

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-053
November 2018

ST. JOHNS RIVER STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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^a Member resigned on 12-7-17, and position was vacant through 12-31-17.

The team leader was Lenia Blades, and the audit was supervised by Randy R. Arend, 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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ST. JOHNS RIVER STATE COLLEGE

SUMMARY

This operational audit of St. Johns River State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-100. Our operational audit disclosed the following:

Finding 1: College controls over assessment and collection of Thrasher-Horne Center facility use fees need enhancement.

Finding 2: Contrary to State law, the College assessed distance learning course fees for courses not listed in the Statewide Internet-based catalog of distance learning courses.

Finding 3: The College did not always accurately report to the Florida Retirement System payments to employees for accumulated annual leave.

Finding 4: College rules and records supporting College property, facilities, and personal services used by the College's direct-support organization could be enhanced.

Finding 5: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

BACKGROUND

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

The College has campuses in Orange Park, Palatka, and St. Augustine. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Clay, Putnam, and St. Johns Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Thrasher-Horne Center Facility Use Fees

State law¹ authorizes the Board to permit the use of educational grounds and facilities for any legal assembly. The College's Thrasher-Horne Center includes a performing arts auditorium and a conference center that are periodically rented by external organizations based on established facility use fees. College policies² authorize the President to establish procedures for the use of College facilities and

¹ Section 1013.10, Florida Statutes.

² College Policy 4.18 (R1), *Policies and Regulations Governing the Use of College Facilities*.

equipment that include an application process, rental fees, waiver of rental fees when appropriate, insurance requirements, and other terms and conditions. College procedures³ require, in part, that a signed reservation agreement be executed for each facility use and that payment be made, in full, 15 days prior to the event for performing arts auditorium use or 30 days prior to the event for conference center use. The College has developed various fee schedules for the performing arts auditorium and conference center depending on whether the facility is being used by a for-profit or not-for-profit organization and the support services required for the event.

For the period January 2017 through June 2018, the College reported rental fee collections totaling \$630,008 for use of College facilities. As part of our audit, we requested for examination College records, such as facility use agreements, supporting 23 selected events sponsored by external organizations (lessees) with rental fees totaling \$193,115 collected by the College. Our examination of College records disclosed that monitoring procedures associated with facility use agreements and related fees could be improved. Specifically, we found that:

- College personnel did not always require lessees to sign an agreement for facility use. Although we requested, College personnel were unable to provide signed agreements for 5 of the 23 events.
- Lessees were not always required to make payments for performing arts auditorium or conference center use at least 15 or 30 days, as applicable, prior to the event. For 22 of the 23 events, payments were not timely as the payments were made 13 days before the applicable event to 243 days after the event. College records indicated that the College collected \$80,434 of the \$193,115 in assessed fees tested prior to the 23 events, while \$112,681 remained outstanding at the time of the event.
- The College assessed rental fees totaling \$142,571 related to 16 events for conferences, dances, graduations, and plays. However, based on the College facility use fee schedules, the College was to assess and collect \$167,229 for these events. Although we requested, College records were not provided to document the basis for discounting or reducing the fees. For example, College records did not document the basis for discounting or reducing fees for:
 - A not-for-profit organization's use of the performing arts auditorium for a dance competition. The College reduced the fees by \$8,616 and collected \$32,443 for the organization's use of the facility, furniture, equipment, and support services provided by contract personnel. The fee reduction related to an 83 percent dressing room use discount totaling \$7,731 and a 50 percent multi-day discount for room charges totaling \$885; however, College procedures and the facility use fee schedules did not provide for these discounts.
 - A for-profit organization's use of the performing arts auditorium for a teenage social event. The College reduced the fees by \$3,750 and collected \$1,756 for the organization's use of furniture, equipment, and support services provided by contract personnel. The fee reduction related to a 100 percent discount for room charges identified as a Presidential Sponsorship; however, College procedures and the facility use fee schedules did not provide for a Presidential Sponsorship discount, and College records did not document the President's approval of the discount.
 - A for-profit organization's use of the performing arts auditorium for a dance recital. The College reduced fees by \$2,286 and collected \$8,067 for the organization's use of the facility, furniture, equipment, and the support services provided by contract personnel. The fee reduction related to 20 percent discounts for various unidentified room charges totaling

³ College Rental Procedures for Thrasher-Horne Performance Spaces and the Thrasher-Horne Conference Center.

