

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-041
October 2024

INDIAN RIVER STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2023 calendar year, Dr. Timothy Moore served as President of Indian River State College and the following individuals served as Members of the Board of Trustees:

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J. Brantley Schirard Jr.	St. Lucie
Milo Thornton	Indian River

^a Trustee resigned 9-30-23, and position vacant through 12-31-23.

The team leader was James Horr and the audit was supervised by Clare Waters, 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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INDIAN RIVER STATE COLLEGE

SUMMARY

This operational audit of Indian River State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2022-040. Our operational audit disclosed the following:

Finding 1: College controls over tangible personal property (TPP) were deficient. College records identified 1,404 TPP items costing \$25.2 million at December 31, 2023.

Finding 2: College controls over competitively solicited procurements could be enhanced.

Finding 3: College procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

BACKGROUND

Indian River 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 Fort Pierce, Okeechobee, Port St. Lucie, Stuart, and Vero Beach. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Indian River, Martin, Okeechobee, and St. Lucie Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Tangible Personal Property

Board policies¹ and College administrative procedures² require the College to maintain adequate records of tangible personal property (TPP).³ Board policies require the Director of Procurement to develop a property records manual that describes the processes and controls necessary to implement the intent of Board policies. Board policies and College administrative procedures also require that a complete physical TPP inventory be taken annually and any discrepancies between the annual inventory results and inventory records be reconciled and investigated as appropriate.

¹ Board Policy 7450 - *Property Asset Inventory* (effective November 1, 2023) and Board Policy 6HX11-8.42 - *Inventory Control and Disposal of Tangible Personal Property* (effective prior to November 1, 2023).

² College Administrative Procedure 8.42, *Record and Inventory Control of Property*.

³ Board Policy 7450, effective November 1, 2023, defines TPP as items with a cost of \$1,000 or more and a life expectancy of 1 year or more. Prior to that date, Board policy defined TPP as items with an original cost or value of \$5,000 or more.

College administrative procedures require the location and assigned employee be identified in each TPP item's property record and that each item be tagged with an asset identification number. According to College personnel, the Purchasing Department is responsible for maintaining the TPP records, tagging the TPP, conducting the annual physical inventories, reconciling the inventory results to the TPP records, and investigating and resolving any reconciliation discrepancies.

College TPP records identified 1,404 TPP items with acquisition costs of \$25.2 million at December 31, 2023. To gain a better understanding of College controls over TPP, we asked for the property records manual and College records supporting the most recent TPP inventory. However, according to College personnel, the property records manual had not been developed as of July 2024, no physical TPP inventory was conducted during the 2023 calendar year, and College records did not identify the date of the most recent physical TPP inventory. College personnel indicated that these deficiencies existed due to the lack of available College staff and that, during the 2024-25 fiscal year, a property records manual would be completed and a physical TPP inventory would be conducted.

To further evaluate controls over College TPP and compliance with Board policies and College administrative procedures, we selected 55 TPP items that we physically observed on College premises to trace to the College TPP records and 33 TPP items with costs totaling \$410,457 from the College TPP records to physically observe on College premises. Through these procedures, we identified additional control deficiencies and noncompliance with TPP requirements. Specifically, we found that:

- 6 (18 percent)⁴ of the 33 TPP items we selected from the TPP records to physically observe could not be located.
- The TPP records for 62 (76 percent)⁵ of the 82 TPP items physically observed did not accurately identify the location of the TPP items.⁶ According to College personnel, due to construction activities, the location of several TPP items differed from the locations recorded in the TPP records.
- 57 (70 percent) of the 82 TPP items physically observed were not tagged with asset identification numbers. Moreover, College personnel indicated that none of the 359 TPP items purchased during the 2023 calendar year with acquisition costs totaling \$5.9 million were tagged. According to College personnel, the items were not tagged due to the lack of available staff and because certain items were shipped directly to user departments without being subsequently tagged.
- The TPP records for 25 (28 percent) of the 88 TPP items did not properly identify who was assigned responsibility for the items.⁷ In response to our inquiry, College personnel indicated that the Purchasing Department is not notified of the employee assigned responsibility for the TPP when TPP is delivered directly to user departments or informed when employees separate from College employment. As a result, TPP records did not always properly reflect TPP assignments.

⁴ The total cost of the 6 TPP items was \$39,791 or 10 percent of the 33 TPP items' total cost.

⁵ The total cost of the 62 TPP items was \$1,610,650 or 90 percent of the 82 TPP items' total cost.

⁶ TPP records for 50 items identified the campus on which the items were located without identifying the campus building or room number for the items; TPP records for 10 items did not identify any location information for the items; and TPP records for 2 items listed a location that was different from the actual location of the items.

⁷ TPP records for 13 items did not identify anyone assigned to the TPP and 12 items were assigned to individuals who no longer worked for the College.

