

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-093
January 2019

DAYTONA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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^a Member resigned on 1-18-17, and position vacant through 11-1-17.

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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DAYTONA STATE COLLEGE

SUMMARY

This operational audit of Daytona State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2017-021. Our operational audit disclosed the following:

Finding 1: College personnel did not compare construction management entity (CME) pay requests for the Student Center and Workforce Transition Building Project to applicable subcontractor contracts and invoices prior to payment. During the period January 2017 through February 2018, the College paid \$3.4 million to the CME for subcontractor services.

Finding 2: College construction monitoring procedures did not require College personnel to obtain copies of applicable subcontractor bids or contracts to verify that subcontractors were competitively selected and that the selected bid and contract amounts agreed.

Finding 3: The College needs to establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

Finding 4: 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 5: College procedures for the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education need improvement.

Finding 6: The College did not always conduct the required supervisor observations of adjunct instructor classes, review the results of the observations with adjunct instructors, or document the results in the adjunct instructor personnel files.

Finding 7: Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

Finding 8: The College's IT security controls related to user authentication need improvement.

BACKGROUND

Daytona 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 Daytona, DeLand, Deltona, New Smyrna Beach, and Palm Coast. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Flagler and Volusia Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Monitoring Construction Pay Requests

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the College. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to successful completion of GMP contracts, it is important that College personnel verify that CME pay requests agree with supporting documentation such as subcontractor contracts and invoices.

The College initially entered into a CME contract for the Student Center and Workforce Transition Building Project (Student Center Project) in February 2016, subsequently entered into GMP contracts totaling \$36 million with the CME for the Student Center Project, and incurred construction expenses totaling \$7.4 million during the period January 2017 through February 2018. Our examination of College records disclosed that the Student Center Project was the only significant construction project for the College during that period. To evaluate College monitoring controls over CME pay requests, we inquired of College personnel and examined College records supporting construction expenses, including \$2.5 million of the \$3.4 million paid to the CME for subcontractor services during the period January 2017 through February 2018.

In response to our inquiries, College personnel indicated that, upon receipt of a CME pay request, College personnel compared cost lines on the schedule of values supporting the pay request to the budget line items included in the GMP contract and verified the mathematical accuracy of the request; however, the schedule of values was not compared to subcontractor contracts and invoices. According to College personnel, the comparisons were not made because the CME maintained subcontractor correspondence, which College personnel could obtain upon request. Additionally, as discussed in Finding 3, College personnel did not compare general conditions costs billed in the CME pay requests to supporting documentation.

We requested for examination selected subcontractor contracts and invoices, and in May 2018 College personnel obtained from the CME subcontractor contracts but not the subcontractor invoices. Our examination found that the selected CME pay request schedule of values was consistent with the GMP contract and subcontractor contracts. In response to our inquiry as to why subcontractor invoices were not provided, College personnel indicated that, according to the CME, subcontractor billings to the CME are based on the percentage of subcontractor services completed each month and that a corresponding subcontractor billing was not always received for every line item each month. College personnel also indicated that when the project is reconciled at closeout, the CME will provide a final draw request for every subcontractor and the final contract amount will match the CME billing. Notwithstanding, absent a documented, timely comparison of each line on the schedule of values for each CME pay request to

applicable supporting documentation, there is an increased risk that the College may overpay for services and may not realize maximum cost savings under GMP contracts.

Recommendation: The College should enhance procedures for monitoring CME pay requests to include a documented comparison of the cost items in the CME pay requests to subcontractor contracts and invoices, before payment is made to the CME.

Finding 2: Subcontractor Selection

The CME construction contract for the Student Center Project required the CME to solicit bids and award subcontracts, as necessary. Good business practice dictates that College personnel monitor the subcontractor selection process to ensure services are obtained at the lowest cost consistent with acceptable quality and to realize maximum costs savings under the GMP contract.

