

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-058
November 2018

CHIPOLA COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2017 through December 2017, Dr. Sarah Clemons served as Interim President of Chipola College through March 31, 2017, and President from April 1, 2017, and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Daniel E. Ryals, III, Chair	Calhoun
Thomas S. Lassmann, Vice Chair from 6-20-17	Jackson
Virginia C. Stuart, Vice Chair through 6-19-17 ^a	Jackson
Hannah S. Causseaux	Liberty
James R. Dean from 8-21-17 ^a	Jackson
Andrew S. Fleener	Washington
Kyle Hudson through 6-20-17 ^b	Holmes
John W. Padgett	Jackson
Joel F. Paul	Holmes
Darrin Wall	Washington
Brandon J. Young, Esquire from 12-8-17 ^b	Holmes

^a Member position vacant 6-20-17, through 8-20-17.

^b Member position vacant 6-21-17, through 12-7-17.

The team leader was Melissa F. Hall, CPA, and the audit was supervised by Shelly G. Curti, 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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CHIPOLA COLLEGE

SUMMARY

This operational audit of Chipola College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-070. Our operational audit disclosed the following:

Finding 1: College rules and records could be improved to document the College direct-support organization's use of College property, facilities, and personal services.

Finding 2: College textbook affordability policies and procedures need enhancement to demonstrate compliance with State law.

BACKGROUND

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

The College has a campus in Marianna, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Calhoun, Holmes, Jackson, Liberty, and Washington Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Direct-Support Organization

To promote accountability over College property, facility, and personal service 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, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law¹ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a Florida College System institution. Additionally, State law² 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 condition with which a DSO must comply for use. The Board approved the Chipola College

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

² Section 1004.70(3), Florida Statutes.

Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

Board policies³ state that the Foundation shall operate exclusively to encourage, solicit, receive and administer gifts for scientific, educational, and charitable purposes of the advancement of the College and its objectives. However, while the Board approved the Foundation as a DSO and permitted the Foundation's use of College property, facilities, and personal services, the Board had not prescribed by policy or rule any conditions with which the Foundation must comply in order to use College resources. Such rules could prescribe, for example, conditions to:

- Restrict Foundation use of College resources to those Board-approved public purposes consistent with the mission, vision, and values of the College.
- Require Foundation management to certify that College resources will only be used for Board-approved purposes and to affirm, after use, that the resources were only used for such purposes.

In response to our inquiries, College personnel indicated that current policies address the conditions with which the Foundation must comply to use College resources. Additionally, College personnel indicated that they do not think it necessary to obtain certifications from Foundation Management concerning the use of College resources because the College Board Chair and President are members of the Foundation Board and they verify that the Foundation is using College resources in accordance with College policies. Also, the Board approves the Foundation's audit report. Notwithstanding this response, College policies address the purpose of the Foundation and do not specifically state that the Foundation shall only use College resources for the purposes stated in the policies.

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

- The Foundation's Federal Internal Revenue Service Return of Organization Exempt from Income Tax Form 990 (IRS Form 990) for the taxable year ended June 30, 2017, disclosed that the Foundation received support from the College totaling \$227,415 for the value of personal services and facilities furnished by the College to the Foundation.
- During the 2016-17 fiscal year, five College employees provided 100 percent of their work effort to provide certain personal services for the Foundation. Based on the President-approved employee job descriptions, the personal services included responsibilities such as Foundation fundraising and administrative services. For example, the Foundation Director's responsibilities included planning, directing, and coordinating the administration of Foundation activities including solicitation of funds and other resources, the awarding and distribution of scholarships, promotion of the College and its programs, and implementation of special projects. However, while Foundation positions are annually approved by the Board, the approval did not include the anticipated value of the personnel services.
- The Foundation used College facilities composed of four offices and, according to the IRS Form 990 for the taxable year ended June 30, 2017, the value of the office space was \$3,300.
- The College and the Foundation entered into a rental agreement, dated May 16, 1995, allowing the Foundation to use 600 square feet at a monthly rental and maintenance fee of \$275 and 30 percent of the monthly utility bills. According to the Foundation Director, at the time of the

³ Chipola College District Board of Trustees Policy No. 1.050.

agreement, a local appraiser and a former President developed the fees. The rental agreement is open-ended and requires a 30-day notice of changes by either party. According to College personnel, neither party has asked for the agreement to be renegotiated and the reasonableness of the office rental cost is considered each month when the College bills the Foundation. Notwithstanding the information provided by the College, without the Board periodically reevaluating the agreement, there is an increased risk that the terms of the agreement will not meet the expectations of the Board.

