

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

COLLEGE OF CENTRAL FLORIDA



Sherrill F. Norman, CPA
Auditor General

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COLLEGE OF CENTRAL FLORIDA

SUMMARY

This operational audit of the College of Central Florida focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2017-046. Our operational audit disclosed the following:

Finding 1: College personnel did not compare construction management entity (CME) pay requests for the Jack Wilkinson Levy Campus Project to applicable subcontractor contracts prior to payment. During the period March 2016 through December 2017, the College paid \$7.1 million to the CME for subcontractor services for the construction phase.

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

Finding 3: College textbook affordability procedures continue to need improvement.

Finding 4: College procedures did not ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 5: College direct-support organization policies and records supporting personal services used by the College direct-support organization could be improved.

Finding 6: Contrary to State law, the College assessed distance learning course fees for courses not listed in the Statewide Internet-based catalog of distance learning courses.

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

BACKGROUND

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

The College has its main campus, a special-purpose center, and a museum located in Ocala; a campus located in Lecanto; and a special-purpose center located in Chiefland. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Citrus, Levy, and Marion 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 Board approved a construction contract in April 2015 with a CME for the Jack Wilkinson Levy Campus (Levy Project) and in May 2016 the Board amended the contract to establish a GMP of \$11.5 million for the construction phase. For the 2017 calendar year, the Levy Project was the only construction project and the College paid 16 CME pay requests totaling \$8.6 million. To evaluate College monitoring controls over CME pay requests, we inquired of College personnel and requested for examination College records supporting selected expenditures totaling \$2 million, including \$1.5 million paid to the CME for subcontractor services.

In response to our inquiries, College personnel indicated that, upon receipt of a CME payment request, College personnel compared cost lines on the CME pay request schedule of values to subcontractor invoices, verified the mathematical accuracy of the request, and also verified that prior payments were properly accumulated. However, College personnel did not verify that the applicable amounts billed on the CME pay requests agreed with the GMP contract and subcontractor contracts. In response to our inquiry, College personnel indicated that the College did not maintain subcontractor contracts but relied on the CME to compare those contracts to the subcontractor services and related costs. However, College reliance on the CME comparison may not help the College achieve maximum cost savings associated with GMP contracts and subcontractor services.

We requested, and in October 2018 the College obtained from the CME, the subcontractor contracts supporting the \$7.1 million paid to the CME for subcontractor services. We selected 5 subcontractor services totaling \$1.2 million and our review disclosed that the selected CME pay requests were consistent with the GMP contract and subcontractor contracts; however, our procedures cannot substitute for the College's responsibility to properly monitor CME pay requests. Absent a documented reconciliation of each line in the schedule of values for each pay request to supporting documentation, there is an increased risk that the College may overpay for services and 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 GMP contracts and subcontractor contracts and invoices, before payment is made to the CME.

Finding 2: Subcontractor Selection

The CME construction contract for the Levy Project required the CME to solicit bids and award subcontracts, as necessary. Good business practices dictate 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.

We requested, and in October 2018 the College obtained from the CME, the subcontractor bid tabulation sheets supporting the selection of subcontractors with the lowest bids. 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 contracts were with the competitively selected subcontractors and the selected bid and contract amounts agreed. Instead, College personnel relied on the CME's subcontractor selection process, which, absent verification efforts by the College, provided limited assurance as to the effectiveness of that process.

We requested, and College personnel obtained from the CME, documentation for subcontractor contracts totaling \$1.2 million for 5 subcontractors selected from the 17 subcontractors who were contracted to provide services totaling \$7.1 million for the Levy Project. We compared the selected bids listed on the bid tabulation sheets and the subcontractor contracts and confirmed that the contracts were with the competitively selected subcontractors 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 CME-selected subcontractor bids and contracts to verify that the contracts are with the competitively selected subcontractors and that the selected bid and contract amounts agree.

Finding 3: Textbook Affordability

State law¹ requires the College to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days prior to the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term. Additionally, State law² requires colleges to obtain confirmation by the course instructor or academic department offering the course, before each textbook and instructional materials adoption is finalized, of the intent to use all items ordered.

