

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-002
July 2024

NEW COLLEGE OF FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2022, Dr. Patricia Okker served as President of New College of Florida and the following individuals served as Members of the Board of Trustees:

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^a Faculty Senate Chair.

^b Student Body President.

Note: Two Trustee positions were vacant for the entire 2022 calendar year.

The team leader was Sehrish Ladhani, CPA, and the audit was supervised by Hector J. Quevedo, 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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NEW COLLEGE OF FLORIDA

SUMMARY

This operational audit of New College of Florida focused on selected University processes and administrative activities and included a follow-up on the finding noted in our report No. 2021-009. Our operational audit disclosed the following:

Finding 1: University controls over contracts and related payments could be enhanced.

Finding 2: The University did not always make timely efforts to collect payments from students with delinquent accounts.

Finding 3: Contrary to State law, the University disbursed extra compensation payments to University faculty and contributed to the Florida Retirement System for extra compensation prohibited by State law.

Finding 4: The University exceeded the State law remuneration limits for a University president and an administrative employee.

Finding 5: University controls over purchasing card use need improvement.

Finding 6: The University needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs, which totaled \$171,261 or 16 percent of the Career and Internship Program Expansion Project costs.

Finding 7: University records did not always demonstrate that subcontractors were appropriately licensed before they commenced work on University construction projects.

BACKGROUND

New College of Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. The members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President are also members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG Regulations. The University President is selected by the Trustees and confirmed by the BOG. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

FINDINGS AND RECOMMENDATIONS

Finding 1: Vendor Services

University regulations¹ require vendor invoices to contain the description of services rendered in sufficient detail to identify them as the services listed in the contract or purchase order. University purchasing procedures require University personnel to reconcile vendor invoices to contracts or purchase orders before payments are made. When vendor overcharges and related overpayments are identified, it is important for the University to take prompt action to ensure that the overpayments are appropriately resolved.

In June 2022, the University contracted with a vendor to provide disaster recovery services during declared emergencies based on an invitation to negotiate (ITN) with another State university. Through the end of the 2022 calendar year, the University authorized vendor disaster recovery services and related costs totaling \$534,113.²

As part of our audit, we examined University records supporting the vendor services during September through December 2022, along with the University payments totaling \$533,113 for those services. We found that the University did not always reconcile vendor invoice costs to University-authorized costs before payments were made or timely process corrected invoices and credit memos provided by the vendor. Specifically, on December 16, 2022, the University made a payment totaling \$497,018 based on vendor invoices for services and related costs; however, certain invoices included duplicate charges totaling \$9,166 for debris disposal services and fuel. In addition, certain invoice costs exceeded University-authorized costs, including overcharges totaling \$5,552 for staff member and debris disposal services. Consequently, University overpaid the vendor by \$14,718.

According to University personnel, the University Office of Emergency Management received corrected invoices to remedy the overcharges of \$5,552 before the December 16, 2022, payment; however, the corrected invoices were not promptly submitted to the University Accounts Payable (AP) Department. Subsequent to our inquiry, in July 2023 the vendor provided a \$5,552 credit memo to the University Office of Emergency Management. However, the University AP Department was not provided the corrected invoices or the credit memo for processing until October 2023 when the vendor issued another credit memo for the duplicate charges totaling \$9,166 and reimbursed the University for all overpayments.

Without the effective employment of University purchasing procedures and the timely processing of corrected invoices and credits issued by vendors, there is an increased risk for vendor overpayments to occur without timely detection and resolution.

Recommendation: The University should enhance procedures to ensure that vendor invoices reconcile to contracts or purchase orders before payments are made and that prompt action is taken to appropriately resolve vendor overpayments.

¹ University Regulation 3-1015 – *Prompt Payment and Payment Scheduling*.

² The University authorized the disaster recovery services through issuance of a purchase order and two subsequent change orders during the 2022 calendar year. The total amount authorized exceeded the amounts expended by \$1,000.

Finding 2: Delinquent Student Accounts Receivable

State law³ provides that the University shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency in collecting delinquent accounts. State law further provides that the University may adopt regulations to implement this process, including restrictions on the release of transcripts, awarding of diplomas, and access to other University resources and services.