\$1,086, a 10 percent returning customer discount for certain facility use fees totaling \$700, and 10 percent multi-day discounts for room charges totaling \$500; however, College procedures and the facility use fee schedules did not provide for these discounts.

- A for-profit organization's use of the performing arts auditorium for a dance competition. The College reduced fees by \$2,076 and collected \$26,486 for the organization's use of the facility and the support services provided by contract personnel. The fee reduction related to a 10 percent returning customer discount for certain facility use fees; however, College procedures and the facility use fee schedules did not provide for this discount.
- A school district's use of conference center facilities for leadership training. The College reduced fees by \$2,363 and collected \$3,563 for the organization's use of the facility and equipment. The fee reduction related to a 50 percent discount to the daily room charge although the College's facility use fee schedules only provided for a 20 percent discount (\$945) for room charges. As a result, the room rental fees charged were \$1,418 less than provided for in the facility use fee schedules.

In response to our inquiries, the College's Executive Director of the Thrasher-Horne Center indicated that the President and Vice President for Development and External Affairs granted him limited authority to make pricing decisions as they pertain to the tickets sold for touring events, as well as rentals for both the performing arts auditorium and the conference center, and that discounts were granted in certain circumstances in an effort to encourage repeat business and compete against other available facilities in the region. The Executive Director also indicated that, although agreements stipulated that fees were to be submitted prior to the event, the requirement is occasionally waived due to various factors, such as when tickets for an event are sold at the performing arts auditorium box office. In such cases, the ticket sales proceeds are held by the College to reduce the risk of non-compensation. The Executive Director further indicated that, although agreements were not always executed prior to events, the President or his designee preliminarily approved the use of the performing arts auditorium or the conference center.

Notwithstanding these responses, the absence of agreements executed prior to the rental of College facilities, consistent assessment of fees in accordance with the College facility use fee schedules, and an approved procedure to discount or reduce fees, the risk is increased that facility users may not be treated equitably in accordance with Board intent and the College may not recover all the costs associated with facility use by external organizations.

Recommendation: The College should:

- **Ensure that agreements are fully executed prior to lessee use of College facilities.**
- **For those instances in which ticket sale proceeds are held by the College, establish procedures to require and ensure that lessees pay a reasonable portion of the fees in advance of the facilities use.**
- **Enhance procedures to ensure that, absent Board-approved discounts or reductions of fees, facility use fees are assessed consistent with the College facility use fee schedules.**
- **Prescribe by procedure the conditions for which the College facility use fees may be discounted or reduced.**

Finding 2: Distance Learning Fees

State law⁴ provides, in part, that each college may assess a per credit hour distance learning course fee for a course listed in the Statewide Internet-based catalog of distance learning courses (Catalog). The College offered 695 distance learning course sections that generated distance learning fees revenue totaling \$572,595 for the 2017 calendar year.

As part of our audit procedures, we reviewed the 695 course sections coded as Web-based, Internet course sections included in the College student registration system records of courses offered for the 2017 calendar year to determine whether the course sections were listed in the Catalog. We found that 59 course sections, with distance learning fees revenue totaling \$38,385, were not listed. In response to our inquiry, College personnel indicated that the 59 course sections were not listed in the Catalog because they were added to the College course schedule after the Catalog was prepared and the responsible department was not notified of the additional course sections. College personnel also indicated that the listing of course sections in the Catalog is a manual process and sometimes there are changes to the College course schedule prior to classes beginning each semester, resulting in College course sections being excluded from the Catalog.

We also reviewed the College listing of course sections that did not assess the distance learning fee and found 6 other course sections offered by the College that were not coded as a distance learning course in the College student registration system, although they were identified as Web-based, Internet course sections. In response to our inquiry, College personnel indicated that the 6 course sections were coded incorrectly in the student registration system and that these courses should have been assessed distance learning fees totaling \$5,445.

