

Report No. 2019-084
December 2018

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

SEMINOLE STATE COLLEGE OF FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2017 through December 2017, Dr. E. Ann McGee served as President of Seminole State College of Florida and the following individuals served as Members of the Board of Trustees:

Wendy H. Brandon, Chair from 8-21-17
Scott D. Howat, Vice Chair
Alex Setzer, Chair through 8-20-17
Jeffrey M. Bauer
Amy L. Lockhart

The team leader was Keith O. Auyang, CPA, and the audit was supervised by Keith A. Wolfe, 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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SEMINOLE STATE COLLEGE OF FLORIDA

SUMMARY

This operational audit of Seminole State College of Florida (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2016-101. Our operational audit disclosed the following:

Finding 1: College records did not document the reasonableness of the President's compensation during her anticipated sabbatical when she will hold the President Emeritus position.

Finding 2: During the period July 2016 through June 2018, the College leased land and facilities from the College direct-support organization (DSO) and made lease payments totaling \$192,000. However, College records did not demonstrate an apparent public purpose for these payments as the facilities remained unoccupied during that period.

Finding 3: College DSO policies and records supporting College property, facilities, and personal services used by the College DSO could be improved.

Finding 4: The College needs to enhance procedures to ensure that purchasing cards are promptly canceled upon a cardholder's separation from College employment.

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

BACKGROUND

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

The College has campuses in Altamonte Springs, Heathrow, Oviedo, and Sanford. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Seminole County.

FINDINGS AND RECOMMENDATIONS

Finding 1: President Emeritus Position

State law¹ provides the Board with the authority to establish a personnel program for all employees of the College. The College personnel program includes the College President's compensation and other conditions of employment.

¹ Section 1001.64(18), Florida Statutes.

During the April 10, 2017, Board meeting, the President and Board amended the President's employment contract to include a 2-year President Emeritus provision. The President's amended 5-year contract allowed the President to, at any time during the first 3 years of the contract, exercise the option to end her service as President and transition to the role of President Emeritus. Pursuant to the contract, the President had the right to exercise the option by giving a 6-month written notice of her intent to become President Emeritus or, if a new President had not begun work, on another date mutually agreed to in writing by the President and the Board Chair. Prior to amending the President's contract, College personnel reviewed the salaries of presidents at eight similarly sized Florida colleges, as well as sabbatical provisions in contracts for a Florida university president and a Florida college president. College personnel determined that a sabbatical provision at the President's current salary was consistent with the sabbatical provisions in those two contracts.

Pursuant to the President's contract, during the first year as President Emeritus, she would be on a 1-year sabbatical, receiving the current base salary in effect at the time notice was given to transition to President Emeritus and contributions to her retirement accounts as provided for in the President's contract and be entitled to participate in the standard benefit package available to College full-time administrative personnel. At the conclusion of the first year, the President Emeritus would return from her sabbatical and be employed full-time by the College to assist the College's Foundation in fundraising activities. She would also establish an Emeritus College for outstanding retired faculty and administrators and receive compensation at no less than the then-existing maximum salary payable to a faculty member on a 12-month contract with a doctorate degree. In addition, upon her return from sabbatical leave, the then President, in his or her sole discretion, may relieve the President Emeritus of the 12-month obligation, or reduce the obligation to a shorter time period.

During the August 21, 2017, Board meeting, the President gave notice to the Board requesting to transition from President to President Emeritus effective August 1, 2018. At the time notice was given, the President's base pay was \$303,916. According to Board policies,² the President's duties included, for example, consulting with the Board and keeping the Board informed regarding laws and rules that applied to the Board's organization; delegating authority necessary to ensure that the Board policies and State laws and rules are executed in an efficient manner; developing and maintaining the College Procedures Manual; developing and maintaining an appropriate governance system for communicating ideas and feelings regarding the operation of the College; and representing the College to external parties.

In response to our request for the President Emeritus job description, College personnel indicated that, while a job description shell document existed for administrative purposes, the shell document did not enumerate responsibilities and was not necessary as the employment agreement set forth the position's specific duties and provided that the President Emeritus would serve under the direct supervision of the next President. Our examination of the President's contract disclosed that, during the first year of service as President Emeritus, the President Emeritus would continue to be a College employee; however, the contract did not provide any specific President Emeritus duties or responsibilities during the 1-year

² Policy 1.020, *Duties and Powers of the President*.

sabbatical period nor the expectations of, or benefits to be received by, the College during the sabbatical period.

