

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-058
December 2021

DAYTONA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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The team leader was Keith O. Auyang, CPA, and the audit was supervised by Keith A. Wolfe, 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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DAYTONA STATE COLLEGE

SUMMARY

This operational audit of Daytona State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2019-093. Our operational audit disclosed the following:

Finding 1: College personnel did not verify the licenses of subcontractors before the subcontractors commenced work on the Palm Coast Campus Building 1 Remodel Project.

Finding 2: College procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education. A similar finding was noted in our report No. 2019-093.

BACKGROUND

Daytona 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 Daytona, DeLand, New Smyrna Beach, and Palm Coast. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Flagler and Volusia Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Subcontractor Licenses

State law¹ provides that a construction management entity must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law² also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

During November 2020, the College entered an agreement for construction manager entity (CME) services for the Palm Coast Campus Building 1 Remodel Project with a guaranteed maximum price of \$2.5 million. Our review of Project records indicated that 15 subcontractors were selected by the CME for the Project. As part of our audit, we requested for examination College records supporting the licenses

¹ Section 1013.45(1)(c), Florida Statutes.

² Chapter 489, Florida Statutes.

of 5 subcontractors awarded contracts totaling \$1 million. In response to our request, College personnel indicated that they did not maintain those records because they relied on the CME license verification process to ensure that subcontractors were properly licensed. However, College reliance on the CME subcontractor license verification process provides limited assurance absent College efforts to evaluate the effectiveness of that process. Subsequent to our inquiry, College personnel obtained from the CME copies of the subcontractor licenses that supported the subcontractors' services.

Timely documented verifications that subcontractors are appropriately licensed provides the College assurance that the subcontractors who will be working on College facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: College procedures should be established to verify and document that subcontractors are properly licensed before they commence work on College facilities.

Finding 2: Adult General Education Classes

State law³ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act⁴ proviso language requires each college to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.⁵ FDOE procedures state that fundable instructional contact hours are scheduled classroom hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures require colleges to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the last date of actual attendance.

For the Spring, Summer, and Fall 2020 Semesters, the College reported a total of 113,842 instructional contact hours for 1,441 students enrolled in 403 adult general education classes. As part of our audit, we requested for examination College records for 745 reported contact hours for 30 selected students enrolled in 10 adult general education classes. We found that:

- Instructional contact hours for the Fall 2020 Semester were under reported by 336 hours for 8 students in 8 classes. According to College personnel, the College used a process to convert instructional contact hours from their attendance record system to a format used to report instructional contact hours to the FDOE. For the Fall 2020 Semester, a coding error in this process occurred that resulted in contact hours being underreported by 35,512, or 90 percent, of actual instructional contact hours.
- Attendance records supporting 242 reported instructional contact hours for the Spring 2020 Semester for 4 students enrolled in 4 classes could not be located.

³ Section 1004.02(3), Florida Statutes.

⁴ Chapter 2019-115, Laws of Florida, General Appropriations Act, Specific Appropriation 130, and Chapter 2020-111, Laws of Florida, General Appropriations Act, Specific Appropriation 134.

⁵ FDOE's Technical Assistance Paper: Adult General Education Instructional Hours Reporting Procedures, Dated September 2019.

Subsequent to our examination of College records, in May 2021 the College corrected the hours under reported for the Fall 2020 Semester by submitting amended contact hour reports to the FDOE. Notwithstanding, our audit procedures cannot substitute for management's responsibility to accurately report contact hours.

Since funding may be based, in part, on enrollment data submitted to the FDOE, it is important for the College to report accurate data. A similar finding was noted in report No. 2019-093.

Recommendation: The College should strengthen controls to ensure that instructional contact hours for adult general education classes are based on documented student attendance and accurately reported to the FDOE. The College should also contact the FDOE regarding the 242 unsupported instructional contact hours reported for the Spring 2020 Semester and take appropriate actions based on FDOE's input.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2019-093 except that Finding 2 was also noted in report No. 2019-093 as Finding 5.

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 August 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 information technology resources and related controls; direct-support organizations; student fees; textbook affordability; compensation, construction, 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. 2019-093.

- 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, and for selected transactions thereafter. 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 finance and human resources (HR) applications during the audit period for 13 and 22 users, respectively, 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. We also examined administrator account access privileges granted and procedures for oversight of administrator

accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned, managed, and monitored.

- Evaluated College procedures that prohibit former employees' access to College IT data and resources. For the 3 employees in the Finance and HR Departments who separated from College employment during the audit period, we examined College records to determine whether access privileges had been timely deactivated.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. Specifically, we examined College records supporting the access privileges of the 76 employees granted access to the sensitive personal information of students to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Evaluated Board security policies and College procedures for the audit period governing the classification, management, and protection of sensitive and confidential information.
- 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.
- Examined College records to determine whether the College had developed an anti-fraud policy 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.
- For the payments totaling \$3,244 made by the College during the audit period to its direct-support organizations (DSOs), examined College records to determine whether the payments were authorized as described in Section 1004.70(1)(a)2., (3), and (4), Florida Statutes.
- Examined College records to determine whether the Board had prescribed by rule, pursuant to Section 1004.70(3)(b), Florida Statutes, the conditions with which the DSOs 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 DSOs and the related costs.
- From the population of 102,209 delinquent student receivables totaling \$12,183,308 and recorded as of December 31, 2020, examined documentation relating to 30 selected delinquent student receivables totaling \$14,505 and evaluated the adequacy of College collection efforts including whether restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts in accordance with Board policies established pursuant to Section 1010.03, Florida Statutes.
- To determine whether student fees totaling \$32,921,821 during the audit period were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with Board policies and statutory and State Board requirements:
 - Examined College records for 30 selected students and their related fees totaling \$26,744 to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.22, and 1009.23, Florida Statutes, and State Board of Education Rules 6A-10.044 and 6A-14.054, Florida Administrative Code.
 - Determined whether the College had established procedures to cancel the registration of students who did not timely pay fees; make student status and Florida residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.