¹ Section 1004.085(6), Florida Statutes.

² Section 1004.085(7)(b), Florida Statutes.

State law³ also requires the College to examine the cost of textbooks and instructional materials by course and course section for all general education courses offered at the institution to identify any variance in the cost of textbooks and instructional materials among different sections of the same course. Courses that have a wide variance in costs among sections or that have frequent changes in textbook and instructional materials selections are to be identified and a list of such courses sent to the appropriate academic chair for review.

College administrative procedures⁴ require, before textbook adoptions are finalized, the departments to collect and maintain written or electronic certifications from course instructors attesting that all textbooks and instructional items ordered will be used, particularly each item sold as part of a bundled package and that efforts were made to find less expensive alternatives and describing the extent to which a new edition differs substantially from earlier versions and the value of changing to a new edition. For all general education common core courses, a Collegewide department will choose an official textbook or create a list of no more than three official textbooks. In addition, the Collegewide department and individual instructors may choose to use materials in addition to the official textbook.

According to College personnel, the College contracted with a vendor to manage and operate the College Bookstore, as well as to compile and post lists of adopted textbooks on the College Bookstore Web site. Textbook and instructional material information was updated on the Web site and simultaneously made available through a link in the course registration system to the Web site. Our examination of College records and discussions with College personnel disclosed that:

- The College had not established effective procedures to ensure that textbook information was posted on the Bookstore Web site at least 45 days prior to the first day of classes. The textbooks and instructional materials for certain Summer and Fall 2017 course sections were posted an average of 16 days late and 33 days late, respectively. As the College only timely posted the textbooks and instructional materials for 296 (78 percent) of the 379 course sections for the Summer 2017 Term and 754 (87 percent) of the 863 course sections for the Fall 2017 Term, the College did not comply with State law requiring such information be timely posted for at least 95 percent of the course sections.

In response to our inquiries, College personnel agreed that textbook information was not always timely adopted and posted. Without evidence of the timely posting of textbook information on the College Bookstore Web site, the College cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.

- College records did not always demonstrate the proper completion and approval of instructor-prepared textbook affordability course certifications. Specifically, from the population of 2,174 course sections for the Spring, Summer, and Fall 2017 Terms, we requested for examination 31 certifications and 12 were not provided. In response to our inquiry, College personnel indicated the certifications were unavailable due to staff turnover and because the certifications were not obtained during department meetings. Without properly completed instructor-prepared certification forms subjected to appropriate review and approval, the risk that instructors may use textbooks and instructional materials not adopted by their departments is increased and students may purchase textbooks and instructional materials that are not needed for their courses.

³ Section 1004.085(4), Florida Statutes.

⁴ Administrative Procedure, Implementing Procedure for Policy #4.01 / 3.07, *Textbook Adoption Procedures and Guidelines*.

- The College had not established thresholds to use to identify general education courses with a wide cost variance for course textbooks and other instructional materials for the Spring, Summer, and Fall 2017 Terms. As a result, the College did not require each department to identify and submit to each respective department chair for review and approval a list of courses that have a wide variance in textbook costs among different course sections. Absent thresholds to identify general education courses with a wide cost variance for the textbook and other instructional materials used in different sections of the same course and records to identify the cost variances associated with course materials, the College cannot demonstrate compliance with State law and students may misunderstand course textbook costs.
- New and used textbook and other instructional materials prices for the 1,130 Spring 2017 and 1,111 Fall 2017 Term courses varied for the same course by as much as \$227 for new materials and \$171 for used materials. Table 1 provides examples of the price differences that exceeded \$100 for new materials and \$75 for used materials for different sections of the same course.

Table 1
Textbook and Other Instructional Material Prices
Spring 2017 and Fall 2017

Course and Related Textbooks	Cost of New			Cost of Used		
	High	Low	Difference	High	Low	Difference
HUM1020	\$271	\$44	\$227	\$204	\$33	\$171
REL2300	222	20	202	166	15	151
PSY2012	247	70	177	185	70	115
SYG2430	269	100	169	202	75	127
PHI2010	127	25	102	95	19	76

Source: College records.