Absent effective controls over TPP and compliance with TPP requirements, there is an increased risk that the College will lack accountability for TPP, the value of TPP will not be accurately reflected in the TPP records, that TPP may be lost, stolen, or misused.

Recommendation: The College should enhance procedures to provide proper accountability for College TPP. Such enhancements should ensure that:

- The Director of Procurement develops the Board-required property records manual that describes the processes and controls necessary to implement the intent of Board policies.
- An annual physical inventory of all TPP is conducted, the inventory results are reconciled to the TPP records, and any discrepancies between the inventory results and TPP records are appropriately investigated and resolved.
- TPP records identify the location of, and employee assigned responsibility for, each TPP item.
- Each TPP item is tagged with an asset identification number.

Finding 2: Competitively Solicited Procurement

State Board of Education (SBE) rules⁸ require the College to publicly solicit the submittal of competitive offers from at least three sources for purchased services or commodities exceeding \$65,000.⁹ SBE rules also provide that, in lieu of requesting competitive solicitations, the College may make purchases at the unit or contract price established through competitive solicitations by any unit of government established by law or buying cooperatives. When making purchases based on prices established through the competitive solicitations of other governments, it is important that the College maintain records supporting those prices and solicitations.

To evaluate the propriety of College procurements, we requested for examination College records supporting 25 purchase orders totaling \$5.2 million selected from the 3,602 purchase orders totaling \$35 million¹⁰ issued during the 2023 calendar year. We found that College controls were generally adequate to support 23 of the purchases. However, we also found that College controls over purchases based on prices established through the competitive solicitations of other governments could be improved. Specifically, in lieu of requesting competitive solicitations and based on an award of another government, the College issued purchase orders in:

- September 2023 for a fire truck costing \$489,000; however, the contract of the other government was not executed until January 2024, 4 months after the College issued the purchase order for the fire truck. Although we requested, College records were not provided to support the solicitations or prices of the other government's procurement or how that procurement correlated to the specifications of the College's procurement.
- October 2023 for two semi-trucks costing \$164,474 each. However, according to the terms of the other government contract, the base and applicable option price was \$153,860 or \$10,614 less than the base and applicable option price of the College procurement. In response to our inquiry, College personnel indicated that the semi-trucks acquired included specifications not contemplated in the other government contract. Although we requested, College records were

⁸ SBE Rule 6A-14.0734, Florida Administrative Code.

⁹ Section 287.017, Florida Statutes Category Three Amount.

¹⁰ As of December 31, 2023, the College had expended \$32.2 million related to the 3,602 purchase orders.

not provided to demonstrate the other government's competitive solicitation process or why the College did not pay the base and option prices included in the other government contract.

In response to our inquiry, College personnel indicated that the College had not established procedures to demonstrate that, in lieu of requesting competitive solicitations, purchases were made at the unit or contract price established through competitive solicitations by other governments. Such procedures could include the maintenance of records supporting the other government's solicitation, evaluation process and scoring criteria, and final contract, along with documented verifications that the College contract terms and prices agree with the other government's contract.

College personnel also indicated that, although the College had not established the procedures, the *Council on Purchasing Professionals Purchasing Reference Manual for the Florida College System* is sometimes followed. Notwithstanding, neither Board policies nor the College procedures required compliance with the *Manual* and the *Manual* lacked detailed instructions regarding the records needed to support procurements based on procurement processes of other governments.

Recommendation: The College should establish procedures to require and ensure that, when procurements are based on the competitive solicitations of other governments, College records demonstrate the propriety of the solicitation process and that the procurement is at the same unit or contract price established through the competitive solicitations.

Finding 3: Adult General Education

State law¹¹ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The College received State funding for adult general education, and General Appropriations Act¹² proviso language requires each college to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.¹³ FDOE procedures state that fundable instructional contact hours are scheduled classroom hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

For the Spring 2023 Term, the College reported a total of 113,057 instructional contact hours for 829 students enrolled in 62 adult general education classes. As part of our audit, we requested for examination College records for 7,681 reported contact hours for 44 selected students enrolled in 18 adult general education classes. We found that instructional contact hours were overreported by 1,413 hours for 15 students enrolled in 17 classes and underreported by 18 hours for 1 student enrolled in 1 class.

In response to our inquiry, College personnel indicated that student enrollment and last attendance dates were not always accurately recorded, resulting in the incorrect contact hours reported. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important for the College to submit accurate and complete data.

¹¹ Section 1004.02(3), Florida Statutes.

¹² Chapter 2022-156, Laws of Florida, General Appropriations Act, Specific Appropriation 125.

¹³ The FDOE's Technical Assistance Paper: Adult General Education Instructional Hours Reporting Procedures, Dated September 2020.

