

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2019-066  
December 2018

**FLORIDA SOUTHWESTERN STATE  
COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period January 1, 2017 through December 31, 2017, Dr. Jeffery S. Allbritten served as President of Florida SouthWestern State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Tristan Chapman, Chair from 9-26-17, Vice Chair through 9-25-17	Hendry
Braxton C. Rhone, Vice Chair from 9-26-17	Lee
Brian G. Chapman Jr., Chair through 9-25-17	Lee
Bruce Laishley from 8-21-17	Charlotte
Eric Loche through 11-19-17	Charlotte
Danny Nix Jr. from 11-20-17	Charlotte
Julia G. Perry through 12-4-17 <sup>a</sup>	Glades
Marjorie Starnes-Bilotti J.D.	Lee
Christopher T. Vernon J.D.	Collier
Sankey "Eddie" Webb III through 8-20-17	Charlotte

<sup>a</sup> Member resigned 12-4-17, and position remained vacant through 12-31-17.

Note: One Member position was vacant during the period.

The audit was supervised by Deirdre F. Waigand, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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# FLORIDA SOUTHWESTERN STATE COLLEGE

## **SUMMARY**

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This operational audit of Florida SouthWestern State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2017-058. Our operational audit disclosed the following:

**Finding 1:** College direct-support organization policies and records supporting College property, facilities, and personal services used by the College direct-support organization could be improved.

**Finding 2:** College collection efforts did not always consider timely assistance from collection agencies.

## **BACKGROUND**

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Florida SouthWestern 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 nine members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

The College has campuses in Fort Myers, LaBelle, Naples, and Punta Gorda. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Charlotte, Collier, Glades, Hendry, and Lee Counties.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: 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, demonstrate the reasonableness of the value associated with that use, and enhance government transparency.

State law<sup>1</sup> provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, and for the benefit of, a Florida College System institution. Additionally, State law<sup>2</sup> 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 Florida

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

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

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

Board policies<sup>3</sup> authorize the College President to implement the Board's procedures and guidelines that allow the Foundation to use College property, facilities, and personal services pursuant State law. In order to use these resources, the Foundation must, for example:

- Submit an annual budget to the Board.
- Adopt and maintain an investment policy.
- Operate in accordance with the Sunshine Law.
- Operate in a manner consistent with the mission and goals of the College.
- Not accept any gift, donation, grant, or enter into any transaction or contract that creates liability to the College.
- Employ an independent auditing firm and submit annual audited financial statements to the Board.

In response to our inquiries, College records indicated that, during the 2017 calendar period, the College paid salaries and benefits totaling \$557,461 for 6 employees, including a vice president, 4 directors, and an administrative assistant, who provided full-time personal services to the Foundation. Pursuant to a written agreement between the College and Foundation, the Foundation reimbursed the College for the full use of the personal services during the 2017 calendar year. However, the Board did not approve the agreement.

In December 2017, the Board approved the Foundation audited financial statements for the fiscal year ended March 31, 2017. According to the audited financial statements, the College primarily provided the Foundation use of office space, telephone, internet, furniture, and utilities, and the value of the office space was \$26,000 and the other use was not valued. Although College records were provided to evidence support for the office space value, no evidence was provided that the Board approved the square footage of the office space and related buildings that would be used by the Foundation, and the value of such use.

Notwithstanding the information provided by College personnel, College records associated with Foundation use of College resources could be improved by prescribing in Board policies, or Board-approved rule, any conditions with which the Foundation must comply in order to use College resources. Among other things, such conditions could 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.

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. Such records would document authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use.

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<sup>3</sup> Board Policy 6Hx6: 1.03, *Florida SouthWestern State College Foundation, Inc.*

**Recommendation: We recommend that:**

- **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 square footage of the office space and related buildings that will be used by the Foundation and the value of such use.**
- **The Board approve the College agreement with the Foundation to establish the basis for any Foundation reimbursements.**

**Finding 2: Collection Procedures**

State law<sup>4</sup> provides that a Florida College System Institution Board of Trustees (Board) shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The law further provides that the Board may adopt rules to implement this process, including setoff procedures and restrictions on the release of transcripts, awarding diplomas, and access to other College resources and services.

