

Report No. 2020-035
October 2019

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

TALLAHASSEE COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 1, 2018, through December 31, 2018, Dr. James T. Murdaugh served as President of Tallahassee Community College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Karen B. Moore, Chair from 8-20-18, Vice Chair through 8-19-18	Leon
Eugene Lamb, Vice Chair from 8-20-18	Gadsden
Jonathan A. Kilpatrick, Chair through 8-19-18	Wakulla
Donna G. Callaway	Leon
Eric Grant from 2-20-18	Leon
Frank S. Messersmith	Wakulla
Randolph M. Pople	Gadsden
G. Kevin Vaughn through 2-19-18	Leon

The team leader was Leslee W. Walker, CPA, and the audit was supervised by Edward A. Waller, 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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TALLAHASSEE COMMUNITY COLLEGE

SUMMARY

This operational audit of Tallahassee Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2018-169. Our operational audit disclosed the following:

Finding 1: The College continued to operate a coffee retail store as an auxiliary enterprise of the College without evidencing compliance with the *Accounting Manual for Florida's College System*, which requires auxiliary services to primarily be for students, faculty, and staff, or obtaining an Attorney General opinion regarding the College's authority to operate the store.

Finding 2: The College needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 3: College records did not always evidence the prompt placement of financial obligation notations against the records of students who had delinquent accounts.

BACKGROUND

Tallahassee Community 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 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 a campus in Tallahassee. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Gadsden, Leon, and Wakulla Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Auxiliary Enterprises – Coffee Retail Store

State Board of Education (SBE) rules¹ provide that a Florida College Board of Trustees may operate or contract for auxiliary services and enterprises as defined in the *Accounting Manual for Florida's College System (Manual)*. The *Manual* provides that auxiliary enterprises are established primarily to provide non-instructional services for sale to students, faculty, and staff and, although the general public may be incidentally served by auxiliary enterprises, this is not their primary purpose.

In our report No. 2018-169, we reported that the College operated a coffee retail store 4 miles from the College main campus as an auxiliary enterprise of the College, without documenting that the College primarily provided non-instructional services for sale to students, faculty, and staff and incidentally served

¹ SBE Rule 6A-14.077, Florida Administrative Code.

the general public. During the 2018 calendar year, the College continued the store operations and generated \$182,673 in sales and incurred \$229,899 in expenses.

According to College personnel, the store primarily provided non-instructional services for sale to students, faculty, staff and services to the general public were incidental. In addition, College records indicated that five students participated in College training opportunities at the store and earned a customer service or retail management certification during the 2018 calendar year. Notwithstanding, although we requested, College records were not provided to evidence that retail store operations primarily benefited College students, faculty, and staff. College records also did not evidence any efforts to obtain an Attorney General opinion regarding the College's authority to operate the store. Absent such, College records do not evidence the authority for the College to engage in the retail activities at this store or demonstrate the basis upon which the store operated as an auxiliary enterprise as contemplated by the *Manual*.

Recommendation: We continue to recommend that the College either maintain records to demonstrate that the coffee retail store primarily provides non-instructional services for sale to students, faculty, and staff and services to the general public are incidental or obtain an opinion from the Attorney General regarding the College's authority to operate the store.

Finding 2: Adult General Education Classes

State law² defines adult general 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 Act³ proviso language requires each college to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.⁴

FDOE procedures provide that fundable instructional contact hours are scheduled classroom hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures 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 last date of actual attendance.

For the Spring and Fall 2018 Semesters, the College reported a total of 24,165 instructional contact hours for 280 students enrolled in 736 adult general education classes. As part of our audit, we requested for examination College records for 1,564 reported contact hours for 30 selected students enrolled in 30 adult general education classes. We found instructional contact hours were over reported a total of 183 hours (ranging from 4 to 52 hours) for 9 students in 9 classes and under reported a total of 94 hours (ranging from 5 to 22 hours) for 7 students in 7 classes because the reported hours were based on a computer-automated calculation instead of actual student attendance.

² Section 1004.02(3), Florida Statutes.

³ Chapter 2017-070, Laws of Florida, General Appropriations Act, Specific Appropriation 126, and Chapter 2018-009, Laws of Florida, General Appropriations Act, Specific Appropriation 126.

⁴ FDOE Memorandum dated August 4, 2017, *Instructional Hours Reporting Procedures for Adult General Education Programs*.

In response to our inquiry, College personnel indicated that changes were being made in August 2019 to the student information system to appropriately report student attendance. Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the College report accurate and complete data.