When distance learning course sections are not listed in the Catalog or not correctly coded as distance learning courses by the College, students may be assessed fees incorrectly and be misinformed of available distance learning opportunities. In response to our inquiries, College personnel indicated that procedures would be developed to ensure that the Distance Learning Department is notified of all online distance learning courses and that fees are properly assessed.

Recommendation: The College should comply with State law by ensuring that:

- **All College distance learning courses for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.**
- **Distance learning course sections are correctly coded in the College student registration system and distance learning course fees are properly assessed to students enrolled in the distance learning courses.**

Finding 3: Reporting Accumulated Annual Leave Payments to the Florida Retirement System

Florida Department of Management Services (DMS) rules⁵ provide for the calculation of retirement benefits for Florida Retirement System (FRS) members upon retirement, with the defined benefit calculation based, in part, on the average final compensation. Average final compensation is defined by

⁴ Section 1009.23(16), Florida Statutes.

⁵ DMS, Division of Retirement (DOR) Rules, Chapter 60S-4, Florida Administrative Code (FAC).

DMS rules⁶ to include payments for accumulated annual leave, not to exceed 500 hours, and all payments defined as compensation. Participating employers are to submit monthly retirement reports of payments and contributions for all members and the *FRS Employer Handbook*⁷ provides guidance for reporting payment types. For example, regular compensation payments are to be reported under code 12 and payments for accumulated annual leave are to be reported under code 21. Reporting payments for accumulated annual leave under the correct code is necessary to ensure the proper calculation of a member's average final compensation and retirement benefit.

The Board's employment contracts for certain administrative personnel, such as the Vice-Presidents and the Chief Information Officer, provide for up to 80 hours of accumulated annual leave to be paid at the election of the administrator. Additionally, the employment contract for the President provides for up to 480 hours of accumulated annual leave to be paid at the election of the President.

During the 2017 calendar year, the College paid 36 employees a total of \$130,769 for accumulated annual leave with individual payments ranging \$154 to \$33,762. To determine whether the College properly reported the payments in accordance with the *FRS Employer Handbook*, we reviewed College records supporting accumulated annual leave payments totaling \$80,259 made to 10 employees. We found that, in June 2017, the College paid a total of \$68,153, in amounts ranging from \$2,765 to \$33,762, for accumulated annual leave to seven administrators and the President but reported the payments to the FRS as regular compensation (code 12) instead of accumulated annual leave payments (code 21).

In response to our inquiries, College personnel indicated that the incorrect reporting for accumulated annual leave payments was the result of oversights and identified payments totaling \$4,436 and \$3,775 for accumulated annual leave to two other administrators that were also reported to the FRS as regular compensation (code 12) instead of accumulated annual leave payments (code 21). Subsequent to our inquiries, the College submitted corrected payroll information to the FRS in June 2018 for the nine administrators and the President.

By reporting accumulated annual leave payments as regular compensation, the employee receives credit for the entire payment as regular compensation and continues to have all 500 hours of accumulated annual leave available for payment and credit to the average final compensation. As such, reporting payments to the FRS for accumulated annual leave as regular compensation increases the risk that retirement benefits will be calculated and paid at a higher amount than allowed under DMS rules. A similar finding was noted in our report No. 2016-100.

Recommendation: The College should continue efforts to comply with guidance by ensuring that future accumulated annual leave payments are properly reported in accordance with the *FRS Employer Handbook*.

Finding 4: Direct-Support Organization

To promote accountability over College property, facility, and personal services use, it is important that public records prescribe the conditions for such use, document appropriate approval before the use occurs, and demonstrate appropriate use. Such records help document authorization for the use,

⁶ DMS, DOR Rule 60S-6.001(6), FAC.

