

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2021-024  
September 2020

**NORTH FLORIDA COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

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The team leader was Tiffany R. Stewart, CPA, and the audit was supervised by Glenda K. Hart, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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# NORTH FLORIDA COLLEGE

## **SUMMARY**

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This operational audit of North Florida College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2018-106. Our operational audit disclosed the following:

**Finding 1:** College textbook affordability procedures need improvement.

**Finding 2:** College records did not demonstrate compliance with State law by limiting laboratory fees to the cost of services provided. For the 2018-19 fiscal year, the College assessed and collected laboratory fees totaling \$168,974.

## **BACKGROUND**

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

The College has campuses in Live Oak and Madison. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hamilton, Jefferson, Lafayette, Madison, Suwannee, and Taylor Counties.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: Textbook Affordability**

State law<sup>1</sup> 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 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. The College adopted 167 textbooks and instructional materials during the Fall 2019 Semester and 249 textbooks and instructional materials during the Spring 2020 Semester.

The College contracted with a vendor to manage and operate the College Bookstore; however, although we requested, College records were not provided to identify the date that the lists of required and recommended textbooks and instructional materials were posted in the course registration system and on the College Bookstore Web site. In response to our inquiries, College personnel indicated that the Bookstore vendor was responsible for posting the information and that the information was generally

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<sup>1</sup> Section 1004.085, Florida Statutes.

posted timely; however, the College did not maintain a record identifying the dates the textbook information was posted nor was the Bookstore vendor able to produce such information.

Without evidence of 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. Absent timely postings, students may not have sufficient time to gain an understanding of course requirements, consider purchase options, and potentially limit their costs.

**Recommendation:** To demonstrate compliance with State law, the College should maintain records to evidence that 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 were posted in the course registration system and on the College Bookstore Web site, as early as feasible, but at least 45 days before the first day of class or each term.

## Finding 2: Lab Fees

State law<sup>2</sup> authorizes the Board to establish certain user fees, such as laboratory fees (lab fees), that are in addition to tuition fees. Such user fees shall not exceed the cost of the services provided and shall only be charged to persons receiving the service. In addition, the *Accounting Manual for Florida's College System (College Accounting Manual)* requires the Board to establish policies for the implementation of lab fees that provide justification for the additional fee, define which costs are in excess of base instructional costs, and describe the documentation required to support the additional charge, the time period for review of the fees, and the manner of presenting such fees to the Board for approval.

Board policies<sup>3</sup> require fees to be collected and expended in accordance with applicable Florida statutes, Florida administrative rules, and procedures approved by the President but do not explicitly limit the fees to costs of the services provided pursuant to State law or require, pursuant to the *College Accounting Manual*, justification for the additional fee, costs in excess of base instructional costs to be defined, and a description of documentation required to support the additional charge, the time period for review of the fees, and the manner of presenting such fees to the Board for approval. According to College personnel, faculty members establish lab fees for the additional costs of their classes and maintain records to support those fees.

The *College Administrative Procedure Manual (Procedure Manual)* states that “testing fees and special fees for material and supplies shall cover documented cost of such services and supplies provided to students” and that the “Vice President is authorized to set levels for these miscellaneous fees and approve changes as expense to the College makes necessary.” However, according to College personnel, the authority to set fee levels granted to the College vice president, was outdated as the vice president position had not existed for several years.

For the 2018-19 fiscal year, the College assessed a lab fee<sup>4</sup> in 87 classes and collected \$168,974 related to those fees. We requested for examination College records supporting the amounts of the lab fees, which ranged from \$266 to \$1,985 per student, for 4 selected classes. However, College records were

<sup>2</sup> Section 1009.23(12)(a), Florida Statutes.

<sup>3</sup> Board Policy 3.11, *Student Fees*.

<sup>4</sup> During the 2018-19 fiscal year, the College assessed 15 different lab fees.

not provided to demonstrate that the Board had established the fees or that the fees collected did not exceed the cost of services provided, contrary to State law and the *College Accounting Manual*.

