

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-048
November 2019

SOUTH FLORIDA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2018 through December 2018, Dr. Thomas C. Leitzel served as President of South Florida State College and the following individuals served as Members of the Board of Trustees:

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Kenneth A. Lambert	Hardee
Lana C. Puckorius	Highlands
Kris Y. Rider	Highlands

The team leader was Becky D. Grode, CPA, and the audit was supervised by Mark A. Arroyo, 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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SOUTH FLORIDA STATE COLLEGE

SUMMARY

This operational audit of South Florida State College (College) focused on selected College processes and administrative activities and included a follow-up on the finding noted in our report No. 2017-008. Our operational audit disclosed the following:

Finding 1: College textbook affordability procedures continue to need improvement.

Finding 2: The College needs to enhance controls over terminal sick leave payments.

Finding 3: College records did not always demonstrate compliance with State law by limiting laboratory fees to the cost of services provided. For the 2018 calendar year and Spring and Summer 2019 Terms, the College collected laboratory fees totaling \$547,032.

BACKGROUND

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

The College has campuses in Arcadia, Avon Park, Bowling Green, and Lake Placid. Additionally, credit and noncredit classes are offered in public schools and other locations throughout DeSoto, Hardee, and Highlands Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Textbook Affordability

State law¹ requires each College to post prominently in the course registration system and on its Web site, as early as feasible, but at least 45 days before 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.

The College adopted 2,238 textbooks and instructional materials during the Spring, Summer, and Fall 2018 Terms. The College contracted with a vendor to manage and operate the College Bookstore and compile and post lists of adopted textbooks and instructional materials on the College Bookstore Web site. According to College personnel, textbook and instructional material information was updated on the Bookstore Web site and the course registration system was linked to that Web site. However,

¹ Section 1004.085(6), Florida Statutes (2018). Pursuant to Chapter 2019-004, Laws of Florida, Section 1004.085(5), Florida Statutes, effective July 1, 2019.

although we requested, College records were not provided to demonstrate the date that the lists of required and recommended textbooks and instructional materials were made available on the College Bookstore Web Site. In response to our inquiries, College personnel provided a vendor report that identified the dates that textbooks and instructional materials were entered in the vendor's information technology (IT) system and explained that those dates were also the posting dates to the College Bookstore Web site. Notwithstanding, College records did not evidence the dates the lists of required and recommended textbooks and instructional materials were posted to the College Bookstore Web site and made available via the link from the course registration system.

Without documentation evidencing timely postings for at least 95 percent of all courses and course sections offered at the College during the upcoming term, the College cannot demonstrate compliance with State law and students may not have sufficient time to gain an understanding of course requirements, consider purchase options, and potentially limit their costs. A similar finding was noted in our report No. 2017-008.

Recommendation: To demonstrate compliance with State law, the College should document that 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 is prominently posted in the course registration system and on the College Web site, as early as feasible, but at least 45 days before the first day of class for each term.

Finding 2: Terminal Pay – Sick Leave

State law² permits colleges to provide terminal pay for accumulated unused sick leave to full-time instructional staff and education support employees and specifies the various percentages that may be paid based on years of service. State law³ defines an “educational support employee” as any person employed by a Florida College System institution as an education or administrative paraprofessional; a member of the operations, maintenance, or comparable department; or a secretary, clerical, or comparable level support employee. According to College procedures,⁴ instructional staff and educational support employees with 10 years of service⁵ will be eligible to receive 50 percent of their accumulated sick leave, plus 2.5 percent for each additional year of service up to a maximum of 30 years should they separate from the College.

In addition, pursuant to State law⁶ and College procedures,⁷ terminal pay may be provided for unused sick leave accumulated on or after July 1, 2001, to any employee other than instructional staff or educational support employees at an amount equal to one-fourth of the employee's unused sick leave or 60 days of the employee's pay, whichever amount is less.

² Section 1012.865(2)(d), Florida Statutes.

³ Section 1012.865(1)(a), Florida Statutes.

⁴ South Florida State College Administrative Procedures, 5130 *Leaves of Absence*.

