

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2016-183  
April 2016

**HILLSBOROUGH COMMUNITY COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

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Notes: <sup>a</sup> Board member resigned on 9-3-14, and position remained vacant until 2-4-15.  
<sup>b</sup> Board member resigned on 12-2-14, and position remained vacant until 2-4-15.

The team leader was Mark A. Arroyo, CPA, and the audit was supervised by David A. Blanton, CPA.  
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# HILLSBOROUGH COMMUNITY COLLEGE

## ***SUMMARY***

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This operational audit of Hillsborough Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-034.

**Finding 1:** The College paid \$67,500 to its direct-support organization without specific legal authority.

**Finding 2:** The College's textbook affordability policies and procedures could be improved.

**Finding 3:** The College did not always prevent students who had delinquent student receivable balances from registering for future classes, document that collection notification letters were sent to students who had such balances, or refer significantly delinquent student receivable balances to a collection agency.

**Finding 4:** The College needs to improve controls over reporting student enrollment for State funding purposes.

**Finding 5:** The College needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. A similar finding was noted in previous audits, most recently in our report No. 2014-034.

**Finding 6:** The College did not always perform background screenings for applicable individuals in positions of special trust and responsibility.

## ***BACKGROUND***

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Hillsborough Community 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 five 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 Brandon, Plant City, Ruskin, Tampa, and Ybor City, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hillsborough County. The College reported enrollment of 20,270 full-time equivalent students for the 2014-15 fiscal year.

This operational audit focused on selected College processes, administrative activities, and included a follow-up on findings noted in our report No. 2014-034. The results of our financial audit of the College for the fiscal year ended June 30, 2015, are presented in our report No. 2016-161. 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, are presented in our report No. 2016-159.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Payments to the Foundation**

State law<sup>1</sup> provides that a Florida College System institution direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, and invest, and administer property and make expenses to, and for the benefit of, the institution. State law<sup>2</sup> authorizes the Board to permit a DSO to use College property, facilities, and personal services. The Board approved the Hillsborough Community College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College's students.

College records indicated that the College transferred \$67,500 from unrestricted current funds to the Foundation to reimburse the Foundation for its annual financial audits and tax return preparation for the 2012-13, 2013-14, and 2014-15 fiscal years. Although State law<sup>3</sup> authorizes the College to permit a DSO to use College property, facilities, and personal services, we are unaware of any specific authority permitting the College to make cash payments to a DSO. Consequently, it appears that the College made payments totaling \$67,500 to the Foundation that are not authorized by State law. College personnel indicated that the College would discontinue reimbursements to the Foundation for its annual financial audits and tax return preparation.

**Recommendation:** In the absence of specific statutory authority, the College should discontinue the practice of making cash payments to the Foundation and seek to recover \$67,500 from the Foundation.

### **Finding 2: Textbook Affordability**

State Law<sup>4</sup> requires colleges to post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) rules<sup>5</sup> require colleges to collect and maintain, before each textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional materials ordered will be used, particularly each individual item sold as part of a bundled package. Further, the Textbook Affordability Workgroup (Workgroup)<sup>6</sup> recommended that each college reduce textbook costs by developing and monitoring policies and guidelines for textbook adoption, such as a course-wide adoption of textbooks for the same course.

Although the College had procedures in place for posting textbooks on the College Bookstore's Web site and obtaining instructor certifications attesting to the use of all textbooks and other instructional materials

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<sup>1</sup> Section 1004.70(1)(a)2, Florida Statutes.

<sup>2</sup> Section 1004.70(3), Florida Statutes.

<sup>3</sup> Section 1004.70(3), Florida Statutes.

<sup>4</sup> Section 1004.085(3), Florida Statutes.

<sup>5</sup> SBE Rule 6A-14.092(3), Florida Administrative Code (FAC).

<sup>6</sup> The Workgroup, consisting of membership from the Florida College System, in cooperation with the Florida Department of Education, Division of Florida Colleges, issued a report dated December 1, 2009, that contained certain recommendations.

ordered, College personnel indicated that the College had not adopted the Workgroup’s recommendation for course-wide textbook adoption. From the 2,212 total textbooks used during the Summer 2015 term, we selected 30 textbooks to determine the reasonableness of the textbook price variances per course. Table 1 shows the 3 courses and related textbooks that we identified with significant price variances in new or used textbook prices for the same course.