Because College administrative procedures allow departments and instructors to add materials after official textbooks have been selected, different textbooks and instructional materials may be used for different sections of the same course and costs for course materials may vary widely. Consequently, costs paid by the students may not be fair and equitable.

A similar finding was noted in our report No. 2017-046.

Recommendation: To help ensure College textbooks and instructional materials of acceptable quality are available to students at the lowest prices, the College should:

- **At least 45 days before the first day of classes, prominently post in the course registration system and on its Web site, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.**
- **Maintain records that demonstrate the proper completion and approval of instructor textbook affordability certifications.**
- **Establish a threshold to use to identify general education courses with a wide cost variance for textbooks and other instructional materials among sections.**
- **Based on the College-established threshold, the College should require each department to identify and submit to each respective department chair for review and approval a list of courses that have a wide variance in textbook costs. The College should maintain a comprehensive list of these courses.**

Finding 4: Adult General Education Classes

State law⁵ 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 Appropriation Act⁶ proviso language requires each college to report enrollment for adult education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

State Board of Education (SBE) rules⁷ require colleges to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. A minimum enrollment threshold of 12 hours of attendance for each program must be met before a student can be counted for funding purposes. The FDOE 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. Instructional contact hours are reported up to and including the last date of attendance but should not include any instructional contact hours reported for any period beyond the last date of actual attendance.

For the 2017 calendar year, the College reported 27,037 instructional hours for 197 students enrolled in 37 adult general education classes. As part of our audit, we examined College records for 4,461 reported contact hours for 30 students enrolled in 18 adult general education classes. Although we requested, College records were not provided to evidence daily attendance rosters supporting the 10,805 hours reported to the FDOE for the Spring 2017 Term. In addition, for the Summer and Fall 2017 Terms, the total hours reported to the FDOE were insufficiently supported as the attendance rosters did not detail by course whether a student was enrolled in one or more courses or attended all or some of the enrolled courses. Also, the rosters did not identify whether students with six consecutive absences were absent for one course or all courses scheduled for those days.

In response to our inquiries, College personnel indicated that, due to a clerical error, the Spring 2017 Term attendance rosters were unavailable to support the hours reported. College personnel also believed that instructional contact hours were properly reported for the Summer and Fall 2017 Terms in accordance with SBE rules, although the College lacked detailed attendance records to support the hours reported.

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

Recommendation: The College should strengthen controls to ensure instructional contact hours for adult general education classes are properly supported and accurately reported to the FDOE. Such support should include appropriately detailed student attendance records to substantiate the accuracy of the reported hours.

⁵ Section 1004.02(3), Florida Statutes.

⁶ 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.

⁷ SBE Rule 6A-10.0381(5), FAC.

Finding 5: Direct-Support Organization

To promote accountability over College property, facility, and personal service 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 that use, and enhance government transparency.

State law⁸ provides that a direct-support organization (DSO) is organized and operated exclusively to receive, hold, invest, and administer property and make expenses to, or for the benefit of, the institution. Additionally, State law⁹ authorizes the 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 College of Central Florida Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College.

Board policies¹⁰ require the Foundation to annually comply with certain conditions. Additionally, the Board and Foundation Agreement, dated January 1, 2015, requires the College to provide, as the College and Foundation deem necessary, in-kind support through office space, supplies, furniture, technology equipment and support, promotional materials, and other financial resources as enumerated in the Financial Memorandum of Understanding. Although the agreement states that it is discussed and reviewed annually and changed accordingly by the Foundation and the College, the Board of Trustees have not approved an agreement since January 28, 2015, which was for the 2015 calendar year.

According to College personnel, the Foundation uses no College property and, in fact, the College rents space from the Foundation. However, the College provides personal services to the Foundation.