We expanded our procedures and compared lab fees collected to program expenses<sup>5</sup> per College accounting records for the 4 programs associated with the 4 classes for the 2017-18 and 2018-19 fiscal years. According to those records, for the 2 fiscal years, the lab fees collected for 3 of those 4 programs exceeded the expenses by \$120,872.08. Table 1 summarizes the fee revenue and expenses for those 3 programs for the 2017-18 and 2018-19 fiscal years.

**Table 1**  
**Lab Fees Collected in Excess of Program Expenses**  
**For Fiscal Years 2017-18 and 2018-19**

Program	Fiscal Year	Fee Revenue	Program Expenses	Excess Fees Collected
Law Enforcement	2017-18	\$46,594.29	\$20,755.17	\$25,839.12
	2018-19	31,384.11	15,429.51	15,954.60
Two Year Totals		<u>\$77,978.40</u>	<u>\$36,184.68</u>	<u>\$41,793.72</u>
Registered Nurse	2017-18	\$31,880.00	\$12,824.33	\$19,055.67
	2018-19	29,840.00	6,235.88	23,604.12
Two Year Totals		<u>\$61,720.00</u>	<u>\$19,060.21</u>	<u>\$42,659.79</u>
Commercial Vehicle Driving	2017-18	\$37,715.00	\$19,913.00	\$17,802.00
	2018-19	40,965.00	22,348.43	18,616.57
Two Year Totals		<u>\$78,680.00</u>	<u>\$42,261.43</u>	<u>\$36,418.57</u>
<b>Totals</b>		<u><b>\$218,378.40</b></u>	<u><b>\$97,506.32</b></u>	<u><b>\$120,872.08</b></u>

Source: College accounting records.

In response to our inquiry, College personnel asserted that our comparison excluded consideration of estimated equipment replacement costs for these programs, and that consideration of those estimates demonstrated that total costs exceeded the fees collected. However, although we requested, College records were not provided to support actual equipment costs for the 3 programs or the College's assertion that costs for those programs exceeded the fees collected.

Absent College records supporting the cost of services provided for classes that charge lab fees, the College cannot demonstrate compliance with State law and the *College Accounting Manual* and there is an increased risk that the fees charged may exceed the cost of services provided.

**Recommendation:** To ensure compliance with State law and the *College Accounting Manual*, Board policies should be revised to require Board approval of lab fees and that such fees not exceed the cost of the services provided. Such revisions and related procedures should also ensure that College records demonstrate justification for the additional fee, define which costs are in excess of base instructional costs, and describe the documentation required to support the additional charge, the time period for review of the fees, and the manner of presenting such fees to the Board for approval.

<sup>5</sup> The expenses included purchases for resale, materials, supplies, and similar costs to operate the programs.

## ***PRIOR AUDIT FOLLOW-UP***

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The College had taken corrective actions for findings included in our report No. 2018-106.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2020 through June 2020 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.

This operational audit focused on information technology resources and related controls; direct-support organizations; student fees; textbook affordability; compensation, other expenses; and other processes and administrative activities. For those areas, our audit objectives 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. 2018-106.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)<sup>6</sup> and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

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<sup>6</sup> The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

## COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
<b>Control Environment</b>	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> <li>• Demonstrate commitment to integrity and ethical values.</li> <li>• Exercise oversight responsibility.</li> <li>• Establish structures and reporting lines and assign authorities and responsibilities.</li> <li>• Demonstrate commitment to a competent workforce.</li> <li>• Hold individuals accountable for their responsibilities.</li> </ul>
<b>Risk Assessment</b>	Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> <li>• Establish clear objectives to define risk and risk tolerances.</li> <li>• Identify, analyze, and respond to risks.</li> <li>• Consider the potential for fraud.</li> <li>• Identify, analyze, and respond to significant changes that impact the internal control system.</li> </ul>
<b>Control Activities</b>	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> <li>• Design control activities to achieve objectives and respond to risks.</li> <li>• Design control activities over technology.</li> <li>• Implement control activities through policies and procedures.</li> </ul>
<b>Information and Communication</b>	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> <li>• Use relevant and quality information.</li> <li>• Communicate necessary information internally to achieve entity objectives.</li> <li>• Communicate necessary information externally to achieve entity objectives.</li> </ul>
<b>Monitoring</b>	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> <li>• Conduct periodic or ongoing evaluations of the internal control system.</li> <li>• Remediate identified internal control deficiencies on a timely basis.</li> </ul>

