

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2025-006  
July 2024

**GULF COAST STATE COLLEGE**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2023 calendar year, Glen McDonald served as President of Gulf Coast State College during the period August 1, 2023, through December 31, 2023, and, before that period, Dr. Cheryl Flax-Hyman served as President. The following individuals served as Members of the Board of Trustees:

	<u>County</u>
William Cato Cramer Jr., Chair from 1-26-23 <sup>a</sup>	Bay
Frank A. Hall, Vice Chair from 1-26-23 <sup>a</sup>	Bay
Tricia E. Berry	Bay
Boyd K. Bulger	Gulf
Dr. Abel De La Rosa	Gulf
Charles David Powell	Bay
Floyd D. Skinner	Bay
Joe K. Tannehill Jr.	Bay
Caroline Windham	Bay

<sup>a</sup> Chair and Vice Chair positions vacant 1-1-23, through 1-25-23.

The team leader was Suracha Mahawongsanun, CPA, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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# GULF COAST STATE COLLEGE

## SUMMARY

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This operational audit of Gulf Coast State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2022-046. Our operational audit disclosed the following:

**Finding 1:** The College funded student scholarships and student athlete meal stipends from student activity and service fees without apparent legal authority, resulting in questioned costs totaling \$66,987 for the 2022-23 fiscal year.

## BACKGROUND

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

The College has campuses in Panama City and Port St. Joe. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Bay, Gulf, and Franklin Counties.

## FINDING AND RECOMMENDATION

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### Finding 1: Student Activity and Service Fees and Expenses

State law<sup>1</sup> 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). SBE rules<sup>2</sup> provide that expenditures from student activity and service fees be according to a budget prepared jointly by students and college staff and approved by the president.

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 that student activity and service fees are limited to 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 and, for the 2022-23 fiscal year the College expended \$587,317 from the

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<sup>1</sup> Section 1009.23(7), Florida Statutes.

<sup>2</sup> SBE Rule 6A-14.057, Florida Administrative Code.

fees. To evaluate the propriety of those expenses, we requested for examination College records supporting eight selected expenses totaling \$182,206. We found that the expenses were in accordance with the President-approved budget; however, the fees funded, without apparent benefit to the student body in general, 103 student scholarships totaling \$47,287 for the Student Government Association and various other student activities and meal stipends totaling \$19,700 for 46 student athletes.

In response to our inquiries regarding the legal authority for these expenses, College management explained that the expenses were for students who participated in activities that benefited the student body. Specifically:

- The Student Government Association scholarships were for the students who planned and held student activity events and provided free food give aways to students attending the events.
- Theater, singing commodore, and visual arts scholarships and the student athlete meal stipends were for students who participated at student activity events.
- Brain Bowl scholarships were for students who participated in the club, which was open to all students.

Notwithstanding College management's explanations, it is not apparent that funding individual student scholarships and athlete meal stipends 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 that 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 establishing the President-approved budget and 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 meal stipends and reimburse \$66,987 to the student activity and service fund.