Our review of subcontractor bid tabulation sheets disclosed that College personnel documented attendance at the subcontractor bid openings by signing the bid tabulation sheets. However, according to College personnel, they did not compare the selected subcontractor bids listed on the bid tabulation sheets to the CME subcontractor contracts to verify that the subcontractors were competitively selected and that the selected bid and contract amounts agreed. Instead, College personnel relied on the CME's subcontractor selection process, which provided the College with limited assurance as to the effectiveness of that process.

From a population of 45 subcontractors who were contracted to provide services totaling \$25.1 million for the Student Center Project, we requested, and College personnel obtained from the CME, subcontractor contracts totaling \$18.9 million for 8 selected subcontractors. We compared the selected bids listed on the bid tabulation sheets and the subcontractor contracts and confirmed that the subcontractors were competitively selected and that the selected bid and contract amounts agreed. However, our procedures cannot substitute for the College's responsibility to verify that subcontractor contracts are awarded by the CME using a competitive selection process and that the selected bid and contract amounts agree. Without documented comparisons of selected bids and subcontractor contracts, the risk increases that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and the College may not realize maximum cost savings under a GMP contract.

Recommendation: The College should enhance procedures to include a documented comparison of selected subcontractor bids and subcontractor contracts to verify CME use of a competitive selection process to select subcontractors and that the selected bid and contract amounts agree.

Finding 3: General Conditions Costs

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For contracts that include general conditions costs, appropriate policies and procedures required actions include, for example:

- Comparing proposed general conditions costs to those of similar projects, including similar projects at other colleges.
- Negotiating with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifying that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices and confirming that the costs comply with the GMP contract.

The CME GMP contracts for the Student Center Project included provisions for general conditions costs totaling \$2.7 million. However, based on our discussion with College personnel, the College had not established policies or procedures for effectively negotiating, monitoring, and documenting the reasonableness of general condition costs. While College personnel indicated that they had reviewed the general conditions costs, including comparisons of the costs to other projects, College records did not evidence the methodology used and factors considered during the negotiation process to establish the reasonableness of the project's general conditions costs.

As part of our audit, we requested for examination College records supporting payments totaling \$393,447 to the CME for general conditions costs during the period December 2017 through February 2018. However, although we requested, College records, such as copies of CME payroll records or CME paid invoices, were not provided to document the reasonableness of the costs. In response to our request, College personnel indicated that the CME contract provided for the payment of general conditions costs based on the completion percentage of the Student Center Project and that the project architect verified that the general conditions costs were accurate based on that percentage. Notwithstanding, absent actions verifying the pay requests for general conditions costs to detailed documentation to support the propriety of the general conditions costs billed, the College may be limited in its ability to monitor and verify the propriety of CME pay requests for general conditions costs and realize cost savings associated with general conditions costs in GMP projects.

Recommendation: The College should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs and the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in the CME pay requests.

Finding 4: Direct-Support Organization

To promote accountability over College property, facility, and personal services use, it is important that public records document 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 the 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

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

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 conditions with which a DSO must comply for such use. The Board approved the Daytona State College Foundation, Inc. (Foundation) as a DSO and the Foundation routinely received and uses charitable contributions for the benefit of the College.

Our review of the Foundation audited financial statements for the fiscal year ending December 31, 2017, disclosed that the Foundation reported College support of contributed personal services in the amount of \$336,468. College records disclosed that four employees devoted 100 percent of their work effort to the Foundation. Additionally, College personnel indicated the College provided facilities to the Foundation. However, although we requested, College records were not available to evidence that the Board approved the personal services or facilities use, and the value of such use.

Subsequently, in June 2018, the College and Foundation signed a re-certification agreement that states the Foundation must comply with Board policies and College procedures in order to use College property, facilities, and personal services, that the College shall monitor and document compliance, and that the Board shall review and approve the Foundation's anticipated use of College resources, at least annually, before the use occurs. Notwithstanding execution of the re-certification agreement, the Board did not specify the College resources that the Foundation would use or approve the estimated cost for those resources for the 2018-19 fiscal year.

In addition to obtaining Board approval of anticipated Foundation use of College resources, College records could be enhanced by documenting Board approval of the estimated value of the use before the use occurs, the actual purpose for and value of such use, and Foundation management affirmation that College resources were used only for Board-approved purposes. Such records would demonstrate authorization, demonstrate the reasonableness of the value, and enhance transparency of the College resources provided for Foundation use.