**Table 1  
Textbook Prices  
Summer 2015**

| Course and Related Textbooks | Cost of New |      |            | Cost of Used |      |            |
|------------------------------|-------------|------|------------|--------------|------|------------|
|                              | High        | Low  | Difference | High         | Low  | Difference |
| MAC 1105                     | \$272       | \$95 | \$177      | \$204        | \$87 | \$117      |
| ENC 1101                     | 185         | 77   | 108        | 139          | 57   | 82         |
| ACG 2021                     | 180         | 93   | 87         | 135          | 70   | 65         |

Source: College records.

The costs of new or used textbooks and course materials for students enrolled in these three courses differed by as much as \$177 for new textbooks and \$117 for used textbooks depending upon the course section for which students were enrolled. When different textbooks are used for the same course, instructional costs paid by students may not be fair and equitable.

**Recommendation: The College should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.**

### **Finding 3: Student Accounts Receivable**

State Law<sup>7</sup> provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable. SBE rules<sup>8</sup> provide that payment of registration fees may be deferred under certain conditions such as for veterans, for students who were awarded but had not received financial aid, or when a college has a written promise of payment from a business.

College administrative procedures<sup>9</sup> provide that students with delinquent accounts receivable over \$25 are prohibited from registering for classes, obtaining transcripts, or engaging in future business with the College until the debt is satisfied. College administrative procedures also provide that collection letters are to be sent for delinquent accounts outstanding over 60 days. The procedures also require that, after the College has sent two collection letter notifications to request payment from the student, unpaid accounts be referred to a collection agency.

At June 30, 2015, the College had student receivables, net of allowance for doubtful accounts, totaling \$3.6 million and, in July 2015, the Board approved the write-off of \$3.1 million in student receivables that

<sup>7</sup> Section 1010.03, Florida Statutes.

<sup>8</sup> SBE Rule 6A-14.054, FAC.

<sup>9</sup> HCC Administrative Procedure 6.07 – *Delinquent Accounts*.

were deemed uncollectible. Table 2 shows the amounts of student receivables written-off by the College over the past 3 fiscal years.

**Table 2**  
**Student Receivables Written-off**  
**by Fiscal Year**

| Fiscal Year | Receivables<br>Written-off | Percent Increase<br>from Prior<br>Fiscal Year |
|-------------|----------------------------|---|
| 2012-13     | \$1,831,301                | <sup>a</sup>                                  |
| 2013-14     | 2,296,629                  | 25.4%   |
| 2014-15     | 3,115,332                  | 35.6%   |

<sup>a</sup> Percent increase not calculated for the 2012-13 fiscal year.

As part of our audit procedures, we reviewed College records related to 30 selected delinquent student receivables (outstanding more than 60 days) totaling \$66,904 in May 2015, and found that:

- Contrary to College procedures, the College did not prevent 5 students with delinquent receivables from registering for classes. The 5 students had receivables ranging from \$507 to \$5,407 and totaling \$12,317 that were outstanding from prior terms at the time of their registration; however, the College permitted the students to register and incur additional tuition and fee amounts totaling \$5,916, of which \$3,231 remained outstanding at June 30, 2015 and was due from 4 of the 5 students. According to College personnel, the students were allowed to register since most of them were financial aid recipients who would be awarded financial aid in the future. However, such amounts do not represent valid deferrals since the related amounts are owed from a previous term.
- Although we requested, College personnel could not identify the authority, such as an SBE-authorized deferral, for 3 of the receivables totaling \$8,232. According to College personnel, one of these receivables occurred because the system software failed to cancel the student's registration and another occurred because the College mistakenly processed a full term's tuition and fee deferment for a student although the student was eligible for only two credit hours funded by financial aid. The College was unable to provide an explanation for the remaining student receivable.