⁵ Years of service is determined based on Florida Retirement System participation if the employee retires or on consecutive years at the College if the employee does not retire or is terminated for cause.

⁶ Section 1012.865(2)(e), Florida Statutes.

⁷ South Florida State College Administrative Procedures, 5130 *Leaves of Absence*.

According to College personnel, a Human Resources (HR) Department employee documents terminal sick leave pay calculations, signs and dates the documentation, and provides the documentation to Finance Department personnel for review and payment processing. However, our inquiry with College personnel and examination of College records disclosed that College HR and Finance Department personnel were not trained to properly calculate terminal leave payments pursuant to State law and College procedures based on employee classifications and years of service.

The College made terminal sick leave payments for 18 employees totaling \$136,379 during the 2018 calendar year. Our examination of College records supporting selected terminal sick leave payments for 13 employees totaling \$129,238 disclosed that the College calculated:

- A terminal sick leave payment for an interim dean, classified as an employee other than instructional staff or educational support employees, based on 11 years of service or 52.5 percent of the individual's accumulated sick leave and paid the dean a total of \$4,159. Pursuant to State law, the calculation and related payment should have been limited to one-fourth of the interim dean's accumulated unused sick leave resulting in a terminal leave payment calculation and payment of \$1,981. As such, the individual was overpaid \$2,178.
- Terminal sick leave payments for three educational support employees based on 50 percent for 10 years of service plus 2.5 percent for each additional year of service up to 30 years and paid the individuals a total of \$25,649 for terminal sick leave. However, calculation mistakes⁸ caused the three former employees to be overpaid \$351, \$518, and \$735, respectively, or a total of \$1,604.
- A terminal sick leave payment for an educational support employee based on 29 years of service or 97.5 percent of the individual's accumulated unused sick leave and paid the individual a total of \$22,083. However, as the employee retired and had 30 years of Florida Retirement System participation, the College should have based the calculation and related payment on 100 percent instead of 97.5 percent. As a result, the individual was underpaid \$566.

In response to our inquiries, College personnel indicated that terminal sick leave pay errors resulted from personnel turnover in the HR Department. Absent adequate procedures to calculate and verify the accuracy of sick leave payment amounts, the risk of incorrect terminal sick leave payments increases.

Recommendation: The College should enhance procedures to ensure that terminal pay for accumulated unused sick leave is appropriately calculated and paid in accordance with State law and College procedures. Such enhancements should include appropriate training for personnel responsible for the calculations and payments. Also, the College should take action to recover the overpayments totaling \$3,782, pay the former employee underpaid by \$566, and recalculate the other terminal sick leave payments to confirm the payments' accuracy.

Finding 3: Lab Fees

State law⁹ authorizes the Board to establish user fees, such as laboratory fees (lab fees), that are not to exceed the cost of services provided. To establish or change an existing lab fee, College procedures¹⁰

⁸ The mistakes included rounding errors calculating the number of years of service for two of the employees and for the other employee that resigned a determination of years of service based on Florida Retirement System participation instead of the employee's College years of service.

⁹ Section 1009.23(12)(a), Florida Statutes.

¹⁰ South Florida State College Administrative Procedures, 4114 *Lab/Course and Distance Learning Fees*.

require applicable instructional supervisors to complete a fee approval form and obtain Board and College President approval. College procedures also require instructional supervisors to maintain a file with documentation of the actual costs to support the lab fee calculations and related revenue. However, instructional supervisors had not been trained to understand what documentation should be retained to support the fees and documented supervisory review and approval procedures had not been established to verify that support.

For the 2018 calendar year, and Spring and Summer 2019 Terms, the College collected lab fees totaling \$547,032. We requested for examination College records supporting five selected classes with lab fees ranging from \$342 to \$1,810 per student and found that College records supporting these fees could be enhanced. Specifically, the College collected lab fees per student of:

- \$1,810 for an Introduction to Law Enforcement class and \$1,363 for a Dental Hygiene Clinic III class and maintained fee approval forms for these two classes. However, although we requested, documentation supporting the costs associated with these fees was not provided because, according to College personnel, the instructional supervisors did not understand what documentation should be retained.
- \$1,170 for a Practical Nursing Foundations Theory class and \$1,050 for a Fundamentals of Nursing class and maintained fee approval forms for these two classes. However, documentation supporting the actual costs showed costs totaling \$883 and \$935, respectively, or \$287 and \$115 less than the respective lab fees. The excessive lab fees may have occurred because supervisory personnel did not review and approve records documenting the actual costs to support the calculation of these fees.