Recommendation: We recommend that College records 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. We also recommend that the College obtain from Foundation management, affirmation that College resources were used only for Board-approved purposes.

Finding 5: Adult General Education Courses

State law³ defines adult education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act⁴ proviso language requires each college to report enrollment for adult education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

² Section 1004.70(3), Florida Statutes.

³ Section 1004.02(3), Florida Statutes.

⁴ Chapter 2016-066, Laws of Florida, General Appropriation Act, Specific Appropriation 126 for the 2016-17 fiscal year and Chapter 2017-070, Laws of Florida, General Appropriation Act, Specific Appropriation 126 for the 2017-18 fiscal year.

FDOE procedures provide that, prior to the Fall 2017 Semester, fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require colleges to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

Effective with the Fall 2017 Semester, FDOE procedures provide that fundable instructional contact hours are those scheduled hours that occur between the first date of attendance in a class and the withdrawal date or end-of-class date, whichever is sooner. Also effective for the Fall 2017 Semester, FDOE guidance provides that the instructional contact hours for an online course with both an online and face-to-face component (asynchronous class) are to be based upon lapsed time that a learner is connected to or engaged in an online software program that tracks time or, if activity is not documented by the online software program, hours documented and verified by an instructor.

College personnel indicated that a third-party attendance reporting software and a College-developed FTE calculator software program were used during the Spring, Summer, and Fall 2017 Semesters to report adult general education hours. College personnel also indicated that, before our audit inquiry, reporting errors had been identified because the third-party software did not prevent instructors from erroneously reporting student attendance on dates when the course was not scheduled to meet and did not restrict attendance dates to dates within the semester. Additionally, when instructors input online instructional contact hours before the related face-to-face instructional contact hours were input, the application would not allow the face-to-face contact hours to be correctly input, resulting in under-reported hours. Although we requested, College records were not provided to evidence the impact on, or corrections to, the reported contact hours.

Our audit procedures, including discussions with College personnel, disclosed that College procedures and the College-developed FTE calculator software program had not been modified to implement significant changes to the FDOE guidance that went into effect for the Fall 2017 Semester. Specifically:

- For the Fall 2017 Semester online adult general education courses, the College continued to report online course contact with an assigned time of 1 to 2 contact hours for each day a student logged in and each day between logged-in days, contrary to FDOE guidance that required the College to report the actual time students were connected to the online course. As College records were not available to document the time each student was connected to the course, we could not determine the impact on the reported contact hours.
- The College continued to report the contact hours for students who began attendance after the start of the Fall 2017 Semester and reported hours for scheduled class dates from the start of the Semester until the first date the students attended class, contrary to FDOE guidance that reported hours begin with the date of the student's first attendance. Although we requested, College records were not provided to evidence the number of over-reported hours for the applicable students.

For the Spring, Summer, and Fall 2017 Semesters, the College reported a total of 801,183 contact hours for 736 adult general education classes provided to 3,004 students. As part of our audit, we requested

for examination College records for 1,827 reported contact hours for 30 students enrolled in 25 general education courses and found that:

- For 19 students who were enrolled in 18 general education courses and reported for 1,165 contact hours, College records were not provided to document student attendance on the course dates identified in the software application.
- For 4 students who were enrolled in a total of 4 courses and reported for 208 hours, the College over reported 79 net contact hours. In May 2018, subsequent to our inquiry, College personnel determined there were errors in the College FTE calculator, such as incorrect daily course contact hours were used in the contact hour calculations, and the Summer 2017 Term A and B courses used the same course information including subject, catalog, and section.

Once College personnel became aware of the third-party application limitations, they discontinued use of the application and implemented a new College-developed reporting system for the Spring 2018 Semester. Subsequent to our inquiry, in June 2018 the College resubmitted to the FDOE the instructional contact hour reports for the Summer 2017 and Fall 2017 Semesters. The resubmitted reports reduced the previously reported instructional contact hours by 55,928 hours for the Summer 2017 Semester and by 21,507 hours for the Fall 2017 Semester. According to College personnel, the College did not resubmit hours reported for the Spring 2017 Semester because the deadline for submitting edits had expired.