University procedures require that student accounts be placed on hold until student debt is paid in full to prevent the release of transcripts, grades, and enrollment certificates as well as prevent graduation, class registration, and access to additional University resources or services. According to University personnel, they monitor delinquent accounts each week and contact students with outstanding balances by e-mail and telephone to discuss their balances and arrange payments. In addition, University procedures require a letter requesting payment be mailed to students who have an outstanding balance for 90 days (90-day letter). If there is no response within 30 days after the 90-day letter is mailed, the student account must be sent to a collection agency.

To evaluate the sufficiency of University controls over delinquent student accounts receivable, which totaled \$163,626 for 173 students as of December 22, 2022, we examined University records for 30 selected student accounts with delinquent balances totaling \$130,917. We found that the accounts for:

- 3 students with outstanding balances totaling \$18,606 had not been sent to a collection agency although the accounts had been outstanding 154, 85, and 68 days or an average of 102 days after the 90-day letter was mailed.
- 9 students with outstanding balances totaling \$32,978 were not sent to a collection agency until 156 to 437 days, an average 312 days, after the 90-day letter was mailed to the students.
- 7 students had outstanding balances that totaled \$33,886; however, the University did not mail 90-day letters to the students requesting payment until 23 to 242 days, an average of 121 days, after the letters were required to be mailed.

University efforts to collect students accounts receivable were deficient mainly because University-established collection procedures were not always followed. Absent adherence to established procedures, amounts due may remain uncollected for extended periods increasing the risk that the amounts will not be collected and will have to be written off.

Recommendation: University personnel should comply with established collection procedures for delinquent student accounts receivable by timely requesting payments from students and referring applicable accounts to collection agencies.

Finding 3: Extra Compensation

State law⁴ prohibits the University from making extra compensation payments to employees after services have been rendered or contract made and 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

³ Section 1010.03, Florida Statutes.

⁴ Section 215.425, Florida Statutes.

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.

Florida Department of Management Services (DMS) rules⁵ define compensation and 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 Florida Retirement System (FRS) as salary for retirement purposes. DMS rules⁶ also provide for the calculation of retirement benefits for an FRS member's average final compensation and specify what compensation is to be included in the average final compensation.

The University determined that, during the 2020-21 academic year, the 9-month faculty members who were paid over 12 months were inadvertently paid an additional biweekly salary payment, which collectively totaled \$250,596. To equalize those payments with the compensation of 9-month faculty members paid over 9 months, the Board approved a non-recurring, one-time lump-sum (extra compensation) payment to the 9-month faculty paid over 9 months, hired prior to August 1, 2021, and still employed with the University on June 1, 2023. On July 28, 2023, the University disbursed payments totaling \$96,267 to the 25 eligible employees. Since the payments were made after the employees had rendered services, did not increase the employees' base rate of pay, and did not meet the statutory requirements of a bonus, the payments represent extra compensation prohibited by State law.

In addition, although the payments did not increase the employees' base rate of pay and, therefore, were not compensation under DMS rules, the University reported the extra compensation payments to the FRS as regular compensation. The University also forwarded employee contributions totaling \$10,191 and \$4,964, respectively, to the FRS and the State University System Optional Retirement Program (SUSORP). As a result, the University overreported employee compensation for retirement purposes and made inappropriate contributions to the FRS and SUSORP.

Recommendation: The University should follow State law and abstain from making extra compensation payments to employees after services have been rendered. In addition, the University should enhance procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS and SUSORP as salary for retirement purposes.

Finding 4: Remuneration Limits

State law⁷ provided that a State university president and administrative employees may not receive more than \$200,000 in annual remuneration⁸ from public and appropriated State funds, respectively. State law⁹ does not prohibit the University from providing additional compensation to the President and the

⁵ DMS Rule 60S-6.001(6), (11) and (16), Florida Administrative Code.

⁶ DMS Rules, Chapter 60S-4, Florida Administrative Code.

⁷ Sections 1012.975(3), and 1012.976(2), Florida Statutes (2022). Effective July 1, 2023, Chapter 2023-95, Section 7, increased the threshold in Section 1012.976(2), Florida Statutes, from \$200,000 to \$250,000.