## ***PRIOR AUDIT FOLLOW-UP***

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The College had taken corrective actions for findings included in our report No. 2022-046.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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 2024 through June 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 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. 2022-046.
- 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 2023 through December 2023, and selected College actions taken prior 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 and the related requirements.
- Reviewed College information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as data center physical security, authentication, and disaster recovery.
- Examined College records supporting the access for the 16 employees assigned access privileges to critical finance or payroll applications during the audit period to determine the appropriateness and necessity of the access privileges based on employee job duties and user account functions and whether the access privileges prevented the performance of incompatible duties.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. For the 59 employees who separated from College employment during the audit period, we examined College records to determine whether access privileges had been timely deactivated.
- Evaluated College procedures for protecting sensitive personal information of students, including social security numbers. From the population of 65 employees who had access to sensitive personal information of students during the audit period, we examined College records supporting the access privileges granted to 22 selected employees to determine the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- 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 1009.23(9), Florida Statutes.
- To determine whether student tuition and fees totaling \$10.1 million during the 2022-23 fiscal year were properly assessed and authorized, accurately calculated, and correctly recorded in accordance with Board policies and statutory and State Board requirements:
  - Examined College records for 30 selected students and their related fees totaling \$38,957 during Summer 2022, Fall 2022, and Spring 2023 to determine whether the College documented Florida residency and complied with Sections 1009.21, 1009.22, and 1009.23, Florida Statutes, and State Board of Education Rules 6A-10.044 and 6A-14.054, Florida Administrative Code.
  - Determined whether the College had established procedures to cancel the registration of students who did not timely pay fees and to record deferred fees as a receivable.
- From the population of 247 distance learning courses with fee revenue totaling \$493,605 during the audit period, examined College records supporting 27 selected distance learning courses during Fall 2023 Semester with fee revenue totaling \$36,705 to determine whether the College assessed, collected, and separately accounted for distance learning fees in accordance with Section 1009.23(16)(a) and (b), Florida Statutes.
- From the population of capital improvement fees totaling \$645,186 during the audit period, examined College records to determine whether the College properly assessed and separately accounted for the amounts as required by Section 1009.23(11), Florida Statutes.

- Examined supporting documentation to determine whether the College complied with Section 1009.23, Florida Statutes, by properly calculating, assessing, and expending financial aid, student activity, and technology fees with revenue totaling \$1.3 million for the audit period.
- From the population of purchasing card (P-card) transactions totaling \$491,512 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$100,763 to determine whether the P-card program was administered in accordance with Board policies and College procedures and transactions were not of a personal nature.
- Examined P-card records for the six cardholders who separated from College employment or no longer needed the card during the audit period to determine whether the College timely canceled the cardholders' P-cards.
- From the only significant construction project during the audit period with expenses totaling \$7.9 million, examined College records supporting all project expenses to determine compliance with Board policies and College procedures and applicable provisions of State law and State Board of Education rules. Specifically, we examined College records to determine whether:
  - The architects were properly selected pursuant to Section 287.055, Florida Statutes, and adequately insured.
  - Documentation supporting the expenses was sufficient and demonstrated contractor compliance with the contract provisions.
  - The College made use of the sales tax exemption to make direct purchases of materials or documented justification for not doing so.
- From the population of Deferred Building Maintenance Program expenses totaling \$570,512 during the audit period, examined College records supporting five selected expenses totaling \$416,219 to determine whether use of the funds was consistent with restrictions imposed on the resources pursuant to Chapter 2022-156, Laws of Florida, General Appropriations Act, Section 197.
- From the population of contracted service expenses (not related to construction) totaling \$6 million during the audit period, examined College records supporting selected contracted services payments totaling \$1.9 million to determine whether services were competitively selected, contracts were timely executed, and receipt of services was properly documented.
- From the population of 346 industry certifications reported for performance funding that were attained by students during the 2022-23 fiscal year, examined 31 industry certifications for 30 students to determine whether the College maintained documentation for student attainment of the industry certifications.
- 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.
- Examined College records for the audit period to determine whether the College had appropriate controls in place to ensure vendor information changes in its information system are appropriate and verified.
- 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***

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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



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

Re: Gulf Coast State College  
Response to Operational Audit  
Preliminary & Tentative Finding

Dear Ms. Norman,

The following is the Gulf Coast State College response to the Preliminary & Tentative Finding resulting from the college's recent operational audit.

#### **Finding 1: Student Activity and Service Fees and Expenses**

**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 establishing the President-approved budget and 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 meal stipends and reimburse \$66,987 to the student activity and service fund.

**Response:** As mentioned in the audit report, the college has acted in good faith in the administration of the student activity and service fee, and would assert that the entire student body in general benefits from the scholarships granted to student government officers and other students involved in college activities open to all students. However, the college does wish to comply with all statutes, rules and best business practices in all we do. To ensure that is the case, all parties involved in the budgeting and expenditure process for these funds will receive the appropriate training and oversight. The college has already taken corrective actions for the finding.

Sincerely,

Glen R. McDonald  
President

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