College records could 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. Such records 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 that the College monitor and document Foundation compliance with such conditions.
- The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the value of the College resources provided, including the value of the personal services provided by College employees and the square footage of the office space and related buildings that will be used by the Foundation.
- The Board periodically review the rental agreement the College has with the Foundation to ensure the terms of the agreement meet Board expectations.

Finding 2: Textbook Affordability

State law⁴ requires the College to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.

Our examination of College records for the Fall 2017 Semester disclosed that the College adopted 204 textbooks and instructional materials for 290 courses and course sections. The College contracted with a vendor to manage and operate the College Bookstore, and the vendor compiles and posts a list of adopted textbooks on the College Bookstore Web site. College personnel indicated that they submitted the required textbook and instructional materials order to the College Bookstore at least 45 days prior to the first day of class and retained the College Bookstore order confirmation.

According to College personnel, a list of textbooks was posted on the College Bookstore Web site for the Fall 2017 Semester; however, the College had not established monitoring procedures to require and ensure that textbook information for at least 95 percent of all course and course sections was posted on the College Bookstore Web site at least 45 days prior to the first day of classes to demonstrate compliance with State law. As part of our audit, we reviewed the dates the College Bookstore vendor

⁴ Section 1004.085(6), Florida Statutes.

posted the adopted textbook information to its Web site for the Fall 2017 Semester and identified 54 course sections (19 percent) of the course sections for which adopted textbook information was not posted at least 45 days before the first day of class. The textbook and instructional materials for these course sections were posted from 32 days before the first day of classes to 3 days after the first day of classes.

As the College only timely posted the textbook and instructional materials for 236 (81 percent) of the 290 course sections, the College did not comply with State law requiring such information be timely posted for at least 95 percent of the course and course sections. College records indicated that the textbook information was submitted to the College Bookstore vendor at least 45 days prior to the first day of classes and, according to College personnel, they relied on the vendor to ensure that it was timely posted on the College Bookstore Web site.

Without evidence of the timely posting textbook information the College cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.

Recommendation: **The College should ensure that at least 45 days before the first day of classes, the College posts prominently in the course registration system and on its Web site, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2016-070.

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 2018 through August 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. 2016-070.
- 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 address certain important IT control functions, such as data center physical security, authentication, and disaster recovery.
- Examined access privileges for the 17 employees who had access to finance, payroll, and student financial aid applications to determine the appropriateness and necessity of the access based on employee's job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined administrator account access privileges

granted and procedures for oversight of administrator accounts for the applications to determine whether these accounts had been appropriately assigned and managed.

- Evaluated College procedures for protecting student social security numbers (SSNs). From the population of 24 employees who had access to student SSNs during the audit period, we examined College records supporting the access privileges of the individuals to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined Board, meeting minutes to determine whether Board approval was obtained for the 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, meeting 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 to determine whether the College had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records supporting the three payments totaling \$4,891 made by the College during the audit period to its direct-support organization (DSO) to determine whether the payments were authorized pursuant to Section 1004.70(1)(a)2., (3), and (4), 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.
- Analyzed the unencumbered balance in the unrestricted current fund of the College Board of Trustee's approved operating budget to determine whether the balance was below 5 percent of the total available fund balance at June 30, 2017. We performed analytical procedures to determine whether financial transactions in other funds may require resources from unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary fund.
- Examined supporting documentation for the 204 required textbooks and instructional materials for the Fall 2017 Semester to determine whether College policies and procedures for textbook affordability ensured compliance with Section 1004.085, Florida Statutes.
- Examined College records to determine whether authorized signatures for all banking agreements were timely updated in response to personnel changes.
- From the population of 75 student accounts receivable totaling \$47,278 and recorded as of June 30, 2017, examined College records for 7 selected student accounts receivable totaling \$9,874 to determine whether student accounts receivable were properly authorized, adequately documented, and properly recorded. We also evaluated whether College collection procedures were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate for students with delinquent records and complied with Section 1010.03, Florida Statutes, and Board policies.
- From the population of 2,072 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 Sections 1009.21 and

1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.