⁸ Remuneration means salary, bonuses, and cash-equivalent compensation paid to a State University President or employee for work performed, excluding health insurance and retirement benefits. Cash-equivalent compensation means any benefit that may be assigned an equivalent cash value.

⁹ Sections 1012.975(2), and 1012.976(3), Florida Statutes.

University administrative employees in excess of the \$200,000 limitation from other funds that are not public or appropriated State funds, respectively. State law also provides that this limit does not apply to certain University teaching faculty or medical school faculty or staff.

During the 2021-22 and 2022-23 fiscal years, the University made remuneration payments totaling \$1.2 million to two University presidents and an interim president and \$10.5 million to 183 administrative employees. As part of our audit, we examined University records supporting remuneration payments to the three University presidents and payments totaling \$462,407 to the only two administrative employees with remuneration exceeding \$200,000. We found that:

- For the 2021-22 fiscal year, the University paid remuneration totaling \$390,391 to the University President, including \$236,073 paid from public funds, which exceeded the statutory limitation by \$36,073.
- On January 31, 2023, the Board amended the University President contract and terminated her employment. As authorized by the amended contract, on February 1, 2023, the former President commenced a 12-month sabbatical at her January 31, 2023, base salary and benefits. For the 2022-23 fiscal year, the University paid remuneration totaling \$384,868 to the former President, including \$231,092 paid from public funds, which exceeded the statutory limitation by \$31,092.
- For the 2022-23 fiscal year, the University paid an administrative employee \$218,874 from State appropriated funds, which exceeded the statutory limitation by \$18,874.

In response to our inquiries, University personnel indicated that management agreed that the Foundation should have reimbursed the University for the public or State appropriated funds in excess of the \$200,000 limitation paid to the employees. In addition, University personnel indicated that the University is developing internal control procedures to reduce the risk of a recurrence of the oversight. As of June 18, 2024, no reimbursements had been received from the Foundation for the excess remuneration paid from public and appropriated State funds.

Recommendation: The University should ensure that remuneration of President and administrative employees paid from public and State appropriated funds, respectively, do not exceed the limits established by State law.

Finding 5: Purchasing Cards

The University administers a purchasing card (P-card) program, which gives employees the convenience of purchasing low-cost items directly from merchants without going through the purchase order process. University procedures and the *Cardholder Manual (Manual)* prohibit P-card use for certain expenditures such as food and catering services, computers, laptops and tablets, and goods and services from independent contractors. In addition, P-cards are subject to the same purchasing rules and regulations that apply to other University purchases.

The *Manual* also requires that P-card accounts be discontinued immediately upon notification of employment termination. Although the University had not established procedures for canceling P-cards during employment terminations, the Human Resources Department typically provides for P-card cancellations by notifying the Procurement Department by e-mail as soon as they are aware that an employee is leaving.

During the 2022 calendar year, the University processed 3,397 P-card transactions totaling \$585,171. To determine the propriety of these transactions, we examined University records supporting 30 selected P-card transactions totaling \$50,585 by 22 cardholders. We found that, contrary to the *Manual*, 7 P-card transactions totaling \$9,340 were for food and catering services, computers, laptops and tablets, and goods and services from independent contractors. In response to our inquiry, University personnel indicated that the prohibited purchases were processed as they were deemed to be in the best interest of the University and an appropriate use of funds. Notwithstanding, although we requested, University records were not provided to demonstrate the authority for these P-card purchases. Subsequent to our inquiry, in December 2023 the University updated the *Manual* to authorize the Director of Procurement to make exceptions on prohibited P-card purchases deemed to be in the best interest of the University.

In addition, to determine whether the University promptly canceled P-cards for the 28 cardholders who terminated employment during the 2022 calendar year, we examined University records for 18 selected cardholders. We found that the University did not cancel the P-cards for 6 cardholders until 8 to 83 days, an average of 25 days, after the cardholders' employment termination dates. In response to our inquiry, University personnel indicated that the untimely P-card cancellations occurred because e-mails were not sent to the Procurement Department. Subsequent to our inquiry, in August 2023 the Chief Information Systems Officer indicated that the Procurement Department was added to the employment termination e-mail distribution list.