Since funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the College report accurate data.

Recommendation: The College should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the Spring 2017 term and contact the FDOE for proper resolution of the misreported hours.

Finding 6: Evaluations and Classroom Observations of Adjunct Instructors

State law⁵ requires each board of trustees to establish the personnel program for all employees of the Florida College System institution pursuant to State law⁶ and rules and guidance of the State Board of Education. Board policies⁷ provide that all employees are to be evaluated on an impartial and periodic basis. College procedures⁸ require that noninstructional and full-time faculty be evaluated on a periodic and annual basis, respectively, and that all adjunct instructors receive classroom observations by the department chair or a tenured faculty member at least once during the academic year. These procedures also state that the results of the classroom observations are to be reviewed with the instructional personnel.⁹

⁵ Section 1001.64(18), Florida Statutes.

⁶ Chapter 1012, Florida Statutes.

⁷ Policy 6.12 *Evaluations*.

⁸ Procedures 612 and 612(a), *Evaluation of Non-Instructional Employees*, and *Evaluation of Full-Time Faculty*, respectively.

⁹ The College includes adjunct instructors in the definition of instructional personnel.

During the 2017 calendar year, the College employed 1,880 employees.¹⁰ As part of our audit, we requested for examination College records supporting classroom observations for 7 adjunct instructors and evaluations for 23 other employees completed during the 2017 calendar year. While our procedures disclosed that College records generally evidenced the required evaluations, we found that College records did not demonstrate that classroom observations and related results were reviewed with 3 selected adjunct instructors. College personnel indicated that, for 2 of the adjunct instructors, no classroom observation had been conducted and, while informal classroom observations were conducted for another adjunct instructor, the respective supervisor did not document or review, of record, the results of the observations with the adjunct instructor. In response to our inquiry, College personnel indicated that the College was in the planning stages for conducting required supervisor observations of adjunct instructor classes, reviewing the results of the observations with adjunct instructors, and documenting these procedures in adjunct instructor personnel files.

Timely conducted and documented employee evaluations, including supervisor observations of adjunct instructor classes reviewed with respective adjunct instructors, are important management tools that inform employees, including adjunct instructors, of their accomplishments, needed improvements, and training needs, and also help management make and support personnel decisions regarding employees.

Recommendation: The College should ensure that the required supervisor observations of adjunct instructor classes are timely conducted and that the results of the observations are reviewed with the adjunct instructors and documented in the adjunct instructor personnel files.

Finding 7: Information Technology User Access Privileges

The Legislature has recognized in State Law¹¹ 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 employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of employee access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

The College collects and uses SSNs pursuant to State law for various purposes, such as to register newly enrolled students, to comply with Federal tax reporting requirements and other Federal and State requirements related to financial and academic assistance, and to perform other College responsibilities. According to College personnel and records, the College established a unique identifier, other than the SSN, to identify each student and maintained student information, including SSNs, in the College information technology (IT) records.

To help protect student information from unauthorized disclosure, modification, or destruction, the College established policies and procedures to identify departments whose employees require access to sensitive information and provide training on records confidentiality. The College procedures also require applicable supervisors to document approval of employee access to sensitive data. However, the

¹⁰ The 1,880 employees include 544 adjunct instructors and 1,336 other personnel.

¹¹ Section 119.07(5)(a), Florida Statutes.

College did not have procedures to perform periodic evaluations of individuals granted access to student SSNs to determine whether individuals had a demonstrated need for such access.

As of April 2018, the IT system contained information for a total of 418,758 students, including 17,768 current students, 387,086 former students, and 13,904 prospective students and a total of 113 College employees had IT user access privileges to student information, including student SSNs. According to College personnel, the IT system did not have a mechanism to differentiate user access privileges to current, former, or prospective student information. Notwithstanding the limitations of the IT system, some personnel such as the School of Nursing personnel needed access to information for one or more types of students but did not need access to all student types.