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- Board exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the College's goals and objectives.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.
- Management identification and analysis of and response to risks.
- Management design of control activities to achieve the College's objectives and respond to risks.
- Management design of controls over information technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the College's objectives.
- Management communication of information internally necessary to achieve the College's objectives.
- Management communication of information externally necessary to achieve the College's objectives.
- Management activities to monitor the College's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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 2019 through December 2019 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 applicable laws, rules, College policies and procedures, and other guidelines, and interviewed College personnel to obtain an understanding of applicable processes and administrative activities.
- 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, disaster recovery, and incident response and 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 the 37 users as of July 2019 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 that prohibit former employees' access to College IT data and resources. We examined the access privileges for the 12 employees who separated from College



employment during the 2018-19 fiscal year to determine whether their access privileges had been timely deactivated.

- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. We examined College records supporting the access privileges granted to the 11 employees who had access to sensitive personal information of students during the audit period to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a comprehensive IT risk assessment had been established for the audit period to document the College risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Examined College records to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the College 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.
- Determined whether certain student fees totaling \$595,926 that were collected during the audit period, pursuant to Section 1009.23, Florida Statutes, were within amounts authorized, paid into appropriate accounts to maintain accountability, and used as required by State law.
- From the 87 classes with lab fees totaling \$168,974 during the 2018-19 fiscal year, requested for examination College records supporting 4 selected classes with laboratory fees ranging from \$266 to \$1,985 per student to determine whether the Board had established appropriate policies and procedures to support these fees in accordance with Section 1009.23(12)(a), Florida Statutes, and the *Accounting Manual for Florida's College System*. To further evaluate whether lab fees were limited to associated class costs, we expanded our procedures and compared lab fee revenue collected to materials and supplies expense per College accounting records for the 4 programs associated with the 4 classes for the 2017-18 and 2018-19 fiscal years.
- From the population of 204 course sections offered during the 2019 Fall and 2020 Spring Terms, examined College records supporting textbook adoptions to determine whether College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$5,184,519 made to 248 employees for the period July 2019 through February 2020, selected payments totaling \$116,707 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.
- Examined College records supporting the payments totaling \$174,480 made to the President during the 2018-19 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 general expenses totaling \$2,726,141 for the period of July 1, 2019, through March 10, 2020, we examined documentation relating to 30 selected payments for general expenses totaling \$21,408.
- From the population of contracted services expenses totaling \$895,217 for the 2019 calendar year, we examined documentation related to 10 payments totaling \$182,156 related to 9 contracts for contractual or professional services.
- From the population of restricted capital outlay expenses totaling \$854,817 during the audit period, examined records supporting 30 selected expenses totaling \$559,441 to determine whether these funds were expended in compliance with restrictions imposed on the use of these resources.
- From the population of 103 industry certifications reported for performance funding that were attained by students during the 2018-19 fiscal year, examined 24 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Determined whether the College's unencumbered balance in the general fund at June 30, 2019, was below the 5 percent threshold established in Section 1011.84, Florida Statutes, and, if so, whether the College provided written notification to the State Board of Education as required by State law.
- 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**

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each College on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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NORTH FLORIDA  
COLLEGE

OFFICE OF THE PRESIDENT

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September 21, 2020

Sherrill F. Norman  
State of Florida Auditor General  
G74 Claude Pepper Building  
111 W Main Street  
Tallahassee FL 32399-1459

Dear Ms. Norman,

This letter is in response to our receipt of the list of preliminary and tentative findings and recommendations made to North Florida College as a result of the operational audit.

**Finding 1** – College textbook affordability procedures need improvement. North Florida College agrees with this finding and is implementing the recommended corrections.

**Finding 2** – College records did not demonstrate compliance with State law by limiting laboratory fees to the cost of services provided. For the 2018-19 fiscal year, the College assessed and collected laboratory fees totaling \$168,974. North Florida College agrees with this finding and will implement the recommended corrections.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John Grosskopf'.

John Grosskopf  
President

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NORTH FLORIDA COLLEGE

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