While our examination of University records disclosed that P-card transactions were for University purposes, our procedures cannot substitute for management's responsibility to implement appropriate controls over P-card use. Prohibited P-card purchases and the untimely cancellation of P-cards increase the risk for P-cards to be misused and may limit the University's ability to satisfactorily resolve disputed charges.

Recommendation: The University should continue efforts to ensure that P-cards are only used for authorized purposes. In addition, the University should establish procedures to ensure that P-cards are promptly canceled upon a cardholder's employment termination.

Finding 6: General Conditions Costs

Guaranteed maximum price (GMP) contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For GMP contracts that include general conditions costs, appropriate policies and procedures include, for example, documented:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other universities.
- Negotiations with the construction management entity (CME) to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices.

- Verifications that general conditions costs for which reimbursement is requested are reimbursable costs as identified in the GMP contract.

The Career and Internship Program Expansion Project GMP contract provided for general conditions costs, such as compensation and relocation expenses of certain CME personnel and general operating supplies and expenses, to be billed in even monthly installments. The general conditions costs totaled \$171,261 or 16 percent of the total Project costs, which were established through the GMP and change orders approved during the 2022 calendar year.

According to University personnel, when a GMP proposal is received, the general conditions items and related costs are reviewed and compared to the size and scope of the project. If the general conditions do not appear reasonable, the CME is asked to review and resubmit the GMP until a reasonable GMP is established. Once the University has issued a purchase order for a GMP and the CME submits a pay application for payment, University staff review the pay application to verify the general conditions are in accordance with the contract and the GMP. However, University personnel indicated that the general conditions negotiation and payment processes are not documented.

Our examination of University records supporting general conditions costs totaling \$66,161 for the Career and Internship Program Expansion Project disclosed that the University was billed based on a percentage of work progress to actual hours for CME personnel construction labor costs without support for the labor costs. In response to our inquiry, University personnel indicated that the GMP contract did not specify how general conditions costs are to be paid and that this will be specified in new contracts executed after October 2023. Also, University policies and procedures did not require records to document the methodology used and factors considered in negotiating general conditions and related costs. The absence of established policies and procedures contributed to the lack of available records to support the general conditions costs negotiations and payment processes.

Absent effective negotiation of general conditions costs and monitoring of detailed documentation, such as CME payroll records, substantiating the amounts of general conditions costs included in CME payment requests, the University may be limited in its ability to determine the propriety of those costs and to realize cost savings associated with general conditions costs in GMP contracts.

Recommendation: The University should:

- **Establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating these costs, such as comparisons of proposed general conditions costs with those of similar projects at other universities.**
- **Ensure that GMP contracts specify the payment terms for general conditions costs and require CMEs to provide sufficient detailed documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.**
- **Maintain records to evidence the receipt and review of sufficiently detailed documentation supporting general conditions costs included in the CME payment requests.**

Finding 7: Subcontractor Licenses

State law¹⁰ provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law¹¹ 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.

University personnel indicated that, while the University had not established policies or procedures for verifying subcontractor licenses, the University Facilities Department requires, and construction contractors provide, the list of subcontractors before the contractor applies for a permit. Once a permit application is received, the University Project Manager reviews the Department of Business and Professional Regulation Web site to verify that the listed subcontractors are properly licensed for the proposed services on the project; however, this review is not documented. Further, the CME agreements provide that the CMEs must keep on file a copy of the license for every subcontractor performing any portion of the work, as well as maintain a log of all such licenses, and that a copy of the subcontractor licenses shall be provided to the University prior to commencement of work.

The Caples Mansion Phase 2 and the Career and Internship Program Expansion Projects included services totaling \$1.4 million provided by 17 subcontractors required to be licensed. University records indicated that the University verified the licenses of 4 of the subcontractors before they commenced work on University facilities. University personnel indicated that they verified the licenses of the other 13 subcontractors; however, due to oversights, documentation of that verification was not maintained. Subsequent to our inquiry, University personnel obtained and provided for our examination the 13 subcontractors' license information.

