

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-037
October 2022

TALLAHASSEE COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2021, Dr. James T. Murdaugh served as President of Tallahassee Community College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Eric Grant, Chair from 8-26-21, Vice Chair through 8-25-21	Leon
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Donna G. Callaway through 8-26-21	Leon
Jonathan A. Kilpatrick	Wakulla
Karen B. Moore	Leon
Randolph Pople through 3-25-21	Gadsden
Monte Stevens from 8-27-21	Leon
Charlie Ward Jr. from 3-26-21	Leon

The team leader was Shirley Dong, CPA, and the audit was supervised by Maria G. Loar, 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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TALLAHASSEE COMMUNITY COLLEGE

SUMMARY

This operational audit of Tallahassee Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2020-035. Our operational audit disclosed the following:

Finding 1: For the 2021 calendar year, the College funded individual student athletic scholarships from student activity and service fees without apparent legal authority, resulting in questioned costs totaling \$197,486.

Finding 2: The College did not always report complete and accurate information on the 5-year capital improvement plan consistent with Florida Department of Education, Division of Florida Colleges, instructions.

Finding 3: Contrary to State law, the College awarded bonuses totaling \$630,633 to employees without notifying all College employees of the bonuses before the beginning of the evaluation period on which the bonuses would be based.

BACKGROUND

Tallahassee Community 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 seven 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 a campus in Tallahassee. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Gadsden, Leon, and Wakulla Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Student Activity and Service Fees and Expenses

State law¹ authorizes the Board to establish a student activity and service fee not to exceed 10 percent of the tuition fee, according to rules of the State Board of Education (SBE). State law requires that the student activity and service fee be paid into a student activity and service fund at the College and be expended for lawful purposes to benefit the student body in general. These purposes include, but are not limited to, student publications and grants to duly recognized student organizations, the membership of which is open to all students at the College. To ensure student activity and service fees are limited to

¹ Section 1009.23(7), Florida Statutes.

the purposes set forth in State law, it is important that those who monitor expenses paid from the fees be knowledgeable of the statutory restrictions.

Our examination of College records disclosed that the College separately accounted for student activity and service fees and expenses. For the 2021 calendar year, the College expended \$1.1 million from the fees and, to evaluate the propriety of those expenses, we examined College records supporting 27 selected expenses totaling \$926,897. We found that the fees funded 48 student athletic housing scholarships totaling \$197,486 without apparent benefit to the student body in general. In response to our inquiries regarding how the scholarships benefited all students and the legal authority for the scholarships, College management indicated that:

- While legal authority to expend fees directly on behalf of student athlete scholarships was not evident, the housing scholarships support student athletes participating in high-quality athletic events and the entire student body benefits by having access to those events.
- Athletic team tryouts are open to all College students and student-athletes are required to participate and represent the College in community and College events sponsored by the student activity and service fees.
- The Student Activity and Service Fee Budget Committee that approved the use of student activity and service fees for the student athletic housing scholarships includes student representation.²

Notwithstanding College management's explanations, it is not apparent that funding student athletic scholarships with student activity and service fees was appropriate given the authorized purposes set forth in State law. Without an appropriate understanding of the statutory restrictions on the use of student activity and service fees and adequate procedures to ensure the restrictions are properly observed, there is an increased risk that the College will use the proceeds for purposes other than those authorized by State law.

Recommendation: The College should enhance procedures to ensure that student activity and service fees are used only for authorized purposes. Such enhancements should include training so that those responsible for monitoring student activity and service fee use appropriately understand and observe the restrictions associated with that use. In addition, the College should discontinue the practice of using student activity and service fees to fund individual student scholarships and reimburse \$197,486 to the student activity and service fund.

Finding 2: Capital Improvement Plan

Pursuant to State law,³ colleges receive Public Education Capital Outlay (PECO) funds for projects based on a 3-year priority list submitted by the SBE annually in the legislative budget request.⁴ To facilitate preparation of the legislative budget request, including the 3-year priority list, the Florida Department of Education, Division of Florida Colleges, (Division) requires each college to submit a legislative budget request, which includes a 5-year capital improvement plan (CIP), in a format established by the Division.

² Student representation on the Committee includes, for example, the Student Body Association President and Student Body Association Vice-President.

³ Section 1013.64(4)(a), Florida Statutes.

⁴ The legislative capital outlay budget request is required by Section 1013.60, Florida Statutes.

Division instructions for the budget request provide that each college’s CIP is used to develop the 3-year priority list prescribed by State law. The instructions require the CIP to report additional appropriated State funds required to complete projects and other funds, such as capital improvement fees and other local resources, that have been encumbered or spent to date for partially funded projects. In addition, Division instructions provide that the project amount (i.e., project total costs) should not change on the CIP once a project receives State funding and that prior appropriated State funds plus any additional appropriated State funds required and other funds, such as local funds, should equal the project total costs.