Additionally, we reviewed College records related to 30 selected student receivables totaling \$70,430 and written-off in July 2015. The receivables selected had balances that we considered significantly delinquent (i.e., over 24 but less than 36 months). We found that:

- The College did not maintain documentation to evidence that the College sent any collection letter notifications to the 30 students, although College administrative procedures require notifications be sent for receivables outstanding over 60 days. College personnel indicated that, although they sent the notifications by mail and e-mail, the College's system was unable to document that the notices were sent. In July 2015, the College implemented a system with the capability to document collection letter notifications.
- The College did not refer 11 student receivables totaling \$26,218 to a collection agency prior to writing off the accounts. According to College personnel, when identifying accounts to refer to a collection agency, the College did not properly identify these students due to a programming error. In response to our inquiry, College personnel indicated this programming error was corrected.

Without adequate procedures to monitor and timely collect student accounts receivable, the receivable balances may continue to increase. Prompt collection letter notifications to students who have receivable balances followed by the timely identification and referral of applicable student accounts to collection agencies could improve collection efforts and reduce the amount of student accounts receivable written off as uncollectible.

**Recommendation: The College should improve efforts for collecting student accounts receivable by ensuring that academic holds are placed on the records of students with outstanding balances to limit future registrations. Additionally, the College should promptly send collection letter notifications to students who have receivable balances and timely identify and refer applicable student accounts to collection agencies.**

#### **Finding 4: Reporting Full-Time Equivalent Students**

State law<sup>10</sup> requires the Florida Department of Education (FDOE) to determine the State financial support and the annual apportionment to each college district through the Florida College System Program Fund (FCSPF) considering several components, including full-time equivalent (FTE) students. State law<sup>11</sup> provides that any college that reports students who have not paid fees in an approved manner in calculations of the FTE enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. Such penalty shall be charged against the following year's allocation from the FCSPF and shall revert to the General Revenue Fund.

State law<sup>12</sup> requires the SBE to specify, as necessary, by rule, approved methods of student fee payment. Such methods are to include, but not be limited to, student fee payment; payment through Federal, State, or institutional financial aid; and employer fee payments. SBE rules<sup>13</sup> provide that each college board of trustees shall establish, publish, collect, and budget student fees, and shall establish dates for paying fees that are not later than the last day of the drop and add periods established by the boards. Additionally, as mentioned in Finding 3, the rules provide that payment of registration fees may be deferred under certain conditions.

The College reported 19,974 and 20,270 fundable FTE students for the 2013-14 and 2014-15 fiscal years, respectively. The College's aged accounts receivable report, as of May 2015, included 19,521 student receivables totaling \$11.4 million. As discussed in Finding 3, we reviewed College records supporting 30 selected delinquent student receivables totaling \$66,904. Our review disclosed that 8 of the 30 student receivables related to unpaid tuition fees for the 2013-14 and 2014-15 academic years. College records did not evidence the payment of fees or a fee deferral in an authorized manner for any of these 8 students; however, contrary to State law, the College reported the students for State funding purposes. Also, although we requested, College personnel could not provide documentation that the tuition and fees for these 8 students were deferred on the last day of the drop and add periods in accordance with SBE rules. As such, the College's FCSPF funding may be subject to adjustment by the FDOE for two times the value of the enrollment reported for these 8 students.

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<sup>10</sup>Section 1011.84(1)(a), Florida Statutes.

<sup>11</sup> Sections 1009.22(11) and 1009.23(9), Florida Statutes.

<sup>12</sup> Section 1009.23(13), Florida Statutes.

<sup>13</sup> SBE Rule 6A-14.054 FAC.

**Recommendation:** The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. In addition, the College should review the FTE students reported to the FDOE to ensure that only students who paid tuition and fees in an approved manner were included. The College should also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students who had not paid tuition and fees in an approved manner.

#### **Finding 5: Adult General Education**

State law<sup>14</sup> defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act<sup>15</sup> proviso language requires each college to report enrollment for adult general education programs in accordance with FDOE instructional hours reporting procedures.<sup>16</sup>

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require colleges to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the College reported 55,004 instructional contact hours for 1,412 adult general education classes provided to 370 students. As part of our audit, we examined College records for 2,714 hours reported for 31 students enrolled in 31 adult general education classes. We found instructional contact hours were over reported a total of 1,573 hours for 1 student, due to the College using an incorrect withdrawal date to calculate total hours.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the College report accurate data. Similar findings were noted in our report Nos. 2012-069 and 2014-034.

