

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2021-025  
September 2020

**FLORIDA GATEWAY COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period January 2019 through December 2019, Dr. Lawrence M. Barrett served as President of Florida Gateway College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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John D. Crawford, Vice Chair	Baker
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Robert C. Brannan III	Baker
Lindsey Lander	Gilchrist
Kathryn L. McInnis	Dixie
Suzanne M. Norris	Columbia
Dr. Athena Randolph through September 30, 2019 <sup>a</sup>	Columbia
Dr. James Surrency	Gilchrist

<sup>a</sup> Trustee position vacant 10-1-19, through 12-31-19.

The team leader was Nicole Lee, 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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# FLORIDA GATEWAY COLLEGE

## SUMMARY

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This operational audit of Florida Gateway College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2018-092. Our operational audit disclosed the following:

**Finding 1:** College records did not always demonstrate compliance with State law and College procedures by limiting laboratory fees to the cost of services provided. For the 2019 calendar year, the College assessed and collected laboratory fees totaling \$559,149.

**Finding 2:** The College needs to have an arrangement with a fully functional and tested off-site alternate information technology (IT) processing facility for use if a disaster renders College IT services inoperable. In the event of a disruption of IT operations, the College may be unable to continue critical IT operations or maintain availability of IT data and resources.

## BACKGROUND

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Florida Gateway 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 Lake City and centers in Baker, Dixie, and Gilchrist Counties. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Baker, Columbia, Dixie, Gilchrist, and Union Counties.

## FINDINGS AND RECOMMENDATIONS

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### Finding 1: Laboratory Fees

State law<sup>1</sup> authorizes the Board to establish 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.

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<sup>1</sup> Section 1009.23(12)(a), Florida Statutes.

Board policies<sup>2</sup> authorize the College to establish a procedure for delineating costs associated with fees for unusual services and materials not provided for in direct instructional support discipline categories. College procedures<sup>3</sup> require the fees to be calculated and determined annually based on the cost of the service or material, divided by the number of students who would normally use that service or material in a semester. In addition, College procedures specify the special fee components (i.e., costs in excess of base instructional costs) that should be included in fee calculations for items such as testing and certification fees, supply kits, and required student liability insurance, but the policies are silent as to whether calculations should include adjunct instructor costs. The Board is to review and approve the fees and restrict lab fee charges to students receiving the unusual service or materials for the current semester of enrollment.

To establish or change an existing lab fee, College procedures require applicable instructional supervisors to complete a lab fee approval form, submit the form and required documentation to the Educational Affairs Committee for review and approval, and obtain Board and College President approval of the form. College personnel are to maintain documentation of the actual per student costs with the lab fee approval form to support the calculation, assessment, and collection of the lab fee.

For the 2019 calendar year, the College assessed a lab fee in 238 classes and collected \$559,149 related to those fees. As part of our audit procedures, we requested for examination College records supporting, for 5 selected classes, the amounts of the lab fees, which ranged from \$175 to \$625.20 per student and totaled \$138,128. While the College provided lab fee approval forms approved by the Board and Educational Affairs Committee for the selected lab fees, other College records were not initially provided to support the actual per student costs associated with the lab fees because, contrary to College procedures, that support had not been accumulated for the Educational Affairs Committee to review and approve.

After our request, College personnel researched College accounting records and identified invoices that supported certain cost components of the selected lab fees such as testing and certification fees, supply kits, and required student liability insurance. However, as noted in Table 1, College records were not provided to support supplies and adjunct instructor costs.

**Table 1**  
**Schedule of Unsupported College Class Lab Fee Components and Approval Dates**

College Class	Board Lab Fee Approval Date	Total Lab Fee Assessed Per Student	Fee Component Not Supported	
			Supplies	Adjunct Instructor
Criminal Justice Firearms	6/23/09	\$625.20	\$625.20	Not Applicable
Paramedic III	10/13/15	175.00	50.00	Not Applicable
Nursing Foundations	4/12/16	579.75	40.00	\$100.00
Basic Nursing	4/12/16	508.50	27.00	120.00
Medical Surgical Nursing Across the Life Span 1	3/8/16	250.00	Not Applicable	120.00

Source: College records.

<sup>2</sup> Board Policy 6Hx12: 5-12, *Student Fees*.

<sup>3</sup> College Procedure, *Laboratory/Special Course Fees and User Fees*.

Additionally, since College procedures did not identify adjunct instructor costs as allowable costs for lab fees, the basis for including those costs in the lab fee calculations for the three nursing classes was not readily apparent. Moreover, based on the Board approval dates, fees were not always determined annually, contrary to College procedures. College personnel indicated that the deficiencies occurred due, in part, to personnel changes and the lack of training on lab fee documentation requirements.