Absent College records supporting the cost of services for classes that charge lab fees, compliance with State law is not demonstrated and there is an increased risk that the fees may exceed the cost of services provided.

Recommendation: The College should enhance procedures to demonstrate compliance with State law and ensure that lab fees do not exceed the cost of services provided. Such enhancements should include training for instructional supervisors and documented supervisory review and approval to verify the actual cost support for these fees.

PRIOR AUDIT FOLLOW-UP

The College had not taken corrective action for the finding included in our report No. 2017-008.

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 August 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. 2017-008.
- 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 maintaining and reviewing employee access to IT data and resources. We examined access privileges to the database and finance and human resources applications during the audit period for 24 of the 154 total users to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy with regard to preventing the performance of incompatible duties.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers (SSNs). We examined College records supporting the access privileges granted to the 29 employees who had access to student SSNs during the audit period to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Examined Board, committee, and advisory board meeting minutes and related records 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 to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the College's 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 fees totaling \$1,109,156 during the audit period were properly assessed and authorized in accordance with Board policies and statutory and State Board requirements.
- From the population of laboratory fees totaling \$547,032 during the 2018 calendar year and Spring and Summer 2019 Terms, examined College records supporting five selected classes with laboratory fees ranging from \$342 to \$1,810 per student to determine whether the College properly calculated these fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- From the population of three decentralized collection locations with collections totaling \$1.8 million, selected one location with collections totaling \$826,061 during the audit period and examined College records supporting collections totaling \$167,139 to determine the effectiveness of College collection procedures.
- From the population of 1,102 course sections offered during the audit period, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$15.5 million made to 722 employees during the audit period, selected payments totaling \$102,996 made to 30 employees 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 36 employees who received \$213,739 in terminal leave payments, we selected 13 employees with terminal payments 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 containing such a provision to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined College records for the President who received compensation totaling \$255,750 during the 2017-18 fiscal year 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 \$19.3 million for the audit period, we examined College records supporting:
 - 30 selected payments for general expenses totaling \$49,375.
 - 30 selected payments for contractual services totaling \$402,218.
- From the population of Public Education Capital Outlay and other restricted capital outlay expenses totaling \$1.2 million during the audit period, examined records supporting 30 selected expenses totaling \$468,727 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 1,043 adult general education instructional students reported for 321,642 contact hours during the audit period, examined College records supporting 13,644 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 140 industry certifications reported for performance funding that were attained by students during the 2016-17 and 2017-18 fiscal years, examined 28 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- 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 the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



OFFICE OF THE PRESIDENT

October 31, 2019

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

Dear Ms. Norman,

Please find below, South Florida State College's response to the preliminary and tentative audit findings resulting from the operational audit of South Florida State College (SFSC):

- Finding Number: *1 – Textbook Affordability*
- Planned Corrective Action: SFSC management agrees with the finding and recommendation. The institution has ensured that the third-party bookstore vendor has implemented more appropriate processes and procedures to ensure continuous hyperlink operation.
- Finding Number: *2 – Terminal Pay – Sick Leave*
- Planned Corrective Action: SFSC management agrees with the finding and recommendation. Corrective actions have been taken to ensure proper training and review of terminal pay calculations is conducted in accordance with College procedures. The institution is in the process of trying to recover the overpayments and is paying the underpaid employee the amount due.
- Finding Number: *3 – Lab Fees*
- Planned Corrective Action: SFSC management agrees with the finding and recommendation. The institution has implemented new procedures for maintaining documentation for support of lab fees.

If you have any questions or concerns please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas C. Leitzel", is written over a large, stylized blue circular flourish.

Thomas C. Leitzel

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