Recommendation: The College should strengthen controls to ensure that instructional contact hours for adult general education classes are based on student attendance and accurately reported to the FDOE. The College should also determine to what extent the contact hours were misreported for the Spring and Fall 2018 Semesters and contact the FDOE for proper resolution of the misreported hours.

Finding 3: Collection Procedures

State law⁵ provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts. The law further provides that the Board may adopt rules to implement the collection process, including setoff procedures and restrictions on the release of transcripts, awarding of diplomas, and access to other College resources and services. College policies⁶ provide that students who have a delinquent account⁷ shall have a financial obligation notation placed against all records so that applicable transcripts are held, and students may not register or receive a degree or certificate until the obligation is removed. College policies also require the College to present to the Board for write-off approval a listing of student fees deemed uncollectible.⁸ In June 2018, the Board approved the write-off of student accounts receivable totaling \$439,838.

As part of our audit, we examined College records supporting 30 selected delinquent student accounts receivable totaling \$62,788, selected from the population of 2,023 delinquent student accounts receivable totaling \$778,000 in December 2018, to determine the adequacy of College collection procedures. We found that, for 4 student account receivable totaling \$8,820, College records indicated that financial obligation notations were not placed against student records until 26 to 224 business days after the students' accounts became delinquent.

According to College personnel, the financial obligation notations were originally placed against the records of the 4 students, but an information technology system error resulted in the inadvertent removal of the notations. College personnel also asserted that they identified the error and placed the notations back against the records, which made the notations appear untimely. Notwithstanding, although we requested, College records, such as records of the original notation dates and College corrective actions, were not provided to confirm these assertions. Prompt placement of financial obligation notations on student accounts, and the appropriate maintenance of such notations, could improve collections. A similar finding was noted in our report No. 2018-169.

Recommendation: The College should enhance procedures to ensure that financial obligation notations are maintained against all records of students with delinquent accounts so that

⁵ Section 1010.03, Florida Statutes.

⁶ TCC District Board of Trustees Policy 09-03.

⁷ Based on College policies, delinquent accounts include, for example, dishonored student checks, short-term student loans, student promissory notes, and other student financial obligations past due.

⁸ Board policies provide that, generally, accounts are deemed uncollectible after 2 years.

applicable transcripts are held, and students may not register or receive a degree or certificate until the obligation is removed.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2018-169 except that Findings 1 and 3 were also noted in report No. 2018-169 as Findings 7 and 3, respectively.

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 2019 through July 2019 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. 2018-169.
- 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 2018 through December 2018 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 protecting student social security numbers (SSNs). From the population of 79 employees who had access to student SSNs during the audit period, we examined College records supporting the access privileges granted to 26 selected employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined Board of Trustees and committee meeting minutes and other College records to determine 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 for all payments totaling \$7,533 made during the audit period, from the College to its direct-support organization (DSO), to determine whether the payments 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.

- From the population of 2,023 student accounts receivable totaling \$778,000 and recorded as of December 2018, examined documentation relating to 30 selected student accounts receivable totaling \$62,788 and determined whether College collection efforts were adequate and whether student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies.
- From the population of 2,616 students enrolled as Florida residents during the Fall 2018 Semester, examined College records for 30 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-14.054 (7)-(10), Florida Administrative Code.
- From the population of 797 distance learning courses with fee revenue totaling \$772,690 during the audit period, examined College records supporting 30 selected distance learning courses with fee revenue totaling \$43,440 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 20 contracts for auxiliary operations, which generated revenue totaling \$4.5 million for the audit period, examined College records supporting 6 selected contracts, which generated revenue totaling \$547,168, 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.
- Examined College records supporting textbook adoptions for 1,116 course sections to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$34,048,721 made to 1,898 employees during the audit period, selected payments totaling \$65,085 made to 30 employees and examined College records supporting the payments 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 130 employees who separated from College employment during the audit period and were paid \$426,685 for terminal leave, we selected 26 employees with terminal payments totaling \$242,991 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined College records supporting compensation payments totaling \$458,633 made to the President during the audit period to determine whether the amounts paid did not exceed the limits established in Section 1012.885, Florida Statutes.
- 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 \$116 million for the audit period, we examined College records supporting:
 - 30 selected payments totaling \$26,393 for general expenses.
 - 30 selected payments totaling \$1,921,041 for contractual services.