In response to our inquiries, College personnel evaluated the access for the 113 employees and, based on this evaluation, removed 7 employees' access to the sensitive personal information of students. College personnel stated that continuous access to current, former, and prospective student information was necessary for the remaining 106 employees to perform their job responsibilities. Notwithstanding, although we requested, College records were not available to demonstrate that the 106 users needed continuous access to the information or that occasional access could not be granted only for the time needed.

In addition, although we requested, College records were not provided to demonstrate the public purpose served by indefinitely maintaining the SSNs of individuals who had not enrolled in the College. College personnel indicated that, as of June 2018, a procedure to purge sensitive personal information of prospective students was under discussion. The existence of unnecessary access privileges increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against College students or others.

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

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

Finding 8: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of College data and IT resources. Our audit procedures disclosed that certain College security controls related to user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues.

Without adequate security controls related to user authentication the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised.

Recommendation: The College should improve its IT security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

College had taken corrective actions for the findings included in our report No. 2017-021.

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 May 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. 2017-021.
- 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 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. From the population of 145 employees who separated from College employment during the audit period, we examined the access privileges for 15 selected former employees to determine whether their access privileges had been timely deactivated.
- Evaluated College procedures for protecting student social security numbers (SSNs). We examined College records supporting the access privileges granted to the 113 employees who had access to student SSNs within the College IT system during the audit period to determine the appropriateness and necessity of the access privileges based on the employee's 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.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it 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 the 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.

- Examined College records for the audit period to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records supporting transfers totaling \$453,400 made during the audit period from the College to its direct-support organization (DSO) to determine whether the transactions for student-athlete housing 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 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 and properly recorded. From the population of 1,655 student accounts receivable totaling \$1,535,753 and recorded as of December 31, 2017, we examined documentation relating to 40 selected student accounts totaling \$113,055 and determined whether College collection efforts were adequate and 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.
- Examined College records to determine whether uncollectible accounts totaling \$863,175 written-off during the audit period were properly approved.
- Evaluated whether the student fees assessed, totaling \$37,610,624 during the audit period, were properly authorized, accurately calculated, and correctly recorded. Specifically, we examined:
 - College records relating to 30 selected student fee revenues totaling \$32,685 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.
 - 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.
 - Evaluated the amount of the activity and service fee assessment to verify that the fees did not exceed 10 percent of the total tuition fee rates.
- From the population of 1,152 distance learning courses with fee revenue totaling \$1,580,205 during the audit, examined College records supporting 30 selected distance learning courses with fee revenue totaling \$1,380 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- From the population of five decentralized collection locations with total collections of \$189,347, selected one location with total collections of \$68,704 during the audit period and tested daily cash collections totaling \$610 to determine the effectiveness of the College's collection procedures.
- Examined the three contracts for auxiliary operations, which generated revenue totaling \$628,128 for the audit period, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the College's auxiliary services were self-supporting.

- From the population of 3,737 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, reviewed documentation for the listed course materials for 30 courses of instructor confirmation that the course materials would be used in the course.
- From the population of compensation payments totaling \$54,391,432 made to 1,880 employees, including 659 exempt employees and 544 adjunct instructors during the audit period, selected 30 payroll transactions totaling \$45,524 and examined the related payroll and personnel records to determine whether rates of pay were accurate, employment contracts were valid, employees met required qualifications, performance evaluations or classroom observations were documented, leave records were accurate, and supervisory personnel documented review and approval of 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 145 employees who separated from College employment during the audit period and were paid \$469,917 for terminal leave, we selected 25 employees with terminal payments totaling \$109,769 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 nine employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Reviewed the President's compensation totaling \$349,333 during the audit period to determine whether the amounts paid did not exceed limits established in Section 1012.885, 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 select expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; complied 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 \$13,124,096 for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$60,204.
 - 30 selected payments for contractual services totaling \$1,004,444.
- From the population of 2,192 purchasing card (P-card) transactions totaling \$408,854 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$36,037 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 all 13 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 61 payments totaling \$39,137 during the audit period to employees for other than travel and compensation, examined 31 selected payments totaling \$17,756 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.
- 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 interests; and College records for 18 selected College officials to identify any potential relationships that represented a conflict of interest with vendors used by the College.