⁷ *FRS Employer Handbook*, Chapter 3.

demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law⁸ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and make expenses to, or for the benefit of, a Florida College System institution. Additionally, State law⁹ authorizes the College Board of Trustees (Board) to permit the use of College property, facilities, and personal services by a DSO, and to prescribe by rule any conditions with which a DSO must comply for such use. The Board approved the St. Johns River State College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

As part of our audit, we interviewed College personnel and requested for examination College records related to the Foundation and found that:

- The Board approved a memorandum of understanding (MOU) between the College and the Foundation providing that the College would provide in-kind services, such as office space, technology, and utilities, and that the College would employ the Vice President of Development and External Affairs and other Foundation staff.
- The College's Foundation staff organizationally report to the Vice President of Development and External Affairs, whose responsibilities include the Foundation, Public Relations, Publications, and the Thrasher-Horne Center. The College property, facilities, and personal services provided to the Foundation are also used to support the Public Relations, Publications, and Thrasher-Horne Center activities.
- According to College personnel, during the 2016-17 and 2017-18 fiscal years the College provided personal services with related costs totaling \$64,816 and \$96,747, respectively, to the Foundation. College personnel indicated that these costs were based on the services of three College employees who provided 25 to 50 percent of their work efforts for the Foundation. According to the job descriptions, the personal services included responsibilities such as Foundation fundraising and administrative services, for example, to solicit gifts and grants from individuals, corporations, and foundations; to develop and implement fundraising campaigns for special programs; and to cultivate, maintain, and enhance the College's relationship with its alumni.
- According to Foundation audit reports for the fiscal years ended March 31, 2017, and March 31, 2018, the Foundation received use of certain facilities and certain contributed services at no cost and, as a matter of accounting practice, the value of such facilities and services was not recorded in the Foundation financial statements.

Although College records and responses to our inquiries provided some support for the College property, facilities, and personal services provided for the Foundation's use, we also noted that:

- College records associated with Foundation use of College resources could be improved by prescribing in a Board-approved policy any conditions with which the Foundation must comply to use College resources. Such policy could prescribe, for example, conditions to restrict Foundation use of College property, facilities, and personal services to Board-approved public purposes consistent with the mission, vision, and values of the College and require Foundation management to certify, before use, that College resources will only be used for such purposes and to affirm, after use, that the resources were only used for those purposes.

⁸ Section 1004.70(1)(a), Florida Statutes.

⁹ Section 1004.70(3), Florida Statutes.

- College records were not maintained to document College employee actual time and effort provided to the Foundation to support the purpose for the personal services provided or the related costs. As such, College records did not demonstrate that personal services costs were appropriately distributed among specific College and Foundation activities.
- While College personnel indicated that College expenses for the Foundation are included in the College operating budget presented annually to and approved by the Board, College records could also be enhanced by obtaining Board approval of anticipated Foundation use of College resources and the value of such use before the use occurs and documenting when the Foundation used College resources and the purpose for and value of such use.

College personnel indicated that the College was unaware of a requirement for the Board to document consideration and approval of Foundation use of College resources especially since the Board approved the MOU between the College and Foundation, the President and Senior Vice President are members of the Foundation Board of Trustees, and the Foundation made annual presentations to the Board to demonstrate compliance with State law, including audited Foundation financial statements and the Foundation's Federal IRS Form 990.

Notwithstanding this response, a Board-approved policy to prescribe the conditions with which the Foundation must comply in order to use College resources, Board-documented approval of College resources that will be used by the Foundation before the use occurs, and records to document the purpose and value of College property and facilities used by the Foundation would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use.

Recommendation: We recommend that:

- **The Board prescribe by rule any conditions with which the Foundation must comply in order to use College property, facilities, and personal services and the College monitor and document Foundation compliance with such conditions.**
- **The College document Board approval, at least on an annual basis, of the estimated value of College resources that will be used by the Foundation before the use occurs. To enhance transparency, Board approval documentation should identify the buildings and related square footage of the office space for use by the Foundation and the value of such use.**
- **The College obtain certifications from Foundation management to affirm that College resources were used in accordance with the conditions for such use.**
- **The College document College employee actual time and effort provided to the Foundation to support the purpose for and value of those services and the distribution of applicable personal service costs among specific College and Foundation activities for employees who work on more than one activity.**

Finding 5: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁰ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in

¹⁰ Section 119.071(5)(a), Florida Statutes.

maintaining the confidential status of such information. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The College collects and uses SSNs pursuant to State law for various purposes, such as to register newly enrolled students, to comply with Federal tax reporting requirements and other Federal and State requirements related to financial and academic assistance, and to perform other College responsibilities. According to College personnel and records, the College established a unique identifier, other than the SSN, to identify each student and maintained student information, including SSNs, in the College information technology (IT) system. The College also maintains an imaging system that contains copies of various documents, including some with student SSNs, such as applications for enrollment and IRS tax return transcripts for student financial aid.