- From the population of laboratory fees with revenue totaling \$1,454,435 during the audit period, examined College records for 21 laboratory fees with revenue totaling \$1,733 assessed to 12 selected students to determine whether the fees were assessed only to students who received the services and examined supporting documentation to determine whether the College properly calculated the fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- From the population of 5,999 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 \$51,108,783 made to 1,653 employees during the audit period, selected payments totaling \$53,643 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 severance pay provisions in the President's contract and the standard contract template provisions for administrative, professional, and 9- and 12-month nontenured instructional staff to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Evaluated Board policies and College procedures for obtaining personnel background screenings to determine the extent to which the policies and procedures promoted compliance with Section 1012.8551, Florida Statutes.
- Examined College records supporting the compensation payments totaling \$398,472 made to the President during the audit period to determine whether the amounts paid did not exceed the limits established in Section 1012.885, Florida Statutes.
- From the population of general expenses totaling \$24,178,425 for the audit period, examined College records supporting 30 selected payments totaling \$118,423 to determine whether the 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.
- 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 to identify any relationships between College vendors and the nine Board members, the ten executive management staff, the three Purchasing Department staff, the Director of Business Services, and an employee in the Finance Department that may represent a potential conflict of interest.
- For the major construction project with a contract amount totaling \$2,529,028 and construction costs totaling \$2,288,507 and in progress during the audit period, selected 3 payments totaling \$918,138 and examined College records to determine whether the payments were made in accordance with contract terms and conditions, Board policies and College procedures, and provisions of applicable State laws and rules.
- Examined College records supporting the one major construction project with total construction costs of \$2,288,507 through August 2021 to determine whether the College process for selecting design professionals and construction managers was in accordance with State law; the College adequately monitored the selection process of subcontractors and verified subcontractors were properly licensed, as applicable; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; design professionals provided evidence of required insurance; and construction funding sources were appropriate.

- From the population of Public Education Capital Outlay and other restricted capital outlay expenses totaling \$26,423,036 during the audit period, examined records supporting 30 selected expenses totaling \$8,065,488 to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 1,684 items of tangible personal property with a value of \$1,000 or greater, examined College records to determine if property was accounted for in accordance with Board policies and College procedures.
- From the population of 1,441 adult general education instructional students reported for 113,842 contact hours for the Spring, Summer, and Fall 2020 Semesters, examined College records supporting 745 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 602 industry certifications reported for performance funding that were attained by students during the 2019-20 fiscal year, examined 40 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 was below the threshold established in Section 1011.84, Florida Statutes.
- 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the President

November 30, 2021

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

RE: Daytona State College Operational Audit
For the Period of January 1, 2020 through December 31, 2020

Dear Ms. Norman,

Attached please find the response for Daytona State College to the preliminary and tentative findings in the operational audit. The College concurs with the findings and has aggressively implemented control mechanisms as set forth in the response to comply with the recommendations rendered.

On behalf of Daytona State College, I want to thank Keith Wolfe and his staff for their assistance and the professional manner in which the onsite review was conducted.

Sincerely,

Thomas LoBasso, Ed.D.
President
Daytona State College

Attachment

cc: District Board of Trustees

Daytona State College
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Finding 1: Subcontractor Licenses

Recommendation: College procedures should be established to verify and document that subcontractors are properly licensed before they commence work on College facilities.

College's Response: The College concurs with the AG recommendation. The College will require that the construction manager entity (CME) provide copies of all State Licenses for subcontractors who are required to be professionally licensed as defined by Florida Statutes 489.105(3)a-q and 489.501. The subcontractor licenses will be required to be provided to the College prior to the start of any construction work by those subcontractors. This process will be added to the College procedures to assure subcontractor licenses are verified by the appropriate College personnel.

Finding 2: Adult General Education Classes

Recommendation: The College should strengthen controls to ensure that instructional contact hours for adult general education classes are based on documented student attendance and accurately reported to the FDOE. The College should also contact the FDOE regarding the 242 unsupported instructional contact hours reported for the Spring 2020 Semester and take appropriate actions based on FDOE's input.

College's Response: The College concurs with the AG recommendation. The college has reviewed the issues addressed in this report regarding accurate reporting of adult general education contact hours. Efforts to resolve these issues have been implemented before and after the operational audit period.

In response to the Covid-19 pandemic, our Adult Education classes were moved from in-person to fully online. This change occurred during our Spring 2020 semester. The attendance tracking methods in our attendance platform vary with each modality: in-person classes students are given a checkmark to indicate attendance for the day and are awarded the full instructional hours of the class day. For online classes, attendance is input as a final total for the semester based on hours a student participated in the various online instructional methods. Instructors track these hours on separate attendance tracking sheets and report final hours in the software platform. The sudden shift in modality, without the change in a given student's registration to reflect online instruction, combined with the change in attendance tracking procedure contributed to the discrepancy in reported hours for Spring 2020.

Since returning to in-person classes students are registered in the correct modality and attendance is tracked in accordance with college procedure. Instructors are also trained on proper attendance procedure should the need to change to fully online classes arise again. Further, monitoring and acquisition of instructional attendance records has been increased with a system of check-ins to ensure timely and accurate reporting of contact hours.

The College contacted the FDOE regarding the 242 unsupported instructional contact hours. The College was informed that no further action was necessary regarding the Spring 2020 data submission as the reporting year was closed.