While College personnel indicated that College expenses for the Foundation are included in the College operating budget presented annually to and approved by the Board of Trustees, College records could be enhanced by obtaining the Trustees' approval of anticipated Foundation use of College personal services and the value of such use before the use occurs. Such records would evidence authorization, demonstrate the reasonableness of the value, and enhance transparency for the College resources provided for Foundation use.

As part of our audit, we interviewed College personnel and requested for examination College records related to the Foundation and found that, based upon a Financial Memorandum of Understanding (MOU) from the Executive Director of the Foundation to the College Vice President, Administration and Finance, dated October 18, 2016:

- During the 2017 calendar year, personal services totaling \$598,636 representing 100 percent of 11 College employees' time worked were to be provided to the Foundation. The MOU identified the 11 employees and the employees' job descriptions included various general and administrative responsibilities. The Foundation was to reimburse \$168,894 to the College for a portion of the personal services costs.

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

⁹ Section 1004.70(3), Florida Statutes.

¹⁰ College Policy 2.03, *Direct Support Organizations*.

- The College would provide an unquantifiable amount of indirect support to the Foundation for postage, telephone systems and services, security for routine activities, and other activities.

In June 2018, the Board of Trustees approved the audited Foundation financial statements for the fiscal year ended December 31, 2017, which reported that the College provided personal services to the Foundation and that the Foundation reimbursed the College for a portion of the personal service costs. However, although we requested, College records were not provided to evidence that, since the Board and Foundation Agreement for the 2015 calendar year, the Trustees had approved personal services costs or other indirect support provided to the Foundation or the value of such support before services were provided.

In addition to obtaining the Trustees' approval of anticipated Foundation use of College resources, College records could be enhanced by documenting the Trustees' 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:

- **The Trustees enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements.**
- **The College document the Trustees' consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance government transparency, documentation identifying the positions of the employees who will provide personal services should be Board approved.**
- **The College obtain confirmations and other documentation from Foundation management affirming that College resources were used only for purposes approved by the Trustees.**

Finding 6: Distance Learning

State law¹¹ provides, in part, that each college may assess a per credit hour distance learning course fee for a course listed in the Statewide Internet-based catalog of distance learning courses (Catalog). The College offered 679 distance learning courses that generated distance learning fees revenue totaling \$491,870 for the 2017 calendar year.

As part of our audit, we selected 30 distance learning courses with distance learning fee revenue totaling \$32,890 to determine whether the courses were listed in the Catalog. We found that one course, with distance learning fee revenue totaling \$1,050, was not listed. In response to our inquiry, College personnel indicated the course was not listed in the Catalog because the process of listing a course in the Catalog is a manual process and there are frequent changes to the College course schedule prior to classes beginning each term, resulting in College courses being excluded from the Catalog. We requested a listing of all courses added to the College schedule subsequent to the College-scheduled update and found 42 additional courses and course sections, which generated total distance learning fee

¹¹ Section 1009.23(16), Florida Statutes.

revenue of \$24,240, were added to the College's course schedule after the Catalog update and, therefore, were not included in the Catalog.

When distance learning courses are not listed in the Catalog, students may be assessed fees incorrectly and not be informed of available distance learning opportunities.

Recommendation: The College should comply with State law by ensuring that all College distance learning courses for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

Finding 7: Information Technology User Access Privileges

The Legislature has recognized in State law¹² 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. Access to student SSNs should allow College employees to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with applicable Florida Statutes, State Board of Education rules, and Federal laws.

According to College personnel and records, the College established a unique identifier, other than the SSN, to identify students and maintained student SSNs in the College database. The College collects and uses SSNs pursuant to State law for various purposes, such as to register newly enrolled students and to 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. The College indefinitely maintains records, including the SSNs, of former students who transferred, graduated, or withdrew and of prospective students who apply for entrance into the College but do not enroll. Although we requested, College records were not provided to demonstrate the public purpose served for maintaining SSNs indefinitely for individuals who had not enrolled in the College.