Absent timely documented verifications that subcontractors are appropriately licensed, the University has limited assurance that the subcontractors who will be working on University facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The University should establish procedures to document that subcontractors are properly licensed before they commence work on University facilities. Such procedures could include documented verification of the University online license searches or appropriate evidence of the CME subcontractor license verification process.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for finding included in our report No. 2021-009.

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

¹⁰ Section 1013.45(1)(c), Florida Statutes.

¹¹ Chapter 489, Florida Statutes.

information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2023 through January 2024 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 University 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. 2021-009.
- 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 2022 through December 2022 and selected University 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, University policies and procedures, and other guidelines, and interviewed University personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed University information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security access, systems development and maintenance, user authentication, and disaster recovery.
- Evaluated the appropriateness of the University's comprehensive IT disaster recovery plan 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.
- From the population of 40 payments totaling \$71,906 during the audit period to the University direct-support organization (DSO), examined University records supporting 9 payments totaling \$41,762 to determine whether the transactions were as described in Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Examined University records to determine whether bank account reconciliations were timely prepared, reconciled, and approved.
- From the population of 173 recorded student accounts receivable totaling \$163,626 as of December 22, 2022, examined University records supporting 30 selected student accounts with outstanding balances totaling \$130,917 to evaluate the sufficiency of University controls over, and University efforts to collect, delinquent student accounts receivable.
- From the population of 18 student accounts receivable written off and totaling \$44,668 for the 2021-22 fiscal year, reviewed University records for 4 selected student accounts with outstanding balances totaling \$33,706 to determine whether write-offs of uncollectible accounts were properly authorized and deemed uncollectible only after appropriate collection efforts were made in accordance with Section 1010.03, Florida Statutes.
- From the population of 757 students classified as Florida residents during the 2022 Spring, Summer, and Fall Terms, reviewed University records for 30 selected students to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes.
- Examined University records supporting vendor contracts providing food services and bookstore auxiliary operations that generated revenues for the audit period totaling \$279,271 and \$5,192, respectively, to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the population of compensation payments totaling \$44.4 million made to 656 employees during the audit period and compensation payments made to 65 employees hired during period January 1, 2023, through June 5, 2023, selected payments totaling \$103,214 made to 30 employees and examined the related payroll and personnel records to determine whether the

rate of pay was accurate, employment contracts were valid, employees met the required qualifications, performance evaluations were completed, leave records were accurate, and supervisory personnel reviewed and approved employee reports of time worked. Also, for 7 selected new hires, we examined University records to determine whether personnel records evidenced that the position was properly advertised; new hires had the necessary qualifications, degrees, and experience for the positions based on the position descriptions; a background screening was obtained prior to the new hire's first day of employment; and completed and approved personnel action forms were on file.

- Evaluated University policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and University policies. Specifically, from the population of 59 employees who separated from University employment during the audit period and were paid \$416,068 for terminal leave, we selected 12 employees with terminal leave payments totaling \$255,703 and examined the supporting records to determine compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined the two employee contracts with severance pay provisions executed during the audit period to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined University records for the 15 employees who received severance payments totaling \$579,066 to determine whether the severance payments complied with Section 215.425(4), Florida Statutes, and University regulations.
- Examined University records for the three University presidents who received remuneration totaling \$1.2 million during the 2021-22 and 2022-23 fiscal years to determine whether the amounts paid complied with the limit established in Section 1012.975(3), Florida Statutes.
- From the population of 183 administrative employees who received remuneration totaling \$10.5 million during the 2022-23 fiscal year, examined University records for 2 selected administrative employees who received remuneration totaling \$462,407 to determine whether the amounts paid complied with the limit established in Section 1012.976(2), Florida Statutes.
- Examined the employment contracts and University records supporting sabbatical or professional development leave and evaluated the reasonableness of such provisions.
- Examined University records supporting bonus payments totaling \$736,225 made to 303 University employees during the audit period to determine whether the University complied with the requirements of Section 215.425(3), Florida Statutes.
- Examined University records supporting extra compensation payments totaling \$96,267 made to 25 employees in July 2023 to determine whether the payments complied with Section 215.425, Florida Statutes, and whether amounts reported, and associated contributions totaling \$15,155, to the Florida Retirement System complied with Department of Management Services, Division of Retirement, Rule 60S-6.001(6), (11), and (16), Florida Administrative Code.
- Examined University records to determine whether selected expenses were reasonable; correctly recorded; adequately documented; for a valid University purpose; properly authorized and approved; in compliance with applicable laws, rules, contract terms, and University policies and whether applicable vendors were properly selected. Specifically, from the population of expenses totaling \$22.6 million for the audit period, we examined University records supporting:
 - 30 selected payments for general expenses totaling \$83,477.
 - 30 selected payments for contractual services totaling \$1 million.
- From the population of 3,397 purchasing card (P-card) transactions totaling \$585,171 during the audit period, examined University records supporting 30 selected P-card transactions totaling