As of July 11, 2018, the College IT system contained sensitive personal student information for a total of 164,975 current, former, and prospective students. To help protect student information from unauthorized disclosure, modification, or destruction, applicable College administrators and delegated staff members are responsible for approving employee access to sensitive data. College procedures¹¹ require employee access privileges to be reviewed semi-annually by the College administrators and delegated staff members to ensure the access privileges are commensurate with each employee's job duties and responsibilities; however, although this review extended to student SSNs, the review did not always detect and prevent College employees from having unnecessary access privileges to student SSNs.

As part of our audit procedures, we examined access privileges for the 48 employees with access to student SSNs through the College IT system, and the 104 employees with access to student SSNs through the imaging system, and inquired, based on job titles, about the necessity of certain employees' access, such as a library technical assistant with access to student SSNs through the College IT system and a purchasing specialist with access to student SSNs through the imaging system.

In response to our inquiry, College personnel confirmed that the access was not needed and subsequently removed the unnecessary access privileges for the library technical assistant and the purchasing specialist. In addition, as of July 26, 2018, the College determined 11 of the other 47 employees with access to student SSNs through the IT system did not need access, 15 of the other 103 employees with access to student SSNs through the imaging system did not need access, and the access for these employees was subsequently removed. However, the College determined that the remaining 36 employees with access to student SSNs through the IT system and 88 employees with access to student SSNs through the imaging system needed continuous access to the student SSNs to perform their job duties and responsibilities.

We noted that, since the College IT system did not have a mechanism to differentiate employee access privileges to current student SSNs from access privileges to former or prospective student SSNs, the 124 employees retained access to all 164,975 current, former, and prospective student SSNs. Although we requested, College records were not provided to demonstrate the public purpose served by

¹¹ IT Standard Operating Procedures IT0302, *Access Control Verification*.

indefinitely maintaining the SSNs of individuals who applied but had not enrolled in the College. Additionally, according to College personnel, these 124 employees needed access to former student SSNs, for example, to assist former students who may return to the College for additional classes or request administrative action on their records. Notwithstanding, although we requested, College records were not provided to demonstrate that these 124 users needed continuous access to this information or that occasional access could not be granted only for the time needed. The existence of unnecessary access privileges increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against College students and others.

Recommendation: To ensure access to sensitive student information is properly safeguarded, the College should:

- Document the public purpose served by indefinitely maintaining SSNs for individuals who do not enroll in the College. Absent such, the College should discontinue the practice of indefinitely maintaining prospective student SSNs.
- Upgrade the College IT system to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former and prospective student information.
- Establish periodic evaluation procedures of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected. If an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 3, the College had taken corrective actions for findings included in our report No. 2016-100.

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 February 2018 through September 2018 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. 2016-100.
- 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 transactions, as well as events and conditions, occurring during the audit period of January 2017 through December 2017 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 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, and disaster recovery.
- Reviewed College procedures for maintaining and reviewing employee access to IT data and resources. We examined College records supporting 27 selected employees' access privileges to the College's database and finance and human resources applications during the audit period

to determine the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and whether the access privileges adequately prevented the performance of incompatible duties.