For the fiscal year ended June 30, 2017, the College reported net student accounts receivable totaling \$4.2 million. According to College personnel, the College automatically requests payment from applicable students monthly by e-mail. Board policies<sup>5</sup> provide that, when an account that exceeds \$100 is delinquent,<sup>6</sup> students will not be permitted to register and will have a hold placed on their records restricting the release of transcripts, awarding of diplomas, and access to other resources and services of the College. The account “hold” will remain until the debt is paid, settled, or otherwise resolved. The College may employ the services of one or more collection agencies to assist in the collection of delinquent accounts and any delinquent accounts that remain uncollected after 2 years may be charged off upon approval of the Board. In June 2016 and June 2017, the Board approved write-offs of \$774,826 and \$591,515, respectively.

As part of our audit, we examined College records supporting 40 accounts totaling \$106,062 selected from the population of 1,014 student accounts totaling \$583,026 written-off on June 27, 2017. We found that 3 of the accounts, each exceeding \$100 and totaling \$9,661, had been outstanding for over 3 years. Although the services of a collection agency were not employed for one account totaling \$4,994, the account was deemed uncollectible and submitted to the Board for write-off. The College submitted the 2 other accounts totaling \$4,667 to a collection agency for assistance; however, the accounts remained with the collection agency only 72 and 73 days, respectively, before being submitted to the Board for write-off. While Board policies allow use of collection agencies to assist with collection efforts, the policies did not specify when accounts should be referred to collection agencies and how long the accounts should remain with the agencies before being deemed uncollectible.

In response to our inquiries, the College indicated that the 3 accounts were not timely submitted to a collection agency primarily because of oversights. Specific time frames for student account referrals to

<sup>4</sup> Section 1010.03, Florida Statutes.

<sup>5</sup> Board Policy 6Hx6:4.10, *Delinquent Accounts*.

<sup>6</sup> Board policies define a delinquent account as an account with any amount owed to the College that remains unpaid past the due date established by the College.

collection agencies and the timely use of collection agencies could improve collections and reduce the amount of student accounts receivable written off as uncollectible. A similar finding was noted in our report No. 2017-058.

**Recommendation:** The College should enhance procedures for collection of delinquent student accounts receivable by specifying when student accounts should be referred to collection agencies, ensuring the accounts are timely referred, and providing sufficient time for collection agency activities to be successful before accounts are deemed uncollectible.

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

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Except as noted in Finding 2, the College had taken corrective actions for findings included in our report No. 2017-058.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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 July 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. 2017-058.
- 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. 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:

- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the database and finance and human resources applications during the audit period for 30 of the 36 employees with access privileges to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy with regard to preventing the performance of incompatible duties. We examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned, managed, and monitored.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. We examined the access privileges for 30 former employees, selected from the population of 89 employees who separated from College employment during the audit period, to determine whether the employees' access privileges were timely deactivated.
- Evaluated College procedures for protecting student social security numbers (SSNs). We examined College records supporting the access privileges granted to 22 employees, selected from the population of 50 employees who had access to student SSNs during the audit period, to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities. We also examined College records to determine whether the College had provided individuals with written statements of the purpose for collecting their SSNs.
- Examined Board and committee meeting minutes to determine whether Board approval was obtained for Board policies 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 to determine whether the College had developed an anti-fraud policy for the audit period to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records supporting payments totaling \$36,894 and transfers totaling \$311,880 made during the audit period from the College to its direct-support organization (DSO) to determine whether the transactions were authorized as described in 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 a 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 College records to determine whether student accounts receivable were properly authorized, adequately documented, and properly recorded. Specifically, we examined:
  - From the population of 2,212 student receivables totaling \$1,585,747 and recorded as of December 31, 2017, documentation relating to 30 selected student accounts receivable totaling \$154,339.
  - From the population of 1,014 delinquent student receivables totaling \$583,026 and recorded as of June 28, 2017, documentation relating to 40 selected delinquent student accounts receivable totaling \$106,062 and evaluated the adequacy of College collection efforts and whether restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts in accordance with Board policies established pursuant to Section 1010.03, Florida Statutes.
- To determine whether in-State student fees totaling \$38,441,690 during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with Board policies and statutory and State Board requirements:
  - Examined College records for 30 selected students and their related fees totaling \$31,484 to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.22, and 1009.23, Florida Statutes, and State Board of Education Rules 6A-10.044 and 6A-14.054, Florida Administrative Code.
  - Determined whether the College had established procedures to cancel the registration of students who did not timely pay fees; make student status and Florida residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.
- From the population of 249 distance learning courses with fee revenue totaling \$1,297,020 during the audit period, examined College records supporting 30 selected distance learning courses with fee revenue totaling \$204,990 to determine whether distance learning fees were assessed, collected, and separately accounted for in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- From the population of 9 contracts for auxiliary operations, which generated revenue totaling \$1,973,663 for the audit period, examined College records supporting 3 selected contracts, which

generated revenue totaling \$1,666,792, 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 College auxiliary services were self-supporting.