To help protect student information from unauthorized disclosure, modification, or destruction, College personnel indicated that supervisors review and approve access request forms to authorize employee access to sensitive personal information. College personnel also indicated that security administrators, designated as data custodians, approve the access request forms because their positions have decision making responsibilities over their respective modules in the College information technology (IT) system. The College has six employees designated as security administrators, including the Vice President, Administration and Finance; Vice President, Academic Affairs; Vice President, Student Affairs; Vice President, Institutional Effectiveness and College Relations; Executive Director Central Florida Foundation; and the President.

¹² Section 119.071(5)(a), Florida Statutes.

According to College personnel, the IT Network Engineer evaluates employee IT access privileges on each employee's annual employment anniversary date. However, the IT Network Engineer's evaluation is limited to confirming that the employee access form supports the employee's access and does not include a consideration of employee's job responsibilities. Without consideration of employee job responsibilities when evaluating employee access, the control benefits provided by the IT Network Engineer's evaluations are limited.

As of August 2018, College personnel indicated that the College database contained the sensitive personal information of 142,246 prospective, current, and former students, and 39 employees had access to this information. As part of our audit, we examined College records supporting the access privileges for these 39 employees. However, although we requested, College records were not provided to demonstrate that the 39 employees needed continuous access to prospective, current, and former student information. The College indicated that all 39 employees needed continuous access to the sensitive personal information to perform their job duties. For example, 6 financial aid specialists, an admissions advisor, and an admissions and school relations specialist needed occasional access to the sensitive personal information of students because, according to College personnel, these employees assisted with enrolling students and providing financial aid related services to students. College management explained that it was not practical or efficient to have employees request temporary access on an as-needed basis.

College personnel also indicated that the database did not have a mechanism to differentiate user access privileges to prospective, current, or former student information. In addition, the College had not established procedures to help identify the employees who should be granted access to personal sensitive information such as SSNs. Subsequent to our inquiry, the College indicated that they are in the process of implementing a software update to allow the masking of SSNs and help limit access to the sensitive personal information of students.

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 student information is properly safeguarded, the College should:

- **Enhance procedures for periodically evaluating IT user access privileges to include documented consideration of whether such privileges are necessary based on employee job responsibilities. Any unnecessary access privileges detected should be timely removed.**
- **Continue efforts to implement the software update to mask student SSNs and limit access to the SSNs to only those individuals who need access to perform their assigned duties. Also, if an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.**
- **Upgrade the College IT system to include a mechanism to differentiate prospective, current, and former student information. The College should also document the public purpose served for maintaining information for individuals who do not enroll in the College.**

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 3, the College had taken corrective actions for findings included in our report No. 2017-046.

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 October 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. 2017-046.
- 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 for maintaining and reviewing employee access to IT data and resources. We examined database and finance and human resources application access privileges during the audit period for 20 of the 34 employees who had such access to determine the appropriateness and necessity of the access privileges based on the employees' job duties and user account functions and whether the access privileges adequately prevented the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned, managed, and monitored.
- Evaluated College procedures to prohibit former employees' access to College IT data and resources. We examined the access privileges for 30 former employees selected from the population of 366 employees who separated from College employment during the audit period to determine whether the access privileges had been timely deactivated.
- Evaluated College procedures for protecting student social security numbers (SSNs). We examined College records supporting the access privileges of the 39 employees who had access to student SSNs during the audit period to determine the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Evaluated the Board security policies and College procedures for the audit period governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College's 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 Board and committee meeting minutes to determine whether Board approval was obtained for Board policies and College procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records for the audit period to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy for the audit period to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Examined College records to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the direct-support organization (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 receivables were properly authorized, adequately documented, and properly recorded. Specifically, we examined:
 - From the population of 1,328 student accounts receivables totaling \$821,094 and recorded as of June 30, 2017, documentation relating to 30 selected student accounts receivables totaling \$56,444.
 - From the population of 183 delinquent student accounts receivables totaling \$128,943 written-off in June 2017, documentation relating to 10 selected delinquent student accounts receivables totaling \$32,160 and evaluated the adequacy of College collection efforts, whether restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts in accordance with Board policies established pursuant to Section 1010.03, Florida Statutes, and whether the accounts written off were properly approved.
- From the population of 87 students enrolled as Florida residents who had changes in residency status during the audit period, examined College records for 25 selected students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- From the population of 679 distance learning courses with fee revenue totaling \$491,870 during the audit period, examined College records supporting 30 selected distance learning courses with fee revenue totaling \$32,890 to determine whether distance learning fees were assessed, collected, and separately accounted for in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- From the population of 11 decentralized locations with total collections of \$2,133,855 during the 2016-17 fiscal year, selected 3 locations with total collections of \$1,867,715 and evaluated