Notwithstanding Board authority to establish employee positions and related compensation, College records were not provided to demonstrate the reasonableness of the compensation for the President Emeritus position, while on sabbatical leave, at the same rate the individual was compensated while serving as President and, thereafter, at no less than the then-existing maximum salary for a faculty member on a 12-month contract with a doctorate degree. Based on the employment contract, the expected responsibilities for the President Emeritus during the second year appear to be more of a supporting role for fundraising. Absent documentation to demonstrate the reasonableness of the compensation considering the specified duties or responsibilities of the President Emeritus position, the public purpose served for the Board's decision is not readily apparent. In addition, absent specific expectations for the President Emeritus during the 1-year sabbatical, the benefits to be obtained by the College are not documented and cannot be measured and evaluated.

Recommendation: The Board should take official action to demonstrate the reasonableness of the compensation for the President Emeritus position. Absent such, the Board should base the pay of the President Emeritus position on the responsibilities assigned to the position and the benefits the College will receive. Additionally, the Board should take action to identify expectations for the President Emeritus during the 1-year sabbatical and the benefits the College will obtain.

Follow-Up to Management's Response

Management's response states that "justification for the role and compensation of the President Emerita was sufficiently set forth in the Board agenda of April 10, 2017. . . . Furthermore, the responsibilities for the President Emerita are clearly set forth in the excerpts from the contract." Notwithstanding this response, the contract does not discuss expectations for the President Emeritus while on sabbatical leave nor do College records demonstrate the reasonableness of the compensation for the President Emeritus position. Consequently, we continue to recommend that the Board base the pay of the President Emeritus position on the responsibilities assigned to the position and the benefits the College will receive and identify expectations for the President Emeritus during the 1-year sabbatical and the benefits the College will obtain.

Finding 2: College Lease of Direct-Support Organization Land and Buildings

State law³ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and make expenditures to, and for the benefit of, a Florida College System institution. The College approved the Foundation for Seminole State College of Florida, Inc. (Foundation), as a DSO and the Foundation routinely receives and uses charitable contributions for the College.

In August 2015, the Foundation received an unrestricted contribution of approximately 9 acres of land with 6 buildings totaling approximately 80,000 square feet. Subsequent to receiving the land and buildings, the Foundation created and began management of the Gould Property Expansion, LLC

³ Section 1004.70(1)(a)2., Florida Statutes.

(Gould), to operate as the leasing corporation for the properties. In October 2016, the Board approved an agreement with Gould to lease the facilities for general educational, office, or warehouse use, commencing retroactively to July 1, 2016. The lease agreement required the College to pay \$400,008 annually for 10 years and that the College could offset the lease payments based on College capital improvements to the facilities up to \$2 million.

For the lease period July 2016 through June 2018, the College incurred lease expenses totaling \$800,016, including \$192,000 paid to the Foundation and \$608,016 recorded as accounts payable due to component unit. Our discussions with College personnel and examinations of College records indicated that the College had not, as of July 1, 2018, used the facilities or established a timeline for use. The College selected an architectural firm in January 2018 and, in August 2018, selected a construction management firm to provide services to renovate the facilities once the Board approves a facilities' use plan. However, by entering a lease agreement and incurring lease expenses prior to occupying the leased facility, the public purpose served by the agreement is not readily apparent. Subsequent to our inquiries, the Board approved an agreement in August 2018 with Gould to suspend the lease agreement through June 30, 2019.

Recommendation: We recommend that the College establish procedures that prohibit College lease expenses for facilities that serve no public purpose for the College. The College should also document the public purpose served for lease expenses totaling \$800,016 or seek reimbursement of the \$192,000 paid to the Foundation and eliminate the \$608,016 accounts payable due to component unit.

Finding 3: Direct-Support Organization

State law⁴ provides that a 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 law⁵ 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. To promote accountability over College property, facility, and personal services use, it is important that public records prescribe the conditions for such use, document the appropriate approval before the use occurs, and demonstrate appropriate use.

The Board approved the Foundation for Seminole State College, Inc., (Foundation) as a DSO and the Foundation routinely receives and uses charitable contributions for the benefit of the College. While the Board approved the Foundation as a DSO, the Board had not prescribed by rule the conditions with which the Foundation must comply in order to use College property, facilities, and personal services.

