

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-015
September 2021

LAKE-SUMTER STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January 2020 through December 2020, Dr. Stanley M. Sidor served as President of Lake-Sumter State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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Emily A. Lee, Vice Chair	Lake
Bryn Blaise	Sumter
Marcia M. Butler	Sumter
Jennifer S. Hill	Lake
Jennifer Hooten	Sumter
Bret D. Jones	Lake
Timothy Morris	Lake

Note: One Trustee position was vacant during the entire period.

The team leader was Janet N. Case, CPA, and the audit was supervised by Jeffrey M. Brizendine, 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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LAKE-SUMTER STATE COLLEGE

SUMMARY

This operational audit of Lake-Sumter State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2019-125. Our operational audit disclosed the following:

Finding 1: Contrary to College administrative procedures, the College paid a total of \$15,322 for accumulated unused sick leave to two former employees who had not been credited with the required years of verifiable service.

BACKGROUND

Lake-Sumter 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 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 Clermont, Leesburg, and Sumterville. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Lake and Sumter Counties.

FINDING AND RECOMMENDATION

Finding 1: Terminal Sick Leave Pay

State law¹ permits colleges to provide terminal pay for accumulated unused sick leave to full-time employees. College administrative procedures² provide that qualified full-time and regular employees are to be paid for accumulated sick leave upon termination of employment after being credited with 10 or more years of verifiable service with a State agency participating in the Florida Retirement system (FRS). The payment amount is to be calculated by using the current daily rate of pay multiplied by 50 percent times the number of days of accumulated and unused sick leave.

To evaluate the propriety of all College terminal pay for accumulated unused sick leave totaling \$59,871 during the 2020 calendar year to eight former employees, we examined College records supporting that pay. We found that, contrary to College administrative procedures, the College paid two former employees a total of \$15,322 for accumulated unused sick leave although the individuals had not been credited with at least 10 years of verifiable service with a State agency participating in the FRS. According to College personnel and supporting records, the payroll manager performed terminal sick leave pay calculations, which were checked by the senior payroll manager to determine whether the

¹ Section 1012.865(2)(d) and (e), Florida Statutes.

² College Administrative Procedure PRO 5-32.

employees met the College requirements for the pay and the calculations were accurate. However, because of oversights, these procedures did not detect that the employees were not eligible for accumulated sick leave pay. Absent effective procedures to properly prepare and verify terminal sick leave pay calculations and related payments, there is an increased risk of overpayments without timely detection and resolution.

Recommendation: The College should enhance procedures to ensure that employees meet the College eligibility requirements for terminal sick leave pay and take action to remedy the overpayments totaling \$15,322.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2019-125.

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 2021 through June 2021 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 direct-support organizations; student fees; textbook affordability; compensation and 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. 2019-125.
- 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 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 2020 through December 2020. 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.
- From the population of 464 course sections offered during the audit period, examined College records supporting textbook adoptions to determine whether the College's textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Determined whether the College's unencumbered balance in the general fund was above the threshold established in Section 1011.84, Florida Statutes.
- Examined College records supporting selected payments totaling \$393,967 provided to the College's 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. We also 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.
- Determined whether user fees totaling \$3.3 million during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with State law, State Board rules, and Board Policy requirements. Specifically, we:

- Examined College records supporting selected fee collections totaling \$3.1 million for compliance with Section 1009.23, Florida Statutes.
- Examined records supporting 30 selected expenses totaling \$1.1 million including 10 selected expenses totaling \$421,038 from student activity and services fees, 10 selected expenses totaling \$309,132 from technology fees, and 10 selected expenses totaling \$328,520 from capital improvement fees for compliance with the restrictions imposed on the use of these fees.
- Evaluated Board policies and College procedures for payments of accumulated sick leave (terminal sick leave pay) to determine whether the policies and procedures promoted compliance with State law and College Administrative Procedures. Specifically, we examined College records supporting payments to eight employees who separated from College employment during the audit period to determine whether the terminal sick leave pay totaling \$59,871 complied with Sections 110.122 and 1012.865, Florida Statutes, and College Administrative Procedures.
- Examined College records to determine whether 13 payments totaling \$762,186 selected from the population of payments totaling \$5.3 million for collection agency services, bookstore activities, and for other purchases were procured in accordance with contract or purchase order terms.
- Examined College records to determine whether any major construction and applicable subcontractor contracts were entered into or ongoing during the audit period.
- Evaluated Board policies and College procedures related to identifying potential conflicts of interest. We also researched Department of State, Division of Corporations, records and reviewed College records for 13 selected College officials to identify any relationships that represented a potential conflict of interest with vendors used by the College.
- Evaluated College policies prohibiting employees from soliciting or accepting gifts in connection with any decision, approval, disapproval, or recommendation affecting the College's purchasing or contracting decisions.
- From the population of 65 industry certifications attained by students during the 2019-20 fiscal year and reported for performance funding, selected and examined 22 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



September 7, 2021

Sherrill F. Norman
Auditor General
State of Florida
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Lake-Sumter is in receipt of the preliminary and tentative findings and recommendations from the recently completed operation audit. We have reviewed the initial report and submit the following response.

Finding 1: Contrary to College administrative procedures, the College paid a total of \$15,322 for accumulated unused sick leave to two former employees who had not been credited with the required years of verifiable service.

The College concurs that an error occurred in the calculation of service time for two employees who were paid for part of their unused sick leave at the time of their termination. A transfer from the auxiliary fund to the operating fund was made during the fiscal year to compensate, ensuring that appropriated funds were not spent inappropriately.

A process has been implemented to avoid future errors in the calculation of service time.

The College is committed to improving our processes and procedures to improve the efficient delivery of services and instruction to our students and the surrounding community.

Sincerely,

Dr. Stanley Sidor
President,
Lake-Sumter State College

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