controls over the collections and the deposit process to determine the effectiveness of College procedures.

- From the population of six contracts for auxiliary operations, which generated revenue totaling \$691,696 for the audit period, examined one selected contract, which generated revenue totaling \$540,913, 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 2,174 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 requested for examination College records, such as instructor certifications that the course materials would be used in the course, supporting the listed course materials for 31 courses.
- From the compensation payments totaling \$23,736,530 made to 1,172 employees during the audit period, selected 30 payroll transactions totaling \$22,586 and examined College records to determine the accuracy of the rate of pay, the validity of employment contracts, whether the employees met the required qualifications, whether performance evaluations were completed, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated Board policies and College procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. Specifically, from the population of 35 employees who separated from College employment during the audit period and were paid \$180,747 for terminal leave, we selected 10 employees with terminal payments totaling \$94,956 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined severance pay provisions in the President's contract to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records supporting compensation totaling \$1,554,316 paid to 10 administrative employees (including the President) during the audit period to determine whether the amounts paid did not exceed limits established in Sections 1012.885 and 1012.886, Florida Statutes.
- Evaluated Board policies and College procedures for obtaining personnel background screenings to determine whether individuals in positions of special trust and responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Evaluated 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 an employee's separation from College employment. Also, we determined whether the College had adequate procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Examined College records to determine whether selected expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and Board policies. Specifically, from the population of expenses totaling \$26,730,152 for the audit period, we examined College records supporting:
 - o 30 selected payments for general expenses totaling \$197,337.
 - o 10 selected payments for contractual services totaling \$164,311.

- From the population of 5,752 purchasing card (P-card) transactions totaling \$1,442,669 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$18,795 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 11 cardholders who separated from College employment during the audit period to determine whether the College timely canceled the cardholders' P-cards.
- From the population of President and Board member travel expenses totaling \$10,271 during the audit period, examined 16 selected travel reimbursements totaling \$6,220 to determine whether the travel expenditures were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 195 payments totaling \$21,258 during the audit period to employees for other than travel and compensation, examined 10 selected payments totaling \$8,985 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.
- For the one significant construction project with expenses totaling \$8,604,029 during the period July 2016 through December 2017, examined documentation for project expenses during the audit period totaling \$5,334,920 to determine compliance with College policies and procedures and provisions of State laws and rules. Also, for the construction management contract with guaranteed maximum price of \$11,504,970, we:
 - Evaluated College procedures for monitoring subcontractor selection and licensure and examined College records to determine whether the College ensured subcontractors were properly selected and licensed.
 - Determined whether the College established appropriate policies and procedures addressing negotiation and monitoring of general conditions costs.
 - Examined College records supporting 4 selected payments totaling \$1,965,148 to determine whether College procedures for monitoring payments were adequate and payments were sufficiently supported.
- From the population of 197 adult general education instructional students reported for 27,037 contact hours during the Spring, Summer, and Fall 2017 Terms, examined College records supporting 4,461 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 247 industry certifications reported for performance funding that were attained by students during the audit period, 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



College of Central Florida

Office of the President

February 18, 2019

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

Dear Ms. Norman:

The following is our response to the findings in the January 1, 2017 through December 31, 2017 operational audit of the College of Central Florida.

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 GMP contracts and subcontractor contracts and invoices, before payment is made to the CME.