According to College records, during the 2017 calendar year, the College provided personal services to the Foundation with related costs totaling \$629,404. College personnel indicated that these costs were based on the services of 11 College employees who filled 8 authorized positions at various times during the calendar year and, during those times, provided 100 percent of their work effort for the Foundation. These employees used College property and worked in the Foundation offices occupying 2,721 square

⁴ Section 1004.70(1)(a), Florida Statutes.

⁵ Section 1004.70(3), Florida Statutes.

feet at the College's Heathrow campus with an annual rent value of \$68,025, to, among other things, administer and coordinate fundraising programs that have significant impact to planned donations to advance student success.

In response to our inquiries regarding Board approval of the Foundation's use of College property and facilities prior to use, College personnel stated that Board approval was not documented but that Board policies⁶ authorize the Foundation to "use College property, facilities, and personnel services." Notwithstanding this response, we found that College records associated with Foundation use of College resources could be improved by prescribing in Board-approved policy or rule any conditions with which the Foundation must comply in order to use College resources. Such conditions could:

- 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.

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 policy or rule any condition 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 positions of employees who will provide the personal services, the square footage of the office space and related buildings and property that will be used by the Foundation, and the estimated value of the College resources provided.**
- **The College require and ensure that DSO personnel affirm, after use of College resources, that the College resources were used properly.**

Finding 4: Purchasing Card Cancellations

The College utilizes purchasing cards (P-cards) to expedite the purchase of selected goods and services. Purchases made with P-cards are subject to the same rules and regulations that apply to other College purchases and are subject to additional requirements in the *P-Card Procedures Manual and Training Resources Guide (Manual)*. Per the *Manual*, department budget managers are responsible for notifying the P-Card Administrator when a cardholder has accepted another job in a different department, resigned, or been terminated from employment.

⁶ Policy 1.050, *Foundation for Seminole State College Inc.*

P-card expenditures totaled \$640,915 for the 2017 calendar year. To determine whether the College promptly canceled applicable P-cards, we examined College records for all ten of the cardholders who separated from College employment during the 2017 calendar year. We found that the College did not timely cancel the P-cards for four of the ten cardholders as the cards were canceled 12 to 297 days or an average of 157 days after the cardholders' employment separation dates.

In response to our inquiries, College personnel explained that the P-Card Administrator canceled two cards based on a monthly employee termination report but were unable to explain why the other two card cancellations were more than 30 days after the employment separations. While the agreement between the College and the bank that administers the P-card program allows the College 60 days to dispute charges and our examination of College records disclosed that the four former employees did not use the P-cards after their employment separation dates, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the College's ability to satisfactorily resolve disputed charges.

Recommendation: The College should enhance P-card procedures to ensure that P-card privileges are promptly cancelled upon a cardholder's separation from College employment.

Finding 5: Information Technology User Access Privileges

The Legislature has recognized in State Law⁷ 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 maintaining the confidential status of such information. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities.

According to College personnel and records, the College established a unique identifier, other than the student's SSN, for each student. However, student SSNs are maintained along with other sensitive personal information of students within two College information technology (IT) systems, including an online application (OLA) system created internally for prospective students to apply to the College and another student record system to, for example, register newly enrolled students and comply with Federal and State requirements related to financial and academic assistance. Student SSNs are also maintained so the College can provide student transcripts to other colleges, universities, and potential employers based on student-authorized requests.

College personnel indicated that IT user access privileges were granted based, for example, on employee roles, such as admissions, registration and testing, and to assist students in processing financial aid applications and enrollment. The College had established procedures for documenting periodic evaluations of IT user access privileges to certain College records such as accounting transactions and payroll records; however, the evaluations did not consider access to the sensitive personal information of students. In addition, College personnel indicated that the IT system did not have the capability to

⁷ Section 119.071(5)(a), Florida Statutes.

differentiate current, former, and prospective students and the College had not evaluated whether access to the information needed to be differentiated.

As of February 2018, College personnel indicated that the College OLA system and other student record IT systems contained the information for a total of 559,155 students, including current, former, and prospective students, and 1,274 College employees and 60 contractor workers had access to student information, including SSNs. In response to our inquiry, during May 2018 College personnel evaluated the IT user access privileges and job responsibilities of those who had access to sensitive personal student information and removed the IT user access privileges to that information for over 1,000 individuals, reducing the number of individuals with such access to 186 employees and 37 contractor workers.

According to College personnel, based on their evaluations, the 223 individuals⁸ IT user access privileges to the sensitive personal information of students was necessary for the individuals to perform their job responsibilities on a continuous basis. However, although we requested, College records were not provided to demonstrate that the 223 users needed continuous access to the information or that occasional access could not be granted only for the time needed. Additionally, College records did not demonstrate the public purpose served for maintaining SSNs indefinitely for individuals who had not enrolled in the College.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against College students or others.