- From the population of 1,347 course sections offered during the audit period, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$58,582,951 made to 1,880 employees during the audit period, selected salary payments totaling \$802,295 made to 30 employees and examined College records to determine the validity of employment contracts, whether the employees met the required qualifications, whether performance evaluations were completed, and the accuracy of leave records.
- Reviewed the College records for supervisory review and approval of exempt employee time worked and leave used during the audit period and evaluated whether compensation payments were appropriate and leave balances were accurate.
- 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 76 employees who separated from College employment during the audit period and were paid \$555,450 for terminal leave, we selected 28 employees with terminal payments totaling \$480,418 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined severance pay provisions in the President's contract to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- From the population of compensation payments totaling \$1,820,315 made to 8 administrative employees (including the President) during the audit period, selected compensation payments totaling \$1,267,430 made to 5 administrative employees and examined College records to determine whether the amounts paid did not exceed the limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated Board policies and College procedures to ensure health and life insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon employee termination. Also, we determined whether the College had 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, and Board policies. Specifically, from the population of expenses totaling \$82,761,229 for the audit period, we examined College records supporting:
  - 30 selected payments for general expenses totaling \$2,341,017.
  - 30 selected payments for contractual services totaling \$1,444,310.
- From the population of 5,214 purchasing card (i.e., P-card, gas card, and home improvement store credit card) transactions totaling \$1,511,824 during the audit period, examined College records supporting 70 selected P-card transactions totaling \$307,954 to determine whether the P-card program was administered in accordance with Board policies and College procedures and transactions were not of a personal nature.
- Examined P-card records for the 7 cardholders who separated from College employment during the audit period to determine whether the College timely canceled the cardholders' P-cards.

- From the population of President and Board member travel expenses totaling \$4,107 during the audit period, examined 3 selected travel reimbursements totaling \$1,369 to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 693 payments totaling \$414,117 during the audit period to employees for other than travel and compensation, examined College records supporting 30 selected payments totaling \$127,249 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(3), Florida Statutes.
- From the population of 4 major construction projects with expenses totaling \$35,933,370 and in progress during the audit period, selected 1 major construction project with expenses totaling \$1,017,115 and examined College records 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 and construction managers for that project was in accordance with State law and adequately monitored the selection process of subcontractors; 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 364 industry certifications reported for performance funding that were attained by students during the 2017 calendar year, examined College records supporting 30 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**

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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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December 03, 2018

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

Dear Ms. Norman:

Pursuant to Florida Statutes Section 11.45(4)(d), Florida SouthWestern State College is submitting to you a written response, including our proposed corrective actions to the preliminary and tentative findings of the operational audit for the fiscal year ended June 30, 2018.

**Finding 1: College direct-support organization policies and records supporting College property, facilities, and personal services used by the College direct-support organization could be improved.**

*College Response:* While the College already has a written contract with the direct-support organization that identifies reimbursements and various payments to the college, the college will include the facilities use by the direct-support organization and related square footage in the agreement. In addition to the annual approval of the direct-support organization budget by the Board of Trustees, the Board of Trustees will be presented with the contract between the college and the direct-support organization for approval. This will be implemented for the college's FY 2019-20.

**Finding 2: College collection efforts did not always consider timely assistance from collection agencies.**

*College Response:* The College is implementing a new past-due notification and collection process. A monthly electronic communication will be generated notifying the payer of a balance due.

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*Florida SouthWestern State College is an equal access, equal opportunity organization.*

If the payer does not make payment prior to the designated time the college runs the collection process the account will be turned over to the college's collection agency. The college will turn over delinquent accounts at a minimum of three times per year, approximately 120 days from the start of the academic term (Fall – December, Spring – May and Summer – September).

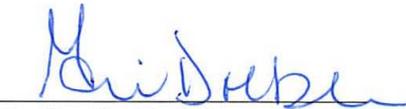
An electronic communication will be sent notifying the payer their account has been referred to a collection agency. This new process including the electronic notifications will be phased-in beginning November 2018 and will be fully implemented by the end of Spring 2019.

Sincerely,



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Dr. Jeffery S. Allbritten  
President  
Florida SouthWestern State College



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Dr. Gina Doeble, CPA  
Vice President, Administrative Services  
Florida SouthWestern State College