**Recommendation:** The College should continue to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution.

#### **Finding 6: Background Screenings**

Although not specific to colleges, State law<sup>17</sup> provides for criminal history checks, including fingerprinting, for employees in positions of special trust or of a sensitive nature. For example, a level 2 background

<sup>14</sup> Section 1004.02(3), Florida Statutes.

<sup>15</sup> Chapter 2014-51, Laws of Florida, Specific Appropriation 126.

<sup>16</sup> FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

<sup>17</sup> Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

screening<sup>18</sup> is required for owners, operators, employees, and volunteers working in summer camps providing care for individuals under age 18; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions.

College Administrative Rules<sup>19</sup> require the Human Resources (HR) Department to conduct background checks for all newly hired full-time employees and adjunct faculty. In addition, the HR Department must conduct background checks on newly hired part-time employees who handle money as a significant part of their position, or who work in information technology (IT), security, or child care. In response to our inquiry, College personnel indicated that level 2 background screenings are required for personnel hired for summer camps that provide services for individuals under age 18; however, level 1 background screenings<sup>20</sup> are required for other employees in positions of special trust or working in sensitive areas such as IT or security or that handle cash.

During the 2014-15 fiscal year, the College employed approximately 150 employees in positions of special trust, of which 48 were summer camp instructors who provided services for individuals under age 18. As part of our audit, we reviewed College records related to 37 selected summer camp instructors and noted that 10 instructors did not have the required level 2 background screenings. College personnel indicated that level 2 background screenings were not performed for these employees because the College relied on another agency to perform the background screenings. However, the College had not established procedures to verify that all such employees had actually been subject to the screenings and, consequently, College records did not evidence the conduct of background screenings by another agency.

When background screenings that include fingerprinting are not required or obtained for individuals who work in positions of special trust and responsibility, including those with direct contact with persons under age 18, there is an increased risk that the individuals may have backgrounds that are not suitable for such employment.

**Recommendation: The College should require and document the conduct of criminal background checks, including fingerprinting, for all employees in positions of special trust or responsibility, or of a sensitive nature, including those that have direct contact with individuals under age 18.**

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

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The College had taken corrective actions for findings included in our report No. 2014-034, except as noted in Finding 5. As discussed in Finding 5, we noted similar findings in our prior audit report Nos. 2014-034 (finding No. 3) and 2012-069 (finding No. 2).

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<sup>18</sup> A level 2 background screening includes fingerprinting for statewide criminal history records checks through the Florida Department of Law Enforcement, national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

<sup>19</sup> HCC Administrative Rule 3.19, *Criminal Background Checks*.

<sup>20</sup> A level 1 background screening includes employment history checks and Statewide criminal correspondence checks through the FDLE, a check of the national sex offender public Web site, and may include local criminal records checks through local law enforcement agencies.

## **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 February 2016 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. 2014-034.
- To 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:

- Reviewed the College's written information technology (IT) policies and procedures for the 2014-15 fiscal year to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Evaluated the College data center's physical access controls to determine whether vulnerabilities existed.
- Reviewed College procedures for maintaining and reviewing employees' access to IT resources for the 2014-15 fiscal year to determine the appropriateness and necessity of access based on employees' job duties and whether the access prevented the performance of incompatible duties. We examined access privileges for all 33 employees granted access to the finance resources applications and for all 218 employees granted access to the human resource application to determine the appropriateness and necessity of the access granted.
- Reviewed College procedures to prohibit former employees' access to electronic data files. We also reviewed access privileges for 29 of the 370 employees who separated from College employment during the period July 1, 2014, to April 9, 2015, to determine whether the access privileges had been timely deactivated.
- Evaluated the College's written security policies and procedures for the 2014-15 fiscal year governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College's comprehensive IT disaster recovery plan for the 2014-15 fiscal year to determine whether it was in place and had been recently tested.
- Reviewed operating system, database, network, and application security settings for the 2014-15 fiscal year to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a comprehensive, written IT risk assessment had been developed for the 2014-15 fiscal year 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.
- Determined whether a comprehensive IT security awareness and training program was in place for the 2014-15 fiscal year.
- Examined Board meeting 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 during the 2014-15 academic year 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 for the 2014-15 fiscal year 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.
- Examined College records to determine whether the College had developed policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
- 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 also 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.
- Evaluated whether the 43 payments totaling \$601,129 made by the College to its direct-support organization during the period July 1, 2012, through June 30, 2015, were authorized by Section 1004.70(1)(a)2. and (3), Florida Statutes.
- Determined whether student accounts receivable were properly authorized, adequately documented, properly recorded, and in compliance with Section 1010.03, Florida Statutes; Board Rule No 6.04; and Board Procedure 6.07. We examined:
  - From the population of 19,521 student receivables totaling \$11,389,651 and recorded as of May 26, 2015, documentation relating to 30 student receivables totaling \$66,904.
  - From the population of 333 delinquent student receivables totaling \$2,702,202 and recorded as of June 5, 2015, documentation relating to 30 delinquent student receivables totaling \$70,430 and determined whether the College's collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts.
  - Determined whether uncollectible accounts written-off were properly approved.
- Evaluated controls over student fees to determine whether students who had not paid fees in an approved manner were not considered in calculating full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 39,770 students enrolled as Florida residents during the Fall 2014 and Spring 2015 terms, examined College records for 33 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- Examined College records related to the auxiliary operation vendor contract with net expenses totaling \$203,387 for the 2014-15 fiscal year to determine whether the College properly monitored 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.
- Examined documentation to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- Reviewed the College records for supervisory approval of time worked and leave used by exempt employees during the 2014-15 fiscal year to evaluate whether compensation payments were appropriate and leave balances are accurate.

- Reviewed the College's 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 Board policies. From the population of 78 employees who separated from College employment and received \$270,526 in terminal leave payments during the period July 1, 2014, through April, 1 2015, we examined College records supporting payments totaling \$145,297 made to 11 selected employees to evaluate whether the payments were made in compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board Procedures 3.11 and 3.13.
- Reviewed the severance pay provision included in the one senior management employee contract to determine whether the provision complied with Section 215.425(4), Florida Statutes.
- Examined records for the College President's compensation payments totaling \$435,784 during the 2014-15 fiscal year to determine whether the amounts paid did not exceed limits provided in Section 1012.885, Florida Statutes.
- From the population of 3,322 employees compensated a total of \$68,712,074 during the 2014-15 fiscal year, examined records supporting compensation payments totaling \$39,692 and made to 30 selected employees to determine whether the payments complied with applicable employment contracts, were properly classified in the accounting records, and were supported by supervisory personnel certifications of employee time reports.
- Reviewed College policies, procedures, and records to determine whether employees in positions of special trust and responsibility, such as positions that have direct contact with persons under age 18, had undergone appropriate background screenings.
- Reviewed College policies and procedures to ensure health and life insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon an employee's separation from employment. Also, we determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of payments totaling \$2,588,799 made to 288 consultants during the period July 1, 2014, through January 1, 2015, examined documentation for 18 selected payments totaling \$240,335 related to 10 consulting agreements to determine whether the respective agreements were Board approved and properly awarded and executed, payments were made in accordance with contract terms, and vendors maintained adequate insurance.
- From the population of 83 employees who were issued purchasing cards (P-cards) and separated from employment during the 2014-15 fiscal year, examined P-card records for 15 selected P-cards to determine whether the P-cards were timely canceled.
- From the population of P-card transactions totaling \$2,532,773 during the period of July 1, 2014, to April 9, 2015, examined College records supporting 32 selected P-card transactions totaling \$52,038 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- Evaluated whether \$35,108 in rebate revenues received during the 2014-15 fiscal year from the P-card program were allocated to the appropriate College funds.
- Evaluated College policies and procedures related to identifying potential conflicts of interest during the 2014-15 fiscal year. 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 represent a conflict of interest with vendors used by the College.
- From the two major construction projects in progress during the 2014-15 fiscal year with total contracts of \$13,464,719, examined records for one contract to verify compliance with College policies and procedures and provisions of State laws and rules. Specifically, we examined:

- Documentation to determine whether the College monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager.
- Documentation to determine whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers.
- Documentation to determine whether architects and engineers provided evidence of required insurance.
- From the population of construction expenditures totaling \$4,837,742, documentation for 10 selected payments totaling \$4,837,742, to determine whether the payments were adequately supported and properly approved.
- From the population of Public Education Capital Outlay (PECO) and other restricted capital outlay payments totaling \$17,405,225 during the 2014-15 fiscal year, examined College records supporting 30 selected payments totaling \$3,150,636 to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- Determined if, during the 2014-15 fiscal year, PECO funds were properly encumbered by the required reversion date or returned as required by Section 216.301(2)(a) and (c), Florida Statutes.
- From the population of \$88,886 for payments to employees for other than travel and compensation during the 2014-15 fiscal year, examined documentation for 7 selected payments totaling \$11,080 to determine whether such payments were reasonable, adequately supported, for valid College purposes and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- Examined supporting documentation for adult general education instructional and contact hours reported by the College to the Florida Department of Education (FDOE) to determine whether hours were reported during the 2014-15 fiscal year in accordance with FDOE requirements.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## Hillsborough Community College

Office of the President  
Dr. Ken Atwater

April 6, 2016

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

RE: HCC OPERATIONAL AUDIT, 6-30-15

Dear Ms. Norman:

Enclosed are Hillsborough Community College's responses to the preliminary and tentative findings from the operation audit for the fiscal year ended June 30, 2015.

Please feel free to contact Al Erdman, Vice President for Administration and CFO, for any questions at 813.253.7015 or at [aerdman2@hccfl.edu](mailto:aerdman2@hccfl.edu).

Thank you for the opportunity provided by your office to continue our review and improvement of College operations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Atwater".

Dr. Ken Atwater  
President

cc: District Board of Trustees  
Al Erdman

Enclosure

**Hillsborough Community College**  
**Audit Response for Operational Audit 2014-2015**

**April 6, 2016**

**Audit Finding No. 1: Payments to the Foundation-** The College paid \$67,500 to its direct-support organization without specific legal authority.

**Recommendation:** In the absence of specific statutory authority, the College should discontinue the practice of making cash payments to the Foundation and seek to recover \$67,500 from the Foundation.

**College Response:** The audit finding notes that HCC transferred cash to the Foundation. As to the finding regarding HCC payment of audit and tax return fees for fiscal years 2013, 2014, and 2015, the College agrees with the finding and will seek to recoup payment of these fees from the HCC Foundation. HCC will also not pay for these fees for the HCC Foundation going forward.

**Finding No. 2: Textbook Affordability-** The College's textbook affordability policies and procedures could be improved.

**Recommendation:** The College should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

**College Response:** HCC has adopted and initiated a process for compliance with the recommendations of the Textbook Affordability Workgroup. As these were recommendations and not new legislation or state regulations, the administration worked with our faculty to address this issue through our collective bargaining agreement which includes textbook adoptions by HCC faculty.

In January, 2016, the Board and the faculty agreed to a contract revision that included revisions to textbook selection and our commitment to address textbook affordability and the college wide adoption of common course textbooks. Two general education courses have been selected for college wide adoption for Fall 2017, with three additional general education courses to be selected to adopt college-wide textbooks within the next two-year textbook adoption cycle. Further, a textbook analysis was recently completed district wide to identify textbook selections for all General Education courses.

HCC will continue to address the textbook affordability issues with the faculty union through our negotiations for a new collective bargaining agreement and to further implement the recommendations of the Textbook Affordability Workgroup.

**Finding No. 3: Student Accounts Receivable-** The College did not always prevent students who had delinquent student receivable balances from registering for future classes, document that collection notification letters were sent to students who had such balances, or refer significantly delinquent student receivable balances to a collection agency.

**Recommendation:** The College should improve efforts for collecting student accounts receivable by ensuring that academic holds are placed on the records of students with outstanding balances to limit future registrations. Additionally, the College should promptly send collection letter notifications to students who have receivable balances and timely identify and refer applicable student accounts to collection agencies.

**College Response:** The College acknowledges an overall increase in the level of student receivables written off as noted in the finding. The College identified operational challenges prior to this audit, in late 2015 and quickly took action to improve financial reporting processes and added new leadership with extensive backgrounds in student financial services and student collections.