The College 5-year CIP for the 2022-23 through 2026-27 fiscal years, dated June 2021, included the Renovate Central Utility Plant and Associated Campus Infrastructure Project (Project). The Project was a multi-year PECO-funded project that was first funded from State appropriations totaling \$1 million during the 2016-17 fiscal year. Table 1 summarizes the Project information reported on the College 5-year CIP.

**Table 1
Project Summary
Reported on 5-Year CIP Dated June 2021**

Prior Appropriated State Funds ^a	Additional Appropriated State Funds Required	Local Funds	Project Total Costs	Estimated Completion Date
\$1,000,000	\$9,913,099	\$0	\$10,913,099	8/1/2022

^a PECO funds were the only State funds appropriated for the Project.

Source: College 5-year CIP for the 2022-23 through 2026-27 fiscal years, dated June 2021.

In September 2021, the SBE approved the Florida College System’s 2022-23 fiscal year project priority PECO list, which included the same funding amounts for the Project as submitted on the College 5-year CIP. For the 2022-23 fiscal year, the Legislature appropriated \$5.3 million in PECO funds for the Project.⁵

As part of our audit, we examined College records to determine the sources that funded the Project and whether those sources were properly reflected on the 5-year CIP. We found that the College paid PECO funds totaling \$1 million in August 2016 as down payment to enter into a lease purchase agreement for an energy performance contract totaling \$8.1 million associated with the Project. The College began quarterly principal payments in November 2017 and the energy savings contract services were completed in April 2018.

In June 2021, the 5-year CIP was completed and, as shown in Table 1, reported \$0 in local funds; however, through June 2021, the College had expended local funds totaling \$1.3 million from capital improvement fees on the Project for lease purchase principal payments. In response to our inquiries, College personnel indicated that, due to management oversight, the principal payments were excluded from the CIP.

⁵ Chapter 2022-156, Laws of Florida, General Appropriation Act.

As of June 30, 2022, capital improvement fees had been used for the lease purchase principal payments totaling \$1.7 million. Subsequent to our inquiries, the College properly presented information on the 5-year CIP dated June 2022 for the 2023-24 through 2027-28 fiscal years as shown in Table 2. Based on the information reported, no additional appropriated funds were needed for the Project.

**Table 2
Project Summary**

Reported on 5-Year CIP Dated June 2022

Prior Appropriated State Funds ^a	Additional Appropriated State Funds Required	Local Funds ^b	Project Total Costs	Estimated Completion Date
\$6,266,404	\$0	\$4,646,695	\$10,913,099	8/1/2023

^a Includes the \$1 million 2016-17 fiscal year appropriation plus the \$5.3 million 2022-23 fiscal year appropriation.

^b Includes principal payments totaling \$1.7 million plus \$2.9 million to spend based on the College's itemized list of expenses.

Source: College 5-year CIP for the 2023-24 through 2027-28 fiscal years, dated June 2022.

When reported information on the College's 5-year CIP is incomplete, inaccurate, or inconsistent with Division instructions, there is an increased risk that projects may not be funded based on the best available data.

Recommendation: The College should continue efforts to ensure that 5-year CIPs are properly completed and all funding sources available for capital outlay projects are reported in accordance with Division instructions.

Finding 3: Bonus Awards

State law⁶ provides that no extra compensation shall be made to any officer, agent, employee, or contractor after the service had been rendered or contract made, and 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 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 21, 2021, the Board approved a one-time stipend equal to 4 percent of the annual base salary or a minimum of \$1,500 for qualifying employees in recognition of the work completed during the COVID-19 pandemic. In addition, the Board and President considered all employees for the stipend, decided the qualifying employees⁷ for the stipend, and authorized the College Human Resources (HR)

⁶ Section 215.425(3), Florida Statutes.

⁷ All employees were deemed eligible for the stipend except for grant-funded, adjunct, faculty, other personal services, post-secondary adult vocational, and professional service contract personnel.

Office to communicate the conditions upon which the stipends would be based. On October 21, 2021, the College HR Office notified all employees of the one-time stipend and that, to qualify for the stipend, employees must:

- Be in good standing in a regularly established position as of October 31, 2021;
- Meet expectations or higher on the last performance evaluation; and
- Be hired prior to January 1, 2021, and no longer on probation as of October 1, 2021.

On October 31, 2021, the College paid stipends totaling \$630,633, ranging from \$1,500 to \$5,202, to 324 qualifying employees of the 506 total employees classified as executive and senior management, administrative, managerial and professional, and classified staff.

In response to our inquiries, College personnel agreed that the stipends were bonuses subject to the requirements in State law. College personnel also indicated that the employee performance evaluation measurement period was April 1, 2020, through March 30, 2021, and available funding for these payments was determined when the College 2021-22 fiscal year operating budget was finalized during June 2021. However, since the bonus scheme failed to notify all employees before the beginning of the evaluation period on which the bonus would be based, College procedures were not effective to ensure employee bonuses complied with State law.