- From the Student Center and Workforce Transition Building Project contracts totaling \$36 million and expenses totaling \$7.4 million during the period January 2017 through February 2018, examined College records supporting the 3 payments totaling \$3.7 million to determine whether the payments were made in accordance with contract terms and conditions, Board policies and College procedures, provisions of applicable State laws and rules, and good business practices.
- Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and determined whether deficiencies noted were timely corrected.
- From the population of 3,004 adult general education instructional students reported for 801,183 contact hours during the Spring, Summer, and Fall 2017 Semesters, examined College records supporting 1,827 reported contact hours for 30 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.
- From the population of 796 industry certifications reported for performance funding during the 2016-17 fiscal year that were attained by students, examined 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

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



Office of the President

December 14, 2018

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

RE: Daytona State College Operational Audit
For the Period of January 1, 2017 through December 31, 2017

Dear Ms. Norman,

Attached please find the response for Daytona State College to the preliminary and tentative findings in the operational audit. The College concurs with the findings and has aggressively implemented control mechanisms as set forth in the response to comply with the recommendations rendered.

On behalf of Daytona State College, I want to thank Keith Wolfe and his staff for their assistance and the professional manner in which the onsite review was conducted.

Sincerely,



Thomas LoBasso, Ed.D.
President
Daytona State College

Attachment

cc: District Board of Trustees

Daytona State College
1200 W. International Speedway Boulevard / Daytona Beach, Florida 32114
(386) 506-3000 • www.DaytonaState.edu

Finding 1: Monitoring Construction Pay Requests

Recommendation: The College should enhance procedures for monitoring CME pay requests to include a documented comparison of the cost items in the CME pay requests to subcontractor contracts and invoices, before payment is made to the CME.

College's Response: The College concurs with the AG recommendation. On all future Construction Manager at Risk contracts, the College's Facilities Planning Department will request all supporting documentation for CM pay requests. The supporting documentation will be required to include all subcontractor invoices, the CM's support for all general conditions, and profit and overhead to equal the total amount certified in the pay application. A random sample of invoices and backup documentation will be selected and a review will be conducted. If discrepancies are noted, the College will enhance its review of all necessary documentation on the construction contract(s) in question. This process will be added to the Facilities Planning Department policies and operating guidelines and documented for all future cost comparisons completed for Construction Manager at Risk construction contracts.

Finding 2: Subcontractor Selection

Recommendation: The College should enhance procedures to include a documented comparison of selected subcontractor bids and subcontractor contracts to verify CME use of a competitive selection process to select subcontractors and that the selected *bid and contract amounts agree*.

College's Response: The College concurs with the AG recommendation. The College's Facilities Planning Department will request a copy of all bids from subcontractors submitted at the bid opening on all future Construction Manager at Risk contracts. The CM will also be required to provide to the College a copy of all final contracts with the subcontractors to provide a comparison between bid and contract amounts. If any discrepancies in amounts are discovered, the CM will be required to provide reasoning for the discrepancy including changes to project scope or changes between scopes within submitted subcontractor's bids. The Facilities Planning Department also plans to compare the selected bids listed on the bid tabulation sheets and the subcontractor contracts to ensure that subcontractors are competitively selected. This process will be added to the Facilities Planning Department policies and operating guidelines and documented for all future subcontractor selections for Construction Manager at Risk construction contracts.

Finding 3: General Conditions Costs

Recommendation: The College should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs and the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in the CME pay requests.

College's Response: The College concurs with the AG recommendation. The College's Facilities Planning Department will establish policies and operating guidelines for negotiating general conditions by providing industry standard costs for projects of a similar nature for comparison. The Facilities Planning Department will keep on record the original CM proposed general conditions and the negotiated general conditions to document how the final cost is derived. In addition, the Department will further document the methodology used and factors considered in negotiating general conditions cost. As stated in the DSC Response for Finding 1, the Department will require the CM to provide supporting documentation for all general conditions and will randomly select samples for review.