College Response: The "Construction Manager At-Risk" Construction Phase payments are paid and supported by the Guaranteed Maximum Price (GMP) Schedule of Values. The Construction Manager generates three copies of each payment application. These payment applications are certified by the Construction Manager as being accurate and then reviewed and approved by the Architect and Engineers before being submitted to the College. The College's Project Manager performs a detailed review of each payment application prior to approving the issuance of payment by comparing the invoices against the GMP Schedule of Values which is based upon the construction manager's subcontractor's contract documents.

As noted by the auditor, five subcontractor services totaling \$1.2 million were selected for review and the selected CME pay requests were consistent with the GMP Schedule of Values and subcontractor contracts. Nevertheless, the College will have the Construction Manager submit duplicate copies of each subcontractor contract to be compared against the invoice and also the GMP Schedule of Values prior to payment approval.

Finding 2: Subcontractor Selection

Recommendation: The College should enhance procedures to include a documented comparison of CME-selected subcontractor bids and contracts to verify that the contracts are with the competitively selected subcontractors and that the selected bid and contract amounts agree.

College Response: As noted by the auditor for this "Construction Manager At-Risk" Project, their review of the subcontractor bid tabulation sheets supporting the selection of subcontractors with the lowest bids disclosed that College personnel documented attendance at the subcontractor bid openings by signing the bid

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—an equal opportunity college—

tabulation sheets in accordance with College procedure. Additionally, it is the responsibility of the awarded Construction Manager to develop procedures for pre-qualification of all trade contractors and to provide a letter of recommendation for award of each bid package, a copy of each bid proposal and the tabulation form.

Also as noted by the auditor, their review of five of 17 subcontractor contracts totaling \$1.2 million confirmed that the contracts were with the competitively selected subcontractors and that the selected bid and contract amounts agreed. Nevertheless, the College will have the Construction Manager submit duplicate copies of each subcontractor contract to be compared against the invoice and also the GMP Schedule of Values prior to payment approval.

Finding 3: Textbook Affordability

Recommendation: To help ensure College textbooks and instructional materials of acceptable quality are available to students at the lowest prices, the College should:

- At least 45 days before the first day of classes, prominently post in the course registration system and on its Web site, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.
- Maintain records that demonstrate the proper completion and approval of instructor textbook affordability certifications.
- Establish a threshold to use to identify general education courses with a wide cost variance for textbooks and other instructional materials among sections.
- Based on the College-established threshold, the College should require each department to identify and submit to each respective department chair for review and approval a list of courses that have a wide variance in textbook costs. The College should maintain a comprehensive list of these courses.

College Response: The College's Policies and Administrative Procedures on Textbook Adoption Procedures and Guidelines #3.07/4.01 have been updated to reflect the change in Florida Administrative Code to 45 days as well as other enhancements to comply with the changes in the Textbook Affordability Act. A new form was developed to help ensure that proper completion and approval of instructor textbook affordability certifications are being recorded and maintained. Additionally, professional development for faculty and support staff has occurred to review the College's Policies and Administrative Procedures related to textbook selection and certification.

Regarding bullet points three and four, while researching and internally discussing the establishment of thresholds, it was discovered that these particular rules "sunsetted" June 30, 2018 and are no longer required.

Finding 4: Adult General Education Classes

Recommendation: The College should strengthen controls to ensure instructional contact hours for adult general education classes are properly supported and accurately reported to the FDOE. Such support should include appropriately detailed student attendance records to substantiate the accuracy of the reported hours.

College Response: The Adult Education instructors and staff have taken action to ensure the accuracy of instructional hours reported. The courses are now on the Learning Management System, allowing attendance to be electronically recorded and calculated for accuracy. In addition, the instructors are requiring students to sign in and out of class each day to provide backup documentation to the contact hours being reported.

Attendance continues to be taken at the beginning of each class with times notated when a student leaves a class early though technical guidance from the FDOE allows the College to report the student as being present the entire class day.