Recommendation: To ensure access to sensitive personal information of students is properly safeguarded, the College should:

- **Document the public purpose served for maintaining such information for individuals who do not enroll in the College. Absent a documented public purpose, the College should discontinue the practice of indefinitely maintaining such information.**
- **Establish procedures to require documented periodic evaluations of access privileges to student information to determine whether such privileges are necessary and to timely remove any inappropriate or unnecessary access privileges. If an employee requires occasional access to student information, the access should be granted only for the time needed.**
- **Upgrade the College IT systems to include a mechanism to differentiate current, former, and prospective student information.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2016-101.

⁸ The 223 individuals included, for example, 7 testing specialists, 2 Disability Support Services specialists, and an Allied Health administrative assistant.

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 June 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. 2016-101.
- 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.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. We examined the access privileges of the five employees who separated from College employment during the audit period and had access to the finance and human resources applications to determine whether the former employees' access privileges had been timely deactivated.
- Evaluated College procedures for protecting student social security numbers (SSNs). Specifically, we requested College records to demonstrate whether the 223 users with continuous access to student SSNs needed such access. We also examined College records to determine whether the College provided individuals with written statements on the purpose for collecting their SSNs.
- Evaluated the Board's written security policies and College procedures during the audit period, governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period to determine whether it was in place and had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed for the audit period to document College risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Determined whether access to the College Data Center was properly restricted by issuance of keys or keycards to those individuals whose job functions required such access and if other College personnel or visitor access was properly logged and monitored while in the Data Center.
- Evaluated Board of Trustees 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, 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 and procedures 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 the 12 payments totaling \$96,000 made during the audit period from the College to its direct-support organization (DSO) to determine whether the payments were authorized by 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 College records to determine whether student accounts receivable were properly authorized, adequately documented, properly recorded, and complied with State law and Board policies. Specifically, from the population of 4,828 student accounts receivable totaling \$3,392,918 and recorded as of November 30, 2017, we examined documentation relating to 40 selected student receivables totaling \$29,588 to determine whether College collection efforts complied with Section 1010.03, Florida Statutes and Board policies.
- Examined College records to determine whether uncollectible accounts totaling \$956,703 written off during the audit period were properly approved.
- Evaluated whether the student fees assessed, totaling \$38,954,529 during the audit period, were properly authorized, accurately calculated, and correctly recorded. Specifically, we examined:
 - College records relating to 30 selected student fees totaling \$25,161 to determine whether the College 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.
 - College records to determine whether the College had established procedures to cancel the registration of students who did not timely pay fees; make student status and residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.
 - From the distance learning fee revenues totaling \$1,043,234 during the audit, examined College records for 30 selected distance learning courses with fee revenue totaling \$832 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
 - Evaluated technology fee assessments to determine whether the fees did not exceed 5 percent of total tuition fee rates.
 - Evaluated capital improvement fee assessments to determine whether the fees did not exceed 20 percent of total tuition fees.
- From the population of 7 contracts for auxiliary operations, which generated revenue totaling \$1,510,078 for the audit period, examined College records supporting 5 contracts, which generated revenue totaling \$1,367,627, 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 4,739 course sections offered during the audit period, examined College records to determine whether Board policies and College procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes. In addition, we reviewed documentation supporting the listed course materials for 30 selected courses to determine whether instructors confirmed that the course materials would be used in the courses.
- From the population of compensation payments totaling \$53,377,815 made to 1,614 employees during the audit period, selected 40 compensation payments totaling \$154,778 and examined the related payroll and personnel records to determine the accuracy of the rate of pay, the validity of employment contracts, 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 and Board policies. Specifically, from the population of 189 employees who separated from College employment during the audit period and received termination payments totaling \$447,910, we selected 12 employees with terminal payments totaling \$137,421 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 5 employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records for 3 administrative employees (including the President) who received compensation totaling \$936,625 to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes. Additionally, we reviewed the sabbatical provision in the President's amended contract and College records supporting the reasonableness of the President Emeritus position compensation.
- Evaluated Board policies and College procedures to determine whether health and life insurance was provided only to eligible employees, retirees, and dependents and that applicable 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; and applicable vendors were properly selected and carried adequate insurance. Specifically, from the population of expenses totaling \$38,764,623 for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$55,225.
 - 30 selected payments for contractual services totaling \$124,867.
 - The competitive selection of 1 selected vendor with payments totaling \$66,182.
- From the population of 2,363 purchasing card (P-card) transactions totaling \$640,915 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$4,559 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 10 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 472 payments totaling \$396,343 during the audit period to employees for other than travel and compensation, examined 30 selected payments totaling \$23,779 to determine whether such payments were reasonable, adequately supported, for valid College purposes and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- Reviewed Board policies and College procedures related to identifying potential conflicts of interest. We also reviewed Department of State, Division of Corporation, records; statements of financial interest; and College records for 12 selected College officials to identify any potential relationships that represented a conflict of interest with vendors used by the College.
- From the population of 17 construction projects with expenses totaling \$21,956,175 and in progress during the audit period, selected 30 payments totaling \$15,040,528 related to 6 construction projects with contract amounts totaling \$21,476,046 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, and complied with restrictions imposed on the use of the resources.
- Reviewed documentation related to 1 major construction project with total construction costs of \$16,232,419 during the audit period to determine whether the College adequately monitored the selection of design professionals, construction managers, and 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 2,325 adult general education instructional students reported for 280,812 contact hours during the 2017 Summer and Fall academic terms, examined College records supporting 1,398 reported contact hours for 40 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education (FDOE) requirements.
- From the population of 488 industry certifications reported for performance funding that were attained by students during the 2016-17 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Obtained and reviewed copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports to determine whether previously noted deficiencies were timely corrected.
- 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



