

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-034
October 2022

SANTA FE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2021, Dr. Paul Broadie II served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Michael M. Goldwire, Chair from 7-20-21, Vice Chair through 7-19-21	Bradford
Robert L. Woody, Vice Chair from 7-20-21	Alachua
G.W. "Blake" Fletcher, Chair through 7-19-21	Alachua
Emery A. Gainey from 10-8-21 ^a	Alachua
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G. Thomas Mallini through 1-19-21 ^b	Alachua
Jeffrey L. Oody	Bradford
Lisa M. Prevatt	Bradford

^a Trustee position vacant 1-1-21, through 10-7-21.

^b Trustee position vacant 1-20-21, through 12-31-21.

The audit was supervised by Denita K. Tyre, 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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SANTA FE COLLEGE

SUMMARY

This operational audit of Santa Fe College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2020-049. Our operational audit disclosed the following:

Finding 1: Contrary to State law, the College disbursed extra compensation payments totaling \$1.2 million to 1,404 employees and paid \$170,537 for employee benefits associated with those payments.

Finding 2: Contrary to Florida Department of Management Services rules, the College contributed \$96,195 to the Florida Retirement System for extra compensation prohibited by State law.

Finding 3: College textbook affordability procedures could be enhanced.

Finding 4: Contrary to State law, the College assessed distance learning course fees for 55 courses not listed in the Statewide Internet-based catalog of distance learning courses for the 2021 calendar year. A similar finding was noted in our report No. 2020-049.

BACKGROUND

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

The College has campuses in Gainesville and educational centers in Alachua, Archer, Gainesville, Keystone Heights, and Starke. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Alachua and Bradford Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Extra Compensation

State law¹ prohibits the College from making extra compensation payments to employees after services have been rendered. However, when adopting salary schedules for a fiscal year, the College may apply the schedule for payment of all services rendered subsequent to July 1 of that fiscal year. State law² also provides that any policy, ordinance, rule, or resolution designed to implement a bonus scheme must base the award of a bonus on work performance; describe the performance standards and evaluation process

¹ Section 215.425(1), Florida Statutes.

² Section 215.425(3), Florida Statutes.

by which a bonus will be awarded; notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and consider all employees for the bonus.

On June 16, 2020, the Board adopted the College 2020-21 fiscal year salary schedule, which allows supplemental contract payments as recommended by the President and approved by the Board. On June 15, 2021, the President recommended, and the Board approved, a non-recurring, one-time payment of:

- \$1,200 for all personnel who began full-time employment prior to April 1, 2021, and were employed in a full-time capacity as of June 1, 2021.
- \$600 for full-time personnel who began full-time employment after April 1, 2021, and were employed in a full-time capacity as of June 1, 2021.
- \$600 for adjunct faculty who taught 9 or more credit hours between the Fall 2020 and Spring 2021 Terms and part-time personnel who worked an average of 15 or more hours weekly during the Fall 2020 and Spring 2021 Terms who had not terminated employment as of June 1, 2021.
- \$300 for adjunct faculty who taught less than 9 credit hours between the Fall 2020 and Spring 2021 Terms and part-time personnel who averaged less than 15 hours weekly during the Fall 2020 and Spring 2021 Terms who had not terminated employment as of June 1, 2021.

In June 2021, the College disbursed the extra compensation payments totaling \$1.2 million to 1,404 employees and paid \$170,537 for employee benefits³ associated with the payments. In response to our inquiries regarding how the June 2021 payments complied with State law, College personnel indicated that State law permits retroactive compensation payments approved by the Board after July 1 and that the payments did not represent extra compensation. Notwithstanding this response, the Board adopted the College 2020-21 fiscal year salary schedule before the start of the fiscal year precluding the application of the College's referenced exception. Therefore, since the payments were made after the employees had rendered services, did not increase the employee's base rate of pay, and did not meet the statutory requirements of a bonus, the payments represent extra compensation prohibited by State law.

Recommendation: The College should abstain from making extra compensation payments to employees after services have been rendered.

Finding 2: Florida Retirement System Contribution Payments

Florida Department of Management Services (DMS) rules⁴ provide that a payment made in addition to an employee's regular salary that does not increase the employee's base rate of pay is not considered compensation and shall not be reported to the FRS as salary for retirement purposes. DMS rules⁵ also provide for the calculation of retirement benefits for FRS members upon retirement, with the defined benefit calculation based, in part, on the FRS member's average final compensation. According to

³ As noted in Finding 2, \$96,195 of the employee benefits paid related to contributions to the Florida Retirement System (FRS).

⁴ DMS Rule 60S-6.001(6), (11), and (16), Florida Administrative Code.

⁵ DMS Rules, Chapter 60S-4, Florida Administrative Code.

DMS rules,⁶ average final compensation is to include all payments defined as compensation by DMS rules.