Finding 5: Direct-Support Organization**Recommendation: We recommend that:**

- **The Trustees enter into an agreement with the Foundation to establish the basis for any Foundation reimbursements.**
- **The College document the Trustees' consideration and approval of the Foundation's anticipated use of College resources, at least annually, before the use occurs. To enhance government transparency, documentation identifying the positions of the employees who will provide personal services should be Board approved.**
- **The College obtain confirmations and other documentation from Foundation management affirming that College resources were used only for purposes approved by the Trustees.**

College Response: The College and the CF Foundation fully comply with Florida Statute and Administrative Rules and are operating under a previously Board approved Memorandum of Understanding including an Exhibit A "Annual Financial Memorandum of Understanding." Nevertheless, the College will annually submit the CF Foundation's Annual Financial Memorandum of Understanding to our District Board of Trustees by the December meeting for review and approval before the use occurs. The CF Foundation Annual Financial Memorandum of Understanding already includes the list of employees and their positions that provide personal services to the CF Foundation. Though not a requirement by Florida Statute, we will have the CF Foundation submit a report confirming their use of College funds for purposes approved by our Trustees to the Vice President of Administration and Finance by February 1st following the December 31st end of the CF Foundation's fiscal year.

Finding 6: Distance Learning

Recommendation: The College should comply with State law by ensuring that all College distance learning courses for which a distance learning fee is assessed are listed in the Statewide Internet-based catalog of distance learning courses.

College Response: The College complied with the Florida Virtual Campus' (FLVC) submission deadline date to be included in the Statewide Internet-based catalog. A number of distance learning courses were added to the College's list of offerings to accommodate students after the FLVC deadline during the drop/add period and also for each sub-term. In response to the audit finding, our E-Learning Department reached out to the FLVC for guidance on the best timeline for uploads. In addition to the initial deadlines dates for each semester, FLVC recommended that the courses be re-uploaded after every sub-term add/drop period for each A, B, and C terms. The Coordinator of Curriculum Services and Faculty Credentialing will continue to run a report twice a day to establish which courses need the distance learning fee added or removed. The E-Learning Department will be responsible for updating and monitoring the FLVC Statewide Internet-based catalog. The Information Technology Department will ensure that E-Learning has the information reporting access and functionality to be able to manage this process without assistance from I.T.

Finding 7: Information Technology User Access Privileges

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

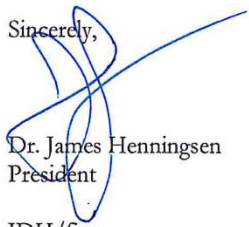
- Enhance procedures for periodically evaluating IT user access privileges to include documented consideration of whether such privileges are necessary based on employee job responsibilities. Any unnecessary access privileges detected should be timely removed.
- Continue efforts to implement the software update to mask student SSNs and limit access to the SSNs to only those individuals who need access to perform their assigned duties. Also, if an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.
- Upgrade the College IT system to include a mechanism to differentiate prospective, current, and former student information. The College should also document the public purpose served for maintaining information for individuals who do not enroll in the College.

College Response: The College takes our fiduciary responsibility to protect sensitive and confidential student and employee information seriously. As noted by the Auditor, the College only allows access to full SSN for 39 employees with the remainder employees only seeing a masked SSN in the system. For the areas that are collecting SSN, they are reviewing their process, and a number are changing their collection, use, and storage as other regulatory bodies move from SSN as a unique identifier and as part of our duty to protect this information.

We have enhanced our internal reporting to allow supervisors to see who has access to full SSN on a semi-monthly basis as part of the payroll certification process. This gives supervisors up-to-date information on who has SSN access and requires the supervisor to consider if the SSN access is still needed by their employees. Additionally, current and future employees needing full SSN access will require additional documentation as to the business purpose for the access and additional approval by the Vice President as the Security Administrator over that sensitive information.

Additionally, a taskforce is being formed to determine what needs to be done to manage this sensitive information and establish a timeline to develop and implement policies and procedures including consideration and review of federal and state guidelines, business needs, and document retention requirements for all prospective, current, and former students.

Sincerely,



Dr. James Henningsen
President

JDH/fjm