- From the population of 7,603 purchasing card (P-card) transactions totaling \$3,709,732 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$131,520 to determine whether the P-card program was administered in accordance with Board policies and College procedures and transactions were not of a personal nature.
- Examined P-card records for the 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 \$36,547 during the audit period, examined 21 selected travel reimbursements totaling \$28,533 to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 181 payments totaling \$27,055 during the audit period to employees for other than travel and compensation, examined College records supporting 30 selected payments totaling \$16,149 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 interest; and College records for 19 selected College officials to identify any relationships that represented a potential conflict of interest with vendors used by the College.
- From the College's only major construction project totaling \$968,732 and in progress during the audit period, selected six payments totaling \$924,856 and examined College records to determine whether the payments were made in accordance with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules.
- Evaluated College records supporting the major construction project with total construction costs totaling \$968,732 during the audit period to determine whether the College process for selecting design professionals and construction managers was in accordance with State law; the College adequately monitored the selection process of subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- From the population expenses totaling \$9,287,812 funded with Public Education Capital Outlay and other restricted capital outlay during the audit period, examined records supporting 30 selected expenses totaling \$4,307,391 to determine whether funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 280 adult general education instructional students enrolled in 736 adult general education classes and reported for 24,165 contact hours for the Spring and Fall 2018 Semesters, examined College records supporting 1,564 reported contact hours for 30 selected students enrolled in 30 general education classes to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.
- From the population of 480 industry certifications reported for performance funding that were attained by students during the 2017-18 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- From the population of \$8,711,856 of user fees collected during the audit period, examined documentation supporting collections totaling \$7,507,811 to determine whether the College properly assessed and separately accounted for the amounts as required by Section 1009.23, Florida Statutes.

- Determined whether the Board established appropriate investment policies and procedures and whether College investments during the audit period complied with those policies and procedures. Also, we determined whether any investment income was properly allocated to the funds that generated the investment income.
- 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 a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



444 Appleyard Drive
Tallahassee Florida 32304-2895
850.201.6200 | www.tcc.fl.edu

October 7, 2019

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

Dear Ms. Norman:

In response to the preliminary and tentative findings and recommendations from your operational audit of Tallahassee Community College, the following comments and corrective actions are provided.

Finding No. 1: Auxiliary Enterprises – Coffee Retail Store

Recommendation: The College should either maintain records to demonstrate that the coffee retail store primarily provides non-instructional services for sale to students, faculty, and staff and services to the general public are incidental or obtain an opinion from the Attorney General regarding the College's authority to operate the store.

Response: *Tallahassee Community College opened a retail coffee operation in the Center for Innovation downtown as an amenity intended primarily to serve credit and non-credit students, faculty and staff, and community partners of the college who use the space as part of a larger plan to meet continuing education and workforce program needs in our community. Due to lack of state funding to complete the renovation of the space, intended college activities in the building have lagged. While we are still in the process of developing the downtown center and what role it will serve in service to our students and the community, at this time we are planning the closure of the coffee retail establishment.*

Finding No. 2: Adult General Education Classes

Recommendation: The College should strengthen controls to ensure that instructional contact hours for adult general education classes are based on student attendance and accurately reported to the FDOE. The College should also determine to what extent the contact hours were misreported for the Spring and Fall 2018 semesters and contact the FDOE for proper resolution of the misreported hours.

Response: *The College has reviewed and updated its procedures for attendance and contact hours reporting to ensure that we accurately report the contact hours from the first date of*

Ms. Sherrill Norman
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attendance. Additionally, College personnel will also perform manual tracking of student activity until we can implement an automated solution for the collection and reporting of Adult Education students' start dates.

College personnel will also review all contact hours reported for Spring and Fall 2018 and discuss the results with FDOE for proper resolution for any misreported hours.

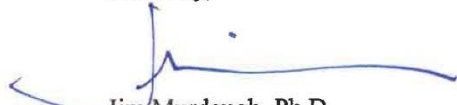
Finding No. 3: Collection Procedures

Recommendation: The College should enhance procedures to ensure that financial obligation notations are maintained against all records of students with delinquent accounts so that applicable transcripts are held, and students may not register or receive a degree or certificate until the obligation is removed.

Response: *The College has reviewed and enhanced its procedures to ensure financial holds are effectively placed on each student's account with an outstanding balance.*

We wish to express our appreciation to your staff for the professional and helpful manner in which they conducted the audit. If you have questions regarding the College's responses, please contact Dr. Barbara Wills, Vice President for Administrative Services & Chief Business Officer at willsba@tcc.fl.edu or (850) 201-8590.

Sincerely,



Jim Murdaugh, Ph.D.
President

cc: Barbara Wills, Ph.D.