The College has updated internal processes for Student receivables to ensure that holds on student accounts are processed timely and that all collection efforts are documented, monitored and managed per the College's policy. A departmental calendar has been developed to ensure planning and prioritization allowing Student Financial services to remain in compliance with state and federal guidelines and regulations. That calendar is as follows:

Financial holds will now be consistently placed on student accounts at two separate times during each semester and individually as necessary. Holds are now consistently placed after add/drop and the week before the registration period opens for the following semester.

Students are contacted several times and afforded the opportunity to bring their account(s) current. Students are notified of delinquent balances by phone prior to the start of the term and throughout the add/drop period. If payment is not received by the add/drop deadline, students receive two written notices, one at 30 days and a final collection referral notice prior to the end of the term. Outside collections placements occur only after all internal efforts have failed. Student collection placement records are documented in our software system for reporting and compliance purposes. These improvements have resulted in an increase in collection of delinquent receivables for the second half of 2015. HCC has experienced a 9.24% increase in recovery rates for accounts placed with the outside collection agency in the first three months alone.

The college believes that the process changes outlined will ultimately reduce the percentage of write offs to levels more consistent with two year colleges at five to ten percent write off per year.

We are continuing to develop processes related to the Return of Title IV and return of VA benefits that may occur after students have registered for the following semester, as were identified in the sample reviewed during this audit. We are aware that this is an opportunity for improvement and are working to develop enhanced reporting and a de-registration rule that would allow our software system to de-register those students who incur balances after registration for the next term.

**Finding No. 4: Reporting Full-Time Equivalent Students**- The College needs to improve controls over reporting student enrollment for State funding purposes.

**Recommendation:** The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. In addition, the College should review the FTE students reported to the FDOE to ensure that only students who paid tuition and fees in an approved manner were included. The College should also consult with the FDOE to determine the corrective actions necessary for the FTE reported for students who had not paid tuition and fees in an approved manner.

**College Response:** The College reports FTE five times during the fiscal year. Adjustment and resubmission of prior terms are submitted as necessary. The reporting process does not currently take tuition and fee balances into consideration. We are currently reviewing the FTE reporting process for enhancements that will identify students with balances due to non-payment of tuition and fees during the reporting period. System enhancements for storing prior period deferrals will be required as our ERP system does not have the capability of storing data related to inactive deferrals.

The College will immediately develop a plan to map out the required specifications to ensure compliance.

**Finding No. 5: Adult General Education**- The College needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. A similar finding was noted in previous audits, most recently in our report No. 2014-034.

**Recommendation:** The College should continue to strengthen controls to ensure that instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution.

**College Response:** The College has implemented a series of steps aimed at improving the recording and reporting of instructional contact hours to include daily attendance tracking, weekly reviews of attendance records, and a mid-term assessment of section hours to date.

With respect to the current finding, the over reporting of hours resulted from an inaccurate withdrawal date being entered into the system for one student. Specifically, the year was entered as 2025 instead of 2015. To address this situation, the State Reporting Coordinator and Adult Education Director will implement new data integrity procedures to include both a review of student withdrawal dates and total section hours for the term prior to State reporting submissions.

**Finding No. 6: Background Screenings**- The College did not always perform background screenings for applicable individuals in positions of special trust and responsibility

**Recommendation:** The College should require and document the conduct of criminal background checks, including fingerprinting, for all employees in positions of special trust or responsibility, or of a sensitive nature, including those that have direct contact with individuals under age 18.

**College Response:** While the College's Administrative Rules require Human Resources to conduct background checks for all newly hired full-time employees and adjunct faculty, the Human Resources department, in practice, conducts Level 1 background checks for all newly hired employees. We are currently updating the Administrative Rules and Procedures to properly reflect the current background check process.

We agree that the Level 2 background check process is not currently in place, with the exception of Summer Camp employees. In addition, we are aware that certain summer camp employees and/or volunteers were missed the previous year. As we update our rules and procedures, we will identify the positions of special trust that should receive Level 2 backgrounds and we will outline a process that Human Resources will use to verify that employees have received the Level 2 screening. Our goal is to have the new processes and procedures in place by July 1, 2016.