As noted in Finding 1, the College made payments totaling \$1.2 million for extra compensation. The payments did not increase the employees' base rate of pay and, therefore, were not compensation under DMS rules. However, contrary to DMS rules, the College reported the extra compensation to the FRS as regular compensation and contributed \$96,195 to the FRS related to the extra compensation payments. In response to our inquiries, College personnel indicated that they were authorized to make the payments but would seek additional input from the Florida Department of Education and FRS.

Recommendation: The College should establish procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS as salary for retirement purposes. In addition, the College should continue efforts to correct the \$96,195 contributed to the FRS in error.

Finding 3: Textbook Affordability

State law⁷ requires the College to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the College during the upcoming term.

The College contracted with a vendor to manage and operate the College Bookstore, as well as to compile and post lists of adopted textbooks on the College Bookstore Web site. College textbook affordability procedures require departments to provide the Bookstore Vendor with textbook and instructional material adoption information in advance of the 45-day statutory posting deadline each term. Designated department personnel input textbook and instructional material information in the Bookstore Vendor system; however, the entry date is sometimes updated in the system for course changes such as section number, professor, or class meeting time or location changes. An automatic e-mail from the system is sent to the College to confirm the original entry date, the entries post to the Bookstore Web site within 48 hours, and the course registration system includes a hyperlink to the Web site.

In response to our request, College personnel provided us a report from the Bookstore Vendor system of the dates that courses and related textbooks and instructional materials were posted to the Bookstore Web site. Also, automatic e-mail confirmation records were provided to support the original posting dates for some course sections that had changes; however, according to College personnel, e-mail confirmation records were not always maintained to support timely postings to the Bookstore Web site.

Based on the posting dates in the Bookstore Vendor report and available e-mail confirmation records, the College did not post lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections for either the Spring 2021 or Fall 2021 Terms. Specifically, College records demonstrated that only 1,654 (82 percent) of the 2,028 course sections for the Spring 2021 Term and 1,762 (87 percent) of the 2,028 course sections for the Fall 2021 Term were timely posted. Without evidence of the timely posting of textbook information on the College Bookstore

⁶ DMS, Division of Retirement, Rule 60S-6.001(6), Florida Administrative Code.

⁷ Section 1004.085(5), Florida Statutes.

Web site, the College cannot demonstrate compliance with State law and students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options and limit their textbook costs.

Recommendation: To demonstrate compliance with State law, the College should maintain appropriate documentation, including e-mail confirmation records, to evidence the timely posting date 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.

Finding 4: Distance Learning

State law⁸ provides, in part, that each college may assess a per credit hour distance learning course fee for a course listed in the Statewide Internet-based catalog of distance learning courses (Catalog). If a college assesses the distance learning fee, the college must provide a link to the Catalog within the advising and distance learning sections of the college's Web site. During the 2021 calendar year, the College offered 325 distance learning courses and generated distance learning fee revenue totaling \$1,195,690.

As part of our audit, we reviewed the 325 courses coded as Web-based, Internet courses consisting of 1,919 course sections included in the College student registration system of courses offered for the 2021 calendar year to determine whether distance learning course fees were only assessed for the courses and sections listed in the Catalog. We found that 55 courses, including 96 course sections that generated distance learning fee revenue totaling \$52,670, were not listed in the Catalog. In response to our inquiry, College personnel indicated that:

- 54 courses had not been uploaded to the Catalog because of employee turnover or oversights.
- College personnel decided not to upload 1 other course to the Catalog because the course had reached registration capacity before the initial deadline for Catalog submittal.

When distance learning courses are not listed in the Catalog, the College lacks the authority to assess distance learning course fees for the courses. In addition, when distance learning courses and course sections are not properly uploaded to the Catalog, students may not be properly informed of all available distance learning opportunities. A similar finding was noted in report No. 2020-049.

Recommendation: The College should enhance procedures to ensure that all distance learning courses offered by the College are properly uploaded to and listed in the Statewide Internet-based catalog of distance learning courses before assessing distance learning fees for such courses.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2020-049 except that Finding 4 was also noted in report No. 2020-049 as Finding 4.

⁸ Section 1009.23(16), Florida Statutes.

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 April 2022 through August 2022 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 selected College 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. 2020-049.
- 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 the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of January 2021 through December 2021 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, and disaster recovery.
- Examined selected network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Board security policies and College procedures governing the classification, management, and protection of sensitive and confidential information.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the finance and human resources applications during the audit period for 30 of the 94 total users to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy for preventing the performance of incompatible duties.
- Evaluated College procedures that prohibit former employees' and contracted workers' access to College IT data and resources. We examined College records for the 391 employees and 144 contracted workers who separated from College employment during the period January 1, 2021, through June 8, 2022, to determine whether access privileges had been timely deactivated.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective during the audit period and determined whether it had been recently tested.
- Examined College records to determine whether the Board 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 its anti-fraud policy.
- Reviewed the College's financial position and determined if the College prepared a spending plan for its excess carryforward balance in compliance with Section 1013.841, Florida Statutes.
- From the population of 5,043 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.

