Calhoun, Holmes, Jackson, Liberty, and Washington Counties. The College reported enrollment of 1,432 full-time equivalent students for the 2014-15 fiscal year.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-035. The results of our financial audit of the College for the fiscal year ended June 30, 2015, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Employee Bonuses

State law¹ authorizes College employee bonuses based on work performance standards and evaluation processes that consider all employees, and provides that all employees must be notified before the evaluation period on which bonuses are based. The College's Administrative Procedures and

¹ Section 215.425(3), Florida Statutes.

2014-15 fiscal year salary schedule and faculty compensation agreement provided for certain employee bonuses.

During the 2014-15 fiscal year, the College paid employee bonuses totaling \$13,500 based on the discretion of the President, including \$11,500 paid to 12 employees for Presidential merit awards and \$2,000 paid to a faculty member for exemplary service. While the Administrative Procedures and 2014-15 fiscal year salary schedule and faculty compensation agreement identified these bonuses, College records did not evidence the performance standards and evaluation processes upon which the bonuses were based. In response to our inquiry, College personnel indicated that they were unaware of the statutory bonus requirements and that these bonuses had been part of the College's salary schedule and faculty compensation agreement for many years. However, absent documented performance standards and evaluation processes for awarding bonuses, the College cannot demonstrate compliance with State law and employees may not understand how their performance could impact their eligibility to receive bonuses.

Recommendation: The College should document, in accordance with State law, the performance standards and evaluation processes upon which bonuses are based.

Finding 2: Purchasing Procedures – Conflicts of Interest

Board policy² requires Board members to bring any possible conflict of interest to the attention of other Board members and the President. In addition, State law³ requires the College President, Board members, Vice President of Administrative and Business Services and all employees with purchasing authority greater than \$20,000 to file statements of financial interests with the appropriate supervisor of elections.

Our audit procedures found that, while the statements of financial interests were filed as required, the Business Office did not review the statements to identify potential conflicts of interest. Subsequent to our inquiry, College personnel indicated that they reviewed the statements of financial interests and noted no apparent conflicts of interest. The Business Office's routine review and consideration of required statements of financial interests would enhance the College's procurement practices and reduce the risk of conflicts of interest related to procurements and contractual obligations.

In response to our inquiry, the Board approved a policy⁴ on July 21, 2015, that established guidelines for Board members and College employees to disclose any potential conflicts of interest involving themselves or family members and prohibits Board member and College employee participation in matters where undue influence is, or may appear to be, present.

Recommendation: The College should continue efforts to enhance procurement procedures and provide for the Business Office's routine review and consideration of required statements of financial interests.

² Board Policy 1.010, *The District Board of Trustees*.

³ Section 112.3145, Florida Statutes.

⁴ Board Policy 1.007, *Conflicts of Interest*.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2014-035.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2015 to October 2015 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.

The objectives of this operational audit 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. 2014-035.
- 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 programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; 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; 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 records and transactions. 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:

- Determined whether a written, comprehensive information technology (IT) risk assessment had been developed to document the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Examined access privileges for the nine employee's assigned access privileges to the finance and human resources IT applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the applications to determine whether these accounts had been appropriately assigned and managed.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the 2014-15 fiscal year 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 informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information, as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balances at June 30, 2015. We performed analytical procedures to determine whether financial transactions in other funds may require resources from unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.
- Verified that the eight payments and transfers totaling \$6,085, made by the College to its direct-support organization during the 2014-15 fiscal year, were authorized by Section 1004.70(1)(a)2 and (3), Florida Statutes.
- From the population of 249 electronic funds transfers and payments totaling \$35,705,899 for the period July 1, 2014, through April 30, 2015, selected and examined 30 electronic funds transfers

and payments totaling \$17,466,892 to verify that the transfers and payments were adequately supported and properly authorized.

- Examined College records to determine whether authorized signatures for all banking agreements were timely changed in response to personnel changes.
- Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
- Determined whether student receivables were properly authorized, adequately documented, properly recorded, and in compliance with Section 1010.03, Florida Statutes, and Board Policies 5.100 Accounts Receivable and Notes Receivable and 5.110 Delinquent Accounts. We examined:
 - Documentation relating to all six student receivables totaling \$3,299 recorded as of June 30, 2015.
 - College records to determine whether the College had procedures to cancel registration of students who did not timely pay fees and record deferred fees as a receivable.
- From the population of 41 uncollected receivables totaling \$31,087 written-off during the 2014-15 fiscal year, selected and examined documentation relating to 19 of the uncollected receivables totaling \$16,705 to determine whether collection efforts were adequate, uncollectible accounts written off were properly approved, and in compliance with Section 1010.03, Florida Statutes, and Board policies.
- Evaluated the effectiveness of the College's controls to ensure students who had not paid fees in an approved manner were not considered in calculating full-time equivalent (FTE) enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 3,580 students paying in-State tuition for the Fall and Spring semesters of the 2014-15 fiscal year, selected and examined documentation relating to 30 students to determine whether the College correctly determined student residency in accordance with Section 1009.21, Florida Statutes.
- From collections at the College's pool facility, representing total collections of \$7,883 for the period May 9, 2015, through June 8, 2015, selected and examined 31 daily collections totaling \$2,581 to determine the effectiveness of the College's collection procedures for the pool facility.
- From the population of 46 industry certifications eligible for performance funding during the 2014-15 fiscal year, selected and examined supporting documentation for 20 certifications to determine whether the College maintained documentation for student attainment of the industry certification.
- Examined documentation related to the College's two auxiliary operations vendor contracts with revenue totaling \$105,935 for the 2014-15 fiscal year to determine whether the College was properly monitoring compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
- From the population of 740 textbooks added during the Fall and Spring semesters of the 2014-15 fiscal year, examined the documentation for all textbooks to determine whether the College's policies and procedures regarding textbook affordability complied with Section 1004.085, Florida Statutes.
- From the population of 458 employees compensated for the period July 1, 2014, through March 31, 2015, a total of \$6,911,764, selected and examined records for 30 employees compensated a total of \$79,463 to determine the accuracy of the rate of pay, validity of employment contracts, and certifications by supervisory personnel of employee time reports.