Georgia L. Lorenz, Ph.D., President

December 17, 2018

Sherrill F. Norman, CPA
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Subject: Seminole State College
Operational Audit
Preliminary and Tentative Findings and Recommendations
Dated November 19, 2018

Dear Ms. Norman:

We have reviewed the referenced document and recognize that Seminole State College has received five findings.

Seminole State College's response to these findings is attached.

Please contact Rick Collins, Interim Vice President, Financial Services/CFO (407 708-2001), if you need additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Georgia Lorenz', written over a horizontal line.

Dr. Georgia Lorenz
President

Attachment

District Board of Trustees

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A Diverse Learning Community | An Equal Access/Equal Opportunity College

Finding 1: President Emeritus Position

Recommendation: The Board should take official action to demonstrate the reasonableness of the compensation for the President Emeritus position. Absent such, the Board should base the pay of the President Emeritus position on the responsibilities assigned to the position and the benefits the College will receive. Additionally, the Board should take action to identify expectations for the President Emeritus during the 1-year sabbatical and the benefits the College will obtain.

The College maintains that the justification for the role and compensation of the President Emerita was sufficiently set forth in the Board agenda of April 10, 2017 as demonstrated in the following excerpts:

Since her appointment, the College has grown from one campus to four; FTE enrollment has increased from 6,867 to 12,530, or approximately 30,000 students; the Annual Operating Budget has progressed from \$31,129,250 to \$85,017,980; and the plant value has risen from \$64,464,802 to \$256,408,639. During the past five years, PECO has totaled \$57,556,167; and the Foundation now stands at nearly \$30 million in its endowment from a 1996 total of \$1 million. Additionally, Seminole Community College is now Seminole State College and awards bachelor's degrees in six workforce areas.

The [President Emerita] proposes the attached contract to reconcile the compensation and other benefits provided for in the current agreement with current legal requirements and a transition plan.

The provisions contained in this contract are meant to provide parity for the [President Emerita] when her contract is compared – over the years – with the contracts of other Florida College System Presidents of similar-sized institutions and also reward her for 21 years of dedicated service to Seminole State College.

Upon her appointment to President Emeritus status, the President Emeritus shall be placed on sabbatical leave for a year. Upon her return from sabbatical, the President Emeritus will provide fundraising assistance to the College and will develop an Emeritus College for eligible retired faculty and administrators. The Emeritus College will harness the energy and talents of these retirees for the benefit the College, its students and the community.

Furthermore, the responsibilities for the President Emerita are clearly set forth in the excerpts from the contract:

9. D. *[The President Emerita] shall return from Sabbatical Leave and shall be employed by the College pursuant to this Agreement to support and*

assist the College's Foundation with fundraising and to develop an Emeritus College for outstanding faculty and/or administrators. ...; and (iii) shall report to the then President or his or her designee.

As noted in the contract, the President Emerita will report to the new President who may assign additional or different duties as necessary or needed.