- For the two contracts for auxiliary operations, which generated revenues totaling \$54,050 for the audit period, determined whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the compensation payments totaling \$9,408,246 to 465 employees for the audit period, selected 30 payroll transactions totaling \$91,074 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, 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 and Board policies. Specifically, from the population of 16 employees who either entered the Florida Deferred Retirement Option Plan or separated from the College from December 2016 to December 2017 and were paid \$249,893 for terminal leave, we selected 6 employees with terminal payments totaling \$223,039 and examined the supporting records to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined severance pay provisions in the President's contract and the College faculty agreement and retirement bonus provision in Board Policy 4.370 to determine whether the severance pay provisions were in compliance with Section 215.425(4), Florida Statutes. From the population of severance payments totaling \$40,389 and made to 5 employees during the audit period, we selected severance payments totaling \$35,887 made to 4 employees and examined College records to determine whether the severance payments complied with State laws and Board policies.
- Examined College records for the two Presidents' compensation totaling \$177,085 for the 2016-17 fiscal year to determine whether the amounts paid were in accordance with the Presidents' employment contracts and within limitations imposed by Section 1012.885, Florida Statutes.
- Examined records for 10 administrative employees, including the President, all vice presidents, all associate vice presidents, and all deans to determine whether evaluations were complete pursuant to Section 1012.86(3), 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. Specifically, we examined background screening records for 30 employees in positions of special trust and responsibility and employed by the College during the audit period.
- Evaluated Board policies and College procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon employee separation from College 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 7,886 non-payroll expenditures totaling \$7.4 million for the audit period, examined documentation relating to 30 selected transactions totaling \$7,115 to determine whether the non-payroll expenditures were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms and Board policies.
- From the population of 216 payments totaling \$684,498 paid to 42 vendors for contractual services other than construction during the audit period, selected and examined 5 payments

totaling \$174,637 to determine whether the purchase orders or contracts were issued prior to the College incurring an obligation for the services, Board approved, properly awarded and executed, and paid in accordance with contract terms.

- From the population of 1,225 purchasing card (P-card) transactions totaling \$323,073 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$69,987 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- From the population of President and Board member travel expense totaling \$3,088 during the audit period, examined 4 selected travel expenses totaling \$879 to determine whether the travel expenditures were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- Reviewed Board policies and College procedures related to identifying potential conflicts of interest. We also reviewed Department of State, Division of Corporations, records; statements of financial interest; and College records for 12 selected College personnel to identify any potential relationships that represented a conflict of interest with vendors used by the College. Also, we determined whether the Business Office procedures include review of required statements of financial interest.
- From the population of 26 payments totaling \$569,486 related to one major construction project in progress during the audit period with a contract amount totaling \$597,640, selected and examined documentation supporting 9 payments totaling \$464,359 to determine whether the payments were made in accordance with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules. We also determined whether the College process for selecting design professionals for the project was in accordance with State law, the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- From the population of 169 industry certifications attained by students and reported for performance funding during the 2016-17 fiscal year, examined 26 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with "Sherrill" on the first line and "F. Norman" on the second line.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the President

(850) 718-2201
3094 Indian Circle
Marianna, FL 32446-2053
www.chipola.edu

November 20, 2018

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

Dear Ms. Norman:

In reply to your letter of November 5, 2018, Chipola College's response is included below:

Finding 1: Direct Support Organization

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 that the College monitor and document Foundation compliance with such conditions.
- The College document Board consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance transparency, Board approval documentation should identify the value of the College resources provided, including the value of the personal services provided by College employees and the square footage of the office space and related buildings that will be used by the Foundation.
- The Board periodically review the rental agreement the College has with the Foundation to ensure the terms of the agreement meet Board expectations.

Response:

Direct Support Organization

1. College management will make changes to College policy and recommend it to the Board of Trustees for approval.
2. College management will present, at least annually, the anticipated use of College resources made available to the Foundation to its Board for consideration and approval.
3. College management will periodically present the rental agreement with the Foundation to the Board for approval.

Finding 2: Textbook Affordability

Recommendation: We recommend that:

- The College should ensure that at least 45 days before the first day of classes, the College posts prominently in the course registration system and on its Web site, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.

Response:

Textbook Affordability

The College will enhance procedures to ensure that the posting of required textbooks and instructional materials is properly documented as proof of compliance with the law.

If we can be of further assistance, please contact my office.
Thank you.

Sincerely,



Sarah Clemons, Ph.D.
President

SC/jc