- Evaluated College procedures for protecting student social security numbers (SSNs). For the 152 College employees who had access to current, former, and prospective student SSNs during the audit period, we examined College records to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated Board security policies and College procedures for the audit period governing the classification, management, and protection of sensitive and confidential information.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Examined Board and committee meeting minutes to determine whether Board approval was obtained for Board policies and College procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records for the audit period 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 supporting payments totaling \$12,915 and \$15,451, made on behalf of the College's direct-support organization (DSO) during the 2016-17 and 2017-18 fiscal years, respectively, to determine whether the transactions were authorized as described in Section 1004.70(1)(a)2. and (3), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the DSO must comply in order to use College property, facilities, and personal services and whether the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the DSO and the related costs.
- Examined supporting documentation for the 4,261 course sections offered during the audit period to determine whether Board policies and College procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- Examined College records to determine whether student accounts receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. Specifically, we examined:
 - From the population of 1,783 student accounts receivables totaling \$631,727 and recorded as of June 30, 2017, documentation relating to 4 selected student receivables totaling \$4,954.
 - Documentation supporting the write-off of uncollectible accounts to determine whether the write-offs were properly approved.
- From the population of 8,427 students enrolled as Florida residents during the audit period, examined College records for 30 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- Examined College records for the 695 distance learning courses with fee revenues totaling \$572,595 during the audit period to determine whether distance learning fees were assessed,

collected, separately accounted for, and retained in accordance with Section 1009.23(16), Florida Statutes.

- For the College's three bookstores and performing arts center, with collections totaling \$3.9 million during the audit period, examined College records supporting 20 daily collections totaling \$678,046 from 1 week in January 2017 and 1 week in August 2017 to determine the effectiveness of College collection procedures.
- From the population of rental fee collections totaling \$630,008 for the period January 2017 through June 2018, examined facility use agreements and supporting documentation for 23 selected events with related rental receipts totaling \$193,115 to determine whether the agreements conformed to good business practices and were properly approved, receipts were consistent with agreements and fee schedules, and College records evidenced appropriate insurance for the facility rentals.
- Evaluated College procedures for performing the annual physical tangible personal property inventories and examined supporting documentation for the inventories.
- From the population of surplus property disposals and deletions totaling \$278,831 approved by the Board during the audit period, examined College disposal records for property items, with acquisition costs totaling \$125,032, approved for February 2017 and June 2017 to determine whether deletions and disposals complied with Board policies and College procedures.
- From the compensation payments totaling \$25.9 million made to 894 employees during the audit period, selected salary payments totaling \$862,652 made to 30 employees during the audit period and examined College records to determine the accuracy of the rate of pay, the validity of employment contracts, whether the employees met the required qualifications, whether performance evaluations were completed, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated Board policies and College procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law, Board policies, and employee contracts. Specifically, from the population of 47 former or active employees who received \$185,435 in accumulated annual or sick leave payments, we examined College records supporting 13 selected employees who received payments totaling \$118,507 to evaluate whether the payments, including the related retirement benefit contributions, were in compliance with Sections 110.122 and 1012.865, Florida Statutes; Board policies and College procedures, Division of Retirement Rule 60S-6.001, Florida Administrative Code; and Florida Retirement System guidelines.
- Examined the severance pay provisions in the standard contract used for 123 employees to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes, and examined College records supporting the one severance payment made during the audit period to determine whether the payment complied with State law.
- Examined College records for the President who received compensation totaling \$470,684 during the 2016-17 fiscal year to determine whether the amount paid did not exceed the limits established in Section 1012.885, Florida Statutes.
- Evaluated Board policies and College procedures for obtaining personnel background screenings to determine whether individuals in positions of special trust and responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Evaluated College procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon an employee's separation from College employment. Also, we determined whether the College had

adequate procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.

- Examined College records to determine whether selected expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, Board policies and College procedures. Specifically, from the population of expenses, other than compensation and student financial aid, totaling \$17.5 million for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$2.9 million.
 - 30 selected payments for contractual services totaling \$927,688.
- From the population of 4,163 purchasing card (P-card) transactions and 196 fuel card transactions totaling \$697,506 and \$8,268, respectively, during the audit period, examined College records supporting 27 P-card and 3 fuel card transactions totaling \$26,083 and \$241, respectively, to determine whether the P-card and fuel card programs were administered in accordance with Board policies and College procedures and transactions were not of a personal nature. We also examined P-card records for 10 cardholders who separated from College employment during the audit period to determine whether the College timely canceled the cardholders' P-cards.
- For the only significant construction project in progress during the audit period, with associated expenses totaling \$1.5 million, examined two payments with expenses totaling \$339,930 to determine whether the project was administered in accordance with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules.
- From the population of 167 adult general education instructional students reported for 16,729 contact hours for the Fall 2017 Semester, examined College records supporting 844 reported contact hours for 26 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.
- From the population of 226 industry certifications reported for performance funding that were attained by students during the 2016-17 fiscal year, examined 30 selected industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- 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