Finding 2: College Lease of Direct-Support Organization Land and Buildings

Recommendation: We recommend that the College establish procedures that prohibit College lease expenses for facilities that serve no public purpose for the College. The College should also document the public purpose served for lease expenses totaling \$800,016 or seek reimbursement of the \$192,000 paid to the Foundation and eliminate the \$608,016 accounts payable due to component unit.

At the time the College entered into the lease agreement, it had identified a number of viable programmatic uses of the space. In order for the space to be properly utilized, the College would need to make tenant improvements and would be given credit for the cost of those improvements up to \$2 million. However, when the state legislature did not provide adequate funding for the completion of the top priority capital project, which was the Building L renovation that was already in progress, the College shifted authorized local resources from the planned tenant improvements of the leased DSO property to the Building L renovation. Because funding was not available for the tenant improvements, the College and DSO agreed to suspend the lease agreement. The College will continue to work with its DSO to develop a plan for the property that is mutually beneficial.

Finding 3: Direct-Support Organization

Recommendation: We recommend that:

- The Board prescribe by policy or rule any condition 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 positions of employees who will provide the personal services, the square footage of the office space and related buildings and property that will be used by the Foundation, and the estimated value of the College resources provided.
- The College require and ensure that DSO personnel affirm, after use of College resources, that the College resources were used properly.

College staff presented an update to the Board of Trustees regarding the use of property, facilities and personnel services by the College DSO as part of the 2018 Annual Financial Report presentation. The College plans to include a similar presentation as part of its budget approval process in the future.

Finding 4: Purchasing Card Cancellations

Recommendation: The College should enhance P-card procedures to ensure that P-card privileges are promptly cancelled upon a cardholder's separation from College employment.

Human Resources will update the PeopleSoft system within two business days of receiving notification of an employee's separation or termination from employment and a system generated report will notify the Finance Office the next day. The Finance Office will cancel purchasing card privileges within one business day of receiving notification.

Finding 5: Information Technology User Access Privileges

Recommendation: To ensure access to sensitive personal information of students is properly safeguarded, the College should:

- Document the public purpose served for maintaining such information for individuals who do not enroll in the College. Absent a documented public purpose, the College should discontinue the practice of indefinitely maintaining such information.
- Establish procedures to require documented periodic evaluations of access privileges to student information to determine whether such privileges are necessary and to timely remove any inappropriate or unnecessary access privileges. If an employee requires occasional access to student information, the access should be granted only for the time needed.
- Upgrade the College IT systems to include a mechanism to differentiate current, former, and prospective student information.

The College has documented the public purpose for the collection of student SSN's on the College's application as well as on the College's website (<https://www.seminolestate.edu/hr/ssn-collection> , <https://www.seminolestate.edu/catalog/studentinfo/admissions/records/social-security-number-collection-statement>) in accordance with FL Statute 119.071(5). The collection of SSN's for all students for student identification allows the College to avoid duplication of records for students regardless of enrollment status. The College will be establishing a new process that will review the enrollment status of a student each term to determine if a student SSN's needs to be disassociated from the record based on the College's pre-established criteria.

The College has a documented annual review of security privileges as prescribed in procedure 7.0500 Data Classification, Security and Roles Section D. Security Review. In addition, procedure 7.0200 Inactivation of Access to Information Technology Systems for terminating employees describes the process for terminating access to the systems

As part of the review that was completed in May 2018, the College removed access to the student SSN from all users. Full access was re-established to employees in the following areas: Admissions, Financial Aid, Student Financials, and Student Services. For those employees that only required occasional access, their view of SSN has been masked and only the last four (4) digits are visible. After the initial implementation, CTS received emails requesting full access to SSN for additional employees. These requests were reviewed based on the justification provided

and implemented if approved. As part of the annual review of security privileges scheduled with Enrollment Services, the College will add an additional review of SSN access.

The College's IT system is an off-the-shelf proprietary software that does not allow for or support the differentiation of current, former and prospective students. The College does not have the resources to accommodate or upgrade this differentiation. Our only alternative is to submit a request to the vendor (Oracle) as a future enhancement to their software. They would determine if this request would be a priority and if they have a business case to act upon it. If requested by the Auditor, we will submit the request, but we simply do not have the authority nor are we licensed to modify the source code for a third-party software. An alternative, and as recommended by this audit, is to upgrade the system to a different product, which is extremely costly and time consuming given the nature of adopting a new ERP that may support the differentiation of data as recommended.