\$50,585 to determine whether the P-card program was administered in accordance with University policies and procedures and the transactions were for University purposes.

- From the population of 28 P-cardholders who terminated employment with the University during the audit period, examined records for 18 cardholders to determine whether the University timely canceled the cardholders' P-cards.
- From the population of 46 P-cards issued during the audit period, examined records for 20 P-cards to determine if the employee had accepted the card and conditions for its use, and if there was a signed agreement on file.
- From the population of payments totaling \$3.5 million made for five major construction projects in progress during the audit period, selected four payments totaling \$857,159 related to two major construction projects with contract amounts totaling \$3.2 million and examined University records to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to two major construction projects with total construction costs totaling \$1.9 million during the audit period to determine whether the University's process for selecting design professionals and construction managers was in accordance with Section 287.055, Florida Statutes; the selection process of subcontractors was adequately monitored; the Trustees had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance, the University ensured subcontractors were licensed, and construction funding sources were appropriate.
- From the population of 858 students receiving non-Federal financial aid totaling \$5.3 million during the audit period, selected 30 students who received non-Federal financial aid totaling \$496,341, and examined University records to determine whether the financial aid was disbursed to eligible students in accordance with the provisions of the grantor.
- Determined whether the University maintained a minimum carryforward balance of at least 7 percent of its State operating budget and prepared a spending plan for balances in excess of the 7 percent minimum balance as required by Section 1011.45, Florida Statutes.
- Reviewed the University's Capital Improvement Plan submitted to the Board of Governors (BOG) and used for the legislative budget request to determine whether the Plan was completed in accordance with BOG instructions.
- Reviewed the contract, purchase orders, invoices, payments totaling \$533,113, and other University records supporting debris removal services performed by a vendor during the 2022 calendar year under the authority granted by a declared state of emergency.
- 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 University 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 the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the President

July 16, 2024

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

Re: Response to 2024 Operational Audit Report Findings

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, the New College of Florida (University) is required to submit a written statement of explanation concerning the findings and its actual or proposed corrective actions.

In the attachment provided, please find the University's responses to each of the Operational Audit Report preliminary and tentative findings. The response summarizes the control issue, your recommendation, and the University's response. Should you have any questions, please contact Alex Tzoumas, Chief Audit Executive at (941) 487-4441.

We appreciate the thoroughness and professionalism of the Auditor General's team in examining the University's internal controls, compliance with Florida statutes, and financial processes. The resulting recommendations will support the University's efforts to maintain a strong control environment, compliance with all Florida statutes, and efficient financial operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Corcoran", written over a horizontal line.

Richard Corcoran
President, New College of Florida

New College of Florida | 5800 Bay Shore Road | Sarasota, FL 34243-2109 | 941-487-4100 | Fax: 941-487-4101 | ncf.edu

NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

Finding 1: University controls over contracts and related payments could be enhanced.

Recommendation: The University should enhance procedures to ensure that vendor invoices reconcile to contracts or purchase orders before payments are made and that prompt action is taken to appropriately resolve vendor overpayments.

Management's Response: The University agrees with the finding. The personnel involved with environmental health and safety, as well as emergency management, rarely approve disaster response invoices for payment. As such, the risk of processing error increases. In order to avoid a recurrence of the oversight, the Chief of Staff and Chief Financial Officer have enhanced procedures by reorganizing the responsibilities for invoice processing and payment approval such that only experienced finance personnel are involved in the process.