- Reviewed the capital improvement plan for the 2021-22 through 2025-26 fiscal years to determine whether College capital projects were properly reported in accordance with Division of Florida Colleges instructions for consideration in the Florida Department of Education annual legislative budget request for Public Education and Capital Outlay funding submitted to the Legislature.
- Determined whether student tuition and fees totaling \$35.1 million that were assessed during the audit period pursuant to Section 1009.23, Florida Statutes, were within amounts authorized, maintained in appropriate accounts for accountability, and used pursuant to State law.
- Evaluated the effectiveness of College controls during the audit period to ensure that students who had not paid fees in an approved manner were not considered in calculating full-time equivalent enrollments for State funding purposes pursuant to Sections 1009.22(11) and 2009.23(9), Florida Statutes.
- From the population of five contracts for auxiliary operations, which generated revenue totaling \$494,397 for the audit period, examined College records supporting a selected contract, which generated revenues totaling \$412,368, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- Examined College records supporting the 325 distance learning courses, including 1,919 course sections with fee revenue totaling \$1,195,690 during the audit period, to determine whether distance learning fees were assessed, collected, and separately accounted for in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- Examined College records supporting extra compensation totaling \$1.3 million paid for 1,404 employees in June 2021 to determine whether payments were in accordance with Section 215.425(3), Florida Statutes; and whether the extra compensation reported and the associated Florida Retirement System contributions totaling \$96,195 complied with Department of Management Services, Division of Retirement, Rule 60S-6.001(11), Florida Administrative Code.
- Examined severance pay provisions in the President's contract to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined compensation payments made to the President during the audit period to determine whether payments from State appropriated funds did not exceed the limits established in Section 1012.885, 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 its direct-support organization (DSO) must comply in order to use College property, facilities, and personal services and whether the Board documented consideration and approval of anticipated property, facilities, and personal services provided to the DSO and the related costs.
- Examined College records to determine whether selected payments 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 contracted services payments totaling \$6.3 million for the audit period, we examined College records supporting 15 selected payments for contracted services totaling \$618,098.
- For the only major construction project in progress during the audit period with a guaranteed maximum price contract of \$29.8 million, examined documentation to determine compliance with College policies and procedures and provisions of State laws and rules. We also:
 - Examined College records to determine whether the College process for selecting design professionals and the construction manager was in accordance with Sections 287.055 and 1013.45, Florida Statutes.

- Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals and whether design professionals provided evidence of required insurance.
- Determined whether the College established appropriate policies and procedures addressing negotiation of general conditions costs.
- Evaluated procedures for monitoring subcontractor selection and licensure and examined College records to determine whether the College ensured subcontractors were properly selected and licensed.
- Selected five payments totaling \$6.2 million and examined College records to determine whether the College procedures for monitoring payments were adequate, payments were sufficiently supported and made in accordance with contract terms and conditions, and construction funding sources were appropriate.
- From the population of Public Education Capital Outlay and other restricted capital outlay payments totaling \$26.6 million during the audit period, examined records supporting 20 selected payments totaling \$8 million to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 574 adult general education instructional students reported for 52,789 contact hours during the audit period, examined College records supporting 823 reported contact hours for 34 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 632 industry certifications reported for performance funding during the 2020-21 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Examined College records to determine whether the College's unencumbered balance in the general fund at June 30, 2021, was below the threshold established in Section 1011.84, Florida Statutes.
- Evaluated College investment policies and procedures to determine whether such policies and procedures were in compliance with Section 218.415, Florida Statutes.
- Inquired whether the College had any expenses or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period, to evaluate the reasonableness of College actions.
- 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

SANTA FE COLLEGE

Paul Broadie II, Ph.D.

October 10, 2022

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

Dear Ms. Norman:

The following is Santa Fe College's response to the preliminary and tentative audit findings resulting from the operational audit of Santa Fe College:

Finding 1: Contrary to State law, the College disbursed extra compensation payments totaling \$1.2 million to 1,404 employees and paid \$170,537 for employee benefits associated with those payments.

Finding 1 Response: Prior to the most recent audit the College understood that the exception set forth in Fla. Stat. § 215.425 (1), in conjunction with the College's Salary Schedule, cured any characterization of the subject payments as prohibited extra compensation. The College will use its best efforts to refrain from making any payments of prohibited extra compensation in the future.

Finding 2: Contrary to Florida Department of Management Services rules, the College contributed \$96,195 to the Florida Retirement System for extra compensation prohibited by State law.

Finding 2 Response: The College will work with the Florida Department of Management Services to resolve any items resulting from finding 2.

Finding 3: College textbook affordability procedures could be enhanced.

Finding 3 Response: The College concurs with the finding and will be taking the appropriate steps to enhance procedures to meet the statutory requirements.

Finding 4: Contrary to State law, the College assessed distance learning course fees for 55 courses not listed in the Statewide Internet-based catalog of distance learning courses for the 2021 calendar year.

Finding 4 Response: The College concurs with the finding and will be taking the appropriate steps to enhance procedures to meet the statutory requirements.

Sincerely,



Paul Broadie II, Ph.D.

Office of the President

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