ST. JOHNS RIVER
STATE COLLEGE

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November 16, 2018

Ms. Sherrill F. Norman
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 audit findings of your most recent operational audit of St. Johns River State College as listed in your letter dated November 5, 2018.

Finding 1: College controls over assessment and collection of Thrasher-Horne Center facility use fees.

Acknowledged. The College recently implemented a new procedure for the management and application of fees for the rental use of the Thrasher-Horne Center's various spaces. The procedure addresses Board approved fees, adjustments, and discounts. Reservation request forms have also been enhanced for both internal, College-sponsored, and external events with appropriate levels of approval contained within. Additionally, Thrasher-Horne staff will ensure fully-executed reservation agreements are in place prior to the respective event.

Finding 2: Assessment of distance learning course fees for courses not listed in the Statewide Internet-based catalog

St. Johns River State College acknowledges the requirement to meet the statutory provision that all courses to which a distance learning fee has been applied must also be listed in the Statewide Internet-based catalog of distance learning courses. The College has revised its internal processes and controls and is in the planning process of the development of an automated system for submitting fee files on an ongoing basis so as to capture distance learning courses added to the schedule after the initial file submission. Furthermore, the College has added an additional level of review of courses to ensure that all distance learning courses are correctly coded in the College student registration system and that distance learning fees are properly assessed to all students enrolled in distance learning course sections as required by Florida Statute.

Finding 3: Accurate reporting employee accumulated leave payment to the Florida Retirement System.

Acknowledged. As stated in the preliminary and tentative audit findings report, the College has corrected the information regarding the leave payout reporting for all administrators that were initially submitted with an incorrect compensation code. The Human Resources Department has established processes to ensure the proper reporting of accumulated annual leave payments for employees in the ten (10) senior management positions as well as all employees receiving



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accumulated leave payouts. The new process includes having the Human Resources Specialist that processes leave notify the Assistant Director of Benefits and Risk Management of all senior management employees who request an annual leave payout in the month of June and all employees in the month an annual leave payout is being paid. The Assistant Director of Benefits and Risk Management has also added the accumulated annual leave for senior management employees as a reoccurring line item on her annual outlook calendar for the month of June. In addition, a Monthly Payroll Checklist has been added to assist in accounting for items such as accumulated leave reporting and other monthly/annual payroll processing items.

Finding 4: College property, facilities, and personal services used by the College’s direct-support organization

Acknowledged. The current Board policy is being amended to ensure the Foundation’s compliance with the statute for usage of College property, facilities, and personal services. The College’s Board of Trustees will annually review and approve a budget summary of anticipated uses and values for College property, facilities, and personal services. Additionally, employees who work on both College and Foundation objectives will maintain records that document the allocation of time.

Finding 5: Information technology user access privileges related to the risk of unauthorized disclosure of sensitive personal information.

St. Johns River State College agrees that it should discontinue the practice of indefinitely maintaining prospective students’ SSNs. We are in the planning stages of developing a process to purge SSN information for prospective students that do not attend. The ERP used by the College does not allow for the functionality of separating access between current student information and former and prospective student information. To mitigate, the College is planning to remove information for all prospective students that do not attend. The College is also in the planning stages for the possibility of developing a custom student search feature in the ERP to be based on enrollment status. Furthermore, the College is adding additional reports to verify access to both the fine-grained access and the imaging system access. These additional reports will be placed on the existing permissions verification schedule to ensure they are checked periodically and access updated in a timelier fashion.

Sincerely,

Joe H. Pickens, J.D.
President