Recommendation: The College should establish effective procedures to ensure that employee bonuses are awarded in compliance with State law.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2020-035.

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. 2020-035.
- 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.

- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to finance and human resources applications during the audit period for 30 of the 426 total users 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.
- Examined College records and procedures to determine whether student receivables were properly authorized, adequately documented, and properly recorded.
- Reviewed the College's 5-year capital improvement plan for the 2022-23 through 2026-27 fiscal years to determine whether the College properly reported the capital outlay project funding sources 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.
- For student fees totaling \$9,367,294 collected during the 2020-21 fiscal year, examined College student fee schedules to determine whether the College had the authority to assess such fees, the College properly assessed and separately accounted for the fees, and the fees did not exceed the limits established in Section 1009.23, Florida Statutes.
- From the population of 210 distance learning courses with fee revenue totaling \$767,855 during the 2020-21 fiscal year, examined College records supporting 23 selected distance learning courses with fee revenue totaling \$420,530 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.
- For laboratory and other user fees with revenue totaling \$1,280,548 during the 2020-21 fiscal year, examined College records 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 these fees in compliance with Section 1009.23(12)(a), Florida Statutes.
- Examined College records to determine whether the College implemented a bonus scheme that complied with Section 215.425(3), Florida Statutes.
- From the population of \$6,018,183 of student activity and service fees, capital improvement fees, and technology fees expended during the audit period, examined documentation supporting expenses totaling \$3,764,688 to determine whether the College expended the collected fees as required by Section 1009.23, Florida Statutes.
- For the \$1,142,146 of student financial aid fees collected and awarded as financial aid during the 2020-21 fiscal year, examined College records supporting the amounts and categories of financial aid awards reported to the Division of Florida Colleges. Additionally, we examined documentation supporting awards totaling \$48,446 to 35 selected students to determine whether the financial aid fees collected were awarded in accordance with the criteria developed by the State Board of Education and pursuant to Section 1009.23, Florida Statutes; were properly classified on the College Credit Student Financial Aid Fee Report; and were timely disbursed and efficiently managed.
- Examined College records to determine whether the College procured, executed, and monitored the energy performance contract in compliance with Section 1013.23, Florida Statutes.
- From the population of 309 adult general education instructional students reported for 36,027 contact hours for the Spring 2021, Summer 2021, and Fall 2021 Semesters, examined College records supporting 598 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 452 industry certifications reported for performance funding that were attained by students during the 2020-21 fiscal year, examined 50 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Examined College records to determine whether the College maintained a minimum unencumbered balance in the general fund of the Board approved operating budget of at least 5 percent and prepared a spending plan for its excess carryforward balance pursuant to Section 1013.841, 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



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September 28, 2022

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

Dear Ms. Norman,

Please see the College's response to the list of preliminary and tentative audit findings and recommendations from the Operational Audit dated September 6, 2022.

Finding 1: For the 2021 calendar year, the College funded individual student athletic scholarships from student activity and service fees without apparent legal authority, resulting in questioned costs totaling \$197,486.

Auditor's Recommendation: The College should enhance procedures to ensure that student activity and service fees are used only for authorized purposes. Such enhancements should include training so that those responsible for monitoring student activity and service fee use appropriately understand and observe the restrictions associated with that use. In addition, the College should discontinue the practice of using student activity and service fees to fund individual student scholarships and reimburse \$197,486 to the student activity and service fund.

College's Response: The College's standard procedures for any expenditures of the student activity and service fees (SAF) include a detailed annual budget approved by the student government association and reviewed/approved by the President. With a focus on student engagement, the annual SAF budget included funds for student athlete scholarships. As also evident with DOE's annual cost analysis, colleges are instructed to report 'Organized Athletics' expenses as Student Services functional expenses. While the College continues to believe athletic programs enhance the student experience during their time in college, SAF funds will no longer be used for student athlete scholarships.

Finding 2: The College did not always report complete and accurate information on the 5-year capital improvement plan consistent with Florida Department of Education, Division of Florida Colleges, instructions.

Auditor's Recommendation: The College should continue efforts to ensure that 5-year CIPs are properly completed and all funding sources available for capital outlay projects are reported in accordance with Division instructions.

College's Response: The College concurs and will continue our efforts to ensure that 5-year CIPs are properly completed and reported and will work more closely with Division staff.



Finding 3: Contrary to State law, the College awarded bonuses totaling \$630,633 to employees without notifying all College employees of the bonuses before the beginning of the evaluation period on which the bonuses would be based.

Auditor's Recommendation: The College should establish effective procedures to ensure that employee bonuses are awarded in compliance with State law.

College's Response: The College concurs and has revised its procedures for one-time pay stipends.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim Murdaugh", with a long horizontal flourish extending to the right.

Jim Murdaugh, Ph.D.
President