Finding 2: The University did not always make timely efforts to collect payments from students with delinquent accounts.

Recommendation: University personnel should comply with established collection procedures for delinquent student accounts receivable by timely requesting payments from students and referring applicable accounts to collection agencies.

Management's Response: The University agrees with the finding. As indicated by the finding, the University has collection procedures in place to collect delinquent funds in accordance with State statutes. However, due to the hardship caused by the pandemic, the University relaxed its policies to afford impacted students an opportunity to recover from the impact of the pandemic. The University has returned to its pre-pandemic established procedures. As such, collection activities will occur as detailed in those procedures.

Finding 3: Contrary to State law, the University disbursed extra compensation payments to University faculty and contributed to the Florida Retirement System for extra compensation prohibited by State law.

Recommendation: The University should follow State law and abstain from making extra compensation payments to employees after services have been rendered. In addition, the University should enhance procedures to ensure that compensation payments that do not increase an employee's base rate of pay are not reported to the FRS and SUSORP as salary for retirement purposes.

Management's Response: The University agrees with the finding. While the circumstances around the extra compensation were extremely unusual, to assure compliance with Florida statutes going forward the Human Resources Department now reports to the Office of General Counsel. In addition,

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NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

the university is evaluating changes in its payroll system that will prevent a recurrence of the unusual circumstances.

Finding 4: The University exceeded the State law remuneration limits for a University president and an administrative employee.

Recommendation: The University should ensure that remuneration of President and administrative employees paid from public and State appropriated funds, respectively, do not exceed the limits established by State law.

Management Response: The University agrees with the finding. The University experienced high turnover in both the New College Foundation and its Budget Office. The University has changed its budgeting process such that executive compensation is apportioned to the appropriate funding source when personnel are initially set up in the system for each fiscal year. The change will ensure the University does not advance amounts in excess of the Florida Statute limits. With regard to the previous excess remuneration, the University recovered the remuneration in excess of the allowable amounts from the New College Foundation as of June 26, 2024.

Finding 5: University controls over purchasing card use need improvement.

Recommendation: The University should continue efforts to ensure that P-cards are only used for authorized purposes. In addition, the University should establish procedures to ensure that P-cards are promptly canceled upon a cardholder's employment termination.

University Response: The University agrees with the finding. The Director of Procurement now reviews all policy exceptions and officially authorizes appropriate exceptions in writing. With regard to timely P-card terminations, the Procurement Department is now receiving the termination notification email. In addition, the University has hired a P-card Manager to more closely monitor activity and has centralized the off-boarding process in the Office of Human Resources to ensure timely notification to all departments.

Finding 6: The University needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs, which totaled \$171,261 or 16 percent of the Career and Internship Program Expansion Project costs.

Recommendation: The University should:

- Establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating these costs, such as comparisons of proposed general conditions costs with those of similar projects at other universities.

NEW COLLEGE OF FLORIDA 2024 OPERATIONAL AUDIT

FINDINGS AND RECOMMENDATIONS RESPONSE

- Ensure that GMP contracts specify the payment terms for general conditions costs and require CMEs to provide sufficient detailed documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.
- Maintain records to evidence the receipt and review of sufficiently detailed documentation supporting general conditions costs included in the CME payment requests.

University Response: The University agrees with the finding. As indicated in the finding, University policies and procedures did not require records to document the methodology used and factors considered in negotiating general conditions and related costs. The University has added a Procurement Specialist position to scrutinize and document general conditions cost negotiations, including the methodology used and factors considered.

Finding 7: University records did not always demonstrate that subcontractors were appropriately licensed before they commenced work on University construction projects.

Recommendation: The University should establish procedures to document that subcontractors are properly licensed before they commence work on University facilities. Such procedures could include documented verification of the University online license searches or appropriate evidence of the CME subcontractor license verification process.

University Response: The University agrees with the finding. The University's will develop written procedures for the advance verification of subcontractor licenses and the new Procurement Specialist will use those procedures to preserve more complete documentation of advance license verifications. As the finding indicates, we would like to note that all subcontractors were confirmed to be licensed in accordance with State Law.