Absent College records supporting the cost of services for classes that charge lab fees and timely submittal of such records to the Educational Affairs Committee for review and approval, compliance with State law and College procedures 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 College procedures and ensure that lab fees do not exceed the cost of services provided. Such enhancements should ensure that College personnel determine, and the Educational Affairs Committee review and approve support for, each lab fee annually based on actual costs. In addition, the College should document the basis for including adjunct instructor costs in lab fee calculations or exclude those costs from the calculations and related fees.**

## **Finding 2: Information Technology – Alternate Processing Facility**

An important element of an effective internal control system over information technology (IT) operations is an alternate IT processing facility to help minimize data and asset loss in the event of a major hardware or software failure. In addition, the facility should be tested annually to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

During the 2019 calendar year, the College modernized and improved the College data center and maintained an agreement with an off-site facility at a school district for data backup. However, during that year, the College did not have an arrangement with an alternate off-site facility to help restore College data and run critical operations from that facility in the event of a disaster.

In response to our inquiries, College personnel indicated that in August 2020 College personnel signed an agreement with another College to provide an alternate IT processing facility and that the facility should be operational by December 2020. College personnel also indicated that, once the alternate IT processing facility is operational, regular testing will be part of the new arrangement. Such an arrangement will reduce the risk that the College may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was noted in our report No. 2018-092.

**Recommendation: The College should continue efforts to establish a fully functioning and tested alternate IT processing facility. In addition, the agreement with the alternate facility should provide for and ensure annual testing to confirm the continued functionality of the facility.**

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

The College had taken corrective actions for findings included in our report No. 2018-092 except that Finding 2 was also noted in report No. 2018-092 as Finding 2.

## **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 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. 2018-092.
- 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>4</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>4</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 and management commitment to integrity and ethical values.
- 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, Board 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 30 of the 83 total users as of December 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. From the population of 146 employees who separated from College employment during the 2018-19 fiscal year, we examined the access privileges for 25 selected former employees to determine whether their access privileges had been timely deactivated.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. From the population of 23 employees who had access to sensitive personal information of students during the audit period, we examined College records supporting the access privileges granted to all employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated the College's written security policies and procedures during the audit period, governing the classification, management, and protection of sensitive and confidential information, including student social security numbers.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed for the audit period to document the College risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the audit period.
- Examined College records 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 the 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.
- Determined whether certain student fees totaling \$1.6 million 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 law.
- From the population of laboratory fees totaling \$559,149 for 238 courses during the 2019 calendar year, examined College records supporting 5 selected classes with laboratory fees totaling \$138,128, ranging from \$175 to \$625.20 per student, to determine whether the College properly calculated these fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- Performed analytical procedures to determine whether College auxiliary services were self-supporting.
- Examined College records supporting the 1,076 course sections offered during the 2019 Fall and 2020 Spring Terms' textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of compensation payments totaling \$10.6 million made to 523 employees during the period July 2019 through February 2020, selected payments totaling \$46,005 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 obtaining personnel background screenings to determine compliance with Section 1012.8551, Florida Statutes, and 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. We examined College records to determine if appropriate background screenings were performed for 25 of 117 newly hired College employees and 5 of 42 summer camp workers.
- 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 \$8.3 million for the audit period January 2019 through February 2020, we examined College records supporting:
  - 30 selected payments for general expenses totaling \$22,649.
  - 10 selected payments for contracted or professional services totaling \$162,466.
- Reviewed Board policies and College procedures related to identifying potential conflicts of interest. We also researched Department of State, Division of Corporations, records; statements of financial interest; and reviewed College records for selected College officials to identify any relationships that represented a potential conflict of interest with vendors used by the College.
- From the population of Public Education Capital Outlay and other restricted capital outlay expenses totaling \$2.1 million during the period January 1, 2019, through March 4, 2020, examined records supporting 30 selected expenses totaling \$1,084,038 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 284 industry certifications reported for performance funding that were attained by students during the 2018-19 fiscal year, examined 30 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.
- Determined whether the College's unencumbered balance in the general fund was below the threshold established in Section 1011.84, Florida Statutes. If so, determined with 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.

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

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*From the Office of the President*

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September 14, 2020

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 the response to the preliminary and tentative finding of your operational audit of Florida Gateway College.

**Finding No. 1 Laboratory Fees**

**Recommendation:** The College should enhance procedures to demonstrate compliance with State law and College procedures and ensure that lab fees do not exceed the cost of services provided. Such enhancements should ensure that College personnel determine, and the Educational Affairs Committee review and approve support for, each lab fee annually based on actual costs. In addition, the College should document the basis for including adjunct instructor costs in lab fee calculations or exclude those costs from the calculations and related fees.

**Response:** The College agrees with the recommendation. The College is reviewing and updating its procedures regarding the documentation of proposed lab fees.

**Finding No. 2 Information Technology- Alternate Processing Facility**

**Recommendation:** The College should continue efforts to establish a fully functioning and tested alternate IT processing facility. In addition, the agreement with the alternate facility should provide for and ensure annual testing to confirm the continued functionality of the facility.

**Response:** The College agrees with the recommendation. College IT will continue its efforts to establish a fully functional remote DR site as a high priority.

Sincerely,

Lawrence Barrett, Ed. D.  
President

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