Finding 4: Direct Support Organization

Recommendation: We recommend that College records 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. We also recommend that the College obtain from Foundation management, affirmation that College resources were used only for Board-approved purposes.

College's Response: The College concurs with the AG recommendation. The College is in the process of amending Board Policy 2.03 and the Foundation by-laws in response to the finding.

In addition, on August 16, 2018, the College presented to the Board and the Board approved the budgeted positions and titles, personnel costs, and the amount and estimated cost of space occupied by the Foundation for fiscal year 2018-19.

Finding 5: Adult General Education Courses

Recommendation: The College should continue to strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The College should also determine to what extent the adult general education hours were misreported for the Spring 2017 term and contact the FDOE for proper resolution of the misreported hours.

College's Response: The College concurs with the AG recommendation. The College diligently addressed the issues identified in this report regarding accurate reporting of adult general education contact hours. Some of these efforts began before the operational audit began.

The College discontinued use of the third party software platform that allowed faculty to enter attendance dates not within the semester or dates on which the class did not meet. Faculty were trained on both the proper procedure for reporting hours and on the use of a new in-house software program that is much more user-friendly and reliable. The custom attendance program eliminates the possibility of faculty inputting attendance into the wrong date fields by "graying" out all dates not included within the identified meeting pattern. It also removes students from the active attendance roster when they have successfully tested out of a particular course. This feature eliminates the possibility that an instructor will enter attendance for a student after a student has been identified as completing a course. Hours in the schedule and section numbers for each course have been corrected in the system and will "roll" when each new semester's schedule is built.

In addition, all Fall 2017 adult education courses were re-built as separate face-to-face and online components and students were unenrolled in the hybrid sections and re-enrolled in the separated sections. Time in the online components of the classes is automatically calculated using instructional software. The FTE calculator has been fixed and now pulls from the first date of attendance rather than the first date of enrollment.

These items were also corrected in the resubmission of the Fall 2017 data to the state.

Regarding the Spring 2017 adult education submission, the College has revised the contact hours and has notified Mr. Eric Godin, Associate Vice Chancellor for Research and Analytics for the Florida College System, with this revised FTE calculation.

Finding 6: Evaluations and Classroom Observations of Adjunct Instructors

Recommendation: The College should ensure that the required supervisor observations of adjunct instructor classes are timely conducted and that the results of the observations are reviewed with the adjunct instructors and documented in the adjunct instructor personnel files.

College's Response: The College concurs with the AG recommendation. The College has added an item on the department chair evaluation that measures whether chairs have conducted observations in a timely manner. The item is as follows: "Provides fair and equitable evaluations and completes all evaluations and classroom observations for full-time and adjunct faculty in a timely manner." The evaluation form has been updated in our document repository and has been distributed to Chairs and their respective AVPs (their supervisors). It will be used for 2018 performance evaluations, which are due in early 2019. Adjuncts sign the document noting that they have reviewed the results and the completed evaluations will be stored in each department.

Finding 7: Information Technology User Access Privileges

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

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

College's Response: The College concurs with the AG recommendation. The College will document the public purpose served for maintaining information for those who do not enroll in the College. Additionally, the College will attempt to develop a purge process for all sensitive data greater than 5 years for individuals who do not enroll if the system configuration permits. The College will document periodic evaluations of user access and privileges to student SSN's to determine whether such privileges are necessary and remove any inappropriate access detected. For occasional access to student SSNs, temporary access will be granted for the time needed. The College will invest and/or develop a system process to differentiate current, former, and prospective student information and assign access based on need.

Finding 8: Information Technology - Security Controls - User Authentication

Recommendation: The College should improve its IT security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

College's Response: While the College understands the concerns related to said finding, the College does not believe it is a correct conclusion. As discussed, and without disclosing specific details of the issues to avoid possibly compromising the College data, the College has explained that it is operating within NIST standards and thereby believes that the current process, also approved/recommended by an instructor from the SANS Security Institute, and recommended by the College's own certified CISO, gives the College a distinct security advantage. Notwithstanding, the College will change the security controls to match those recommended by the auditor.