- Reviewed the College records for supervisory approval of time worked and leave used by exempt employees to evaluate whether compensation payments were appropriate and leave balances were accurate.
- From the population of 19 new employees hired from July 1, 2014, through April 30, 2015, examined College records to determine whether personnel records evidenced that employees had the necessary qualifications (i.e., education, experience, etc.) for the position based on the written position description.
- Reviewed College policies and 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 College policies. From the population of nine employees paid terminal leave pay totaling \$87,215 from July 1, 2014, through March 31, 2015, we selected and examined terminal leave payments totaling \$70,514 made to 4 employees and evaluated the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policy.
- Reviewed severance pay provisions in the President's contract, in Board Policy 4.370, and the College faculty agreements to determine whether the severance pay provisions were in compliance with Section 215.425(4), Florida Statutes. From the population of three payments to former employees for severance pay totaling \$21,912 from July 1, 2014, through March 31, 2015, we selected and examined severance payments totaling \$15,512 made to two former employees and evaluated the payments for compliance with Section 215.425(4), Florida Statutes, employment contracts, and Board policy.
- Examined College records for the President's compensation totaling \$208,156 for the 2014-15 fiscal year to determine whether the amounts paid were in accordance with the President's employment contract and within limitations imposed by Section 1012.885, Florida Statutes.
- Examined College records for all 32 employees who were paid bonuses totaling \$18,950 during the 2014-15 fiscal year to determine whether the employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
- From the population of 29 administrative employees (including the President), selected and examined records for 18 employees (including the President) to determine whether evaluations were completed pursuant to Section 1012.86(3), Florida Statutes.
- Evaluated College policies and procedures for obtaining background screenings to determine whether individuals in positions of special trust and responsibility, such as positions that have direct contact with persons under the age of 18, had undergone appropriate background screenings.
- From the population of travel-related expenses totaling \$236,444 for the period July 1, 2014, through March 31, 2015, selected and examined documentation for 30 expenses composed of 11 payments and 19 purchasing card (p-card) transactions totaling \$64,174 to determine whether such payments and p-card transactions were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 104 payments totaling \$540,775 for contractual services for other than construction from July 1, 2014, through March 31, 2015, selected and examined 13 payments totaling \$242,020 that related to six purchase orders or contracts to determine whether the purchase orders or contracts were issued prior to the College incurring an obligation for the services, Board approved, properly awarded and executed, and paid in accordance with contract terms.
- From the population of p-card transactions totaling \$169,104 for the period July 1, 2014, through March 31, 2015, selected and examined 30 p-card transactions totaling \$36,670 to determine

whether the p-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.

- From the population of payments totaling \$21,217 made to employees for other than travel and compensation for the period July 1, 2014, through March 31, 2015, selected and examined documentation for 20 payments totaling \$8,468 to determine whether such payments were reasonable, adequately supported, and for valid College purposes, and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- Evaluated College rules, policies, and procedures related to identifying potential conflicts of interest. For selected College officials, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and College records to identify any potential relationships that may represent a conflict of interest with vendors used by the College.
- From the population of nine payments totaling \$503,604 related to one major construction project in progress during the 2014-15 fiscal year with a total contract amount of \$1,045,232, selected and examined documentation supporting three payments totaling \$456,433 to determine whether the payments were made in accordance with the contract terms and conditions, College policies and procedures, and provisions of applicable State laws and rules. Also, we examined College records for this construction project to determine whether the College monitored the selection of architects and engineers, construction managers, and subcontractors and whether the Board had adopted a policy that established minimum insurance coverage requirements for design professionals, such as architects and engineers, and provided for the monitoring of the coverage requirements.
- From the population of Public Education Capital Outlay (PECO) and other restricted capital outlay payments totaling \$1,649,044 from July 1, 2014, through March 31, 2015, selected and examined nine payments totaling \$934,379.83 to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- Determined whether PECO funds were properly encumbered by the required reversion date or returned as required by Section 216.301(2)(a) and (c), Florida Statutes.
- Determined whether the College evaluated the effectiveness and suitability of software applications prior to purchase with costs totaling \$302,902 for the period July 1, 2014, through March 31, 2015, and whether the College used a competitive vendor selection process. We also determined whether the deliverables met the terms and conditions of the contract.
- 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



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December 15, 2015

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

Dear Ms. Norman:

In response to your letter dated November 18, 2015, and in accordance with the provisions of Section 11.45(4)(d), Florida Statutes, I submit the following concerning your list of preliminary and tentative audit findings and recommendations. Included below is the actual or proposed corrective action, which may be included in your operational audit report of Chipola College.

Employee Bonuses

The College plans to enhance its current procedures by documenting the performance standards and evaluation process upon which bonuses are based.

Purchasing Procedures – Conflicts of Interests

As stated in your findings, prior to the conclusion of your audit, the College approved a policy and implemented procedures in an effort to identify potential conflicts of interest. We will continue our efforts to identify potential conflicts of interest by review and consideration of required statements of financial interests.

Should you have any questions regarding this response or need additional information please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason Hurst".

Jason Hurst, Ph.D.,
President

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