Recommendation: The College should strengthen procedures to ensure that instructional contact hours for adult general education classes are properly supported and accurately reported to the FDOE. Such procedures should include the accurate recording of enrollment and last attendance dates for adult general education students.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2022-040.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2024 through August 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. 2022-040.
- 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.
- Examined College records to determine whether the College had developed an anti-fraud policy for the audit period to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with an anti-fraud policy.
- Determined whether student fees totaling \$4.9 million collected during the audit period pursuant to Section 1009.23, Florida Statutes, were within the amounts authorized, paid into appropriate accounts to maintain accountability, and used as authorized by State law.
- From the population of 3,835 course sections offered for the Spring 2023 and Fall 2023 terms, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- Inquired of College personnel and examined College records to determine if the College approved any extra compensation payments during the audit period contrary to Section 215.425, Florida Statutes.
- Examined severance pay provisions in the President's contract for the period September 23, 2023, through August 31, 2028, to determine whether the contract complied with Section 215.425(4)(a), Florida Statutes.
- For the 6 administrative employees (including the President) who received over \$200,000 in compensation payments during the audit period, examined records supporting the payments totaling \$1.7 million to determine whether the amounts paid exceeded the limits established in Sections 1012.885 and 1012.886, Florida Statutes.

- Examined College records supporting the 31 College administrative employees required to receive employee performance evaluations to determine whether the evaluations were properly completed pursuant to Board Policy 1040 for the President’s evaluation and College Administrative Procedures 6Hx11-6.22 for the employee evaluations.
- From the population of 3,602 purchase orders totaling \$35 million issued during the audit period, examined supporting documentation for 25 selected purchase orders totaling \$5.2 million to determine whether:
 - The College complied with applicable competitive selection requirements (e.g., SBE Rule 6A-14.0734, Florida Administrative Code).
 - College records evidenced that services were satisfactorily received and conformed to purchase order terms before payment.
 - The payments complied with purchase order provisions.
- From the population of 5,057 purchasing card (P-card) transactions totaling \$1.4 million during the audit period, examined College records supporting 30 selected P-card transactions totaling \$29,327 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 cardholder limits for the 118 cardholders during the audit period to determine if the limits were reasonable and, for 30 of the 118 cardholders, that a cardholder agreement was on file evidencing that the cardholder acknowledged the terms and conditions of the P-card’s use.
- For the significant construction project with contracts totaling \$14.5 million during the audit period, examined supporting documentation to determine whether the College complied with Board Policy 6320 – *Purchasing and Contracting for Commodities and Contractual Services*, Board Policy 6322 – *Construction Projects, Contracting, Bidding, and Advertising*, and College Administrative Procedure 6Hx11-2.21 – *Purchasing, Receiving, Contracting, and Disbursement Procedures*, along with applicable provisions of State law. Specifically, we examined College records to determine whether:
 - The construction manager was properly selected pursuant to Section 255.103, Florida Statutes, and Board policies.
 - College personnel properly monitored subcontractor competitive selections and licensures.
 - College records supporting selected payments totaling \$5.1 million were sufficient and College procedures for monitoring payments were adequate.
 - College had procedures to ensure that the required inspections were performed for compliance with Florida Building Code and Florida Fire Prevention Code.
- From the population of 829 adult general education instructional students reported for 113,057 contact hours for the Spring 2023 Term, examined College records supporting 7,681 reported contact hours for 44 selected students to determine whether the College reported the instructional contact hours in accordance with the Florida Department of Education (FDOE) requirements.
- From the population of 611 industry certifications reported for performance funding that were attained by students during the 2022-23 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- Determined whether the College’s unencumbered balance in the general fund was below the threshold established in Section 1011.84, Florida Statutes.
- 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.

- Evaluated College tangible personal property (TPP) inventory controls to determine whether a complete annual physical TPP inventory was conducted and the inventory results were reconciled to the TPP records with discrepancies investigated and resolved.
- From the population of 1,404 TPP items with acquisition costs of \$25.2 million at December 31, 2023, selected 55 items physically observed on College premises to trace to the TPP records and selected 33 items from the TPP records to physically observe on College premises. In addition, we evaluated whether the TPP records supporting the 88 selected TPP items contained the required information.
- Determined whether the College had appropriate controls in place to ensure vendor information changes were appropriate and verified.
- Evaluated the effectiveness of College controls during the Spring 2023 Term to ensure that student enrollment data reported to the FDOE was supported by College records and 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.
- From the population of Deferred Building Maintenance Program expenses totaling \$3.1 million during the audit period, examined records supporting 23 selected expenses totaling \$2.1 million to determine whether use of the funds was consistent with restrictions imposed on resources pursuant to Chapter 2022-156, Laws of Florida, General Appropriations Act, Section 197.
- 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



INDIAN RIVER STATE COLLEGE

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October 30, 2024

Sherrill F. Norman
Auditor General
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111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The following is our response to the three (3) preliminary and tentative findings on the 2023 Operational Audit of Indian River State College administered by the State of Florida, dated October 3, 2024.

Finding 1: College controls over tangible personal property (TPP) were deficient. College records identified 1,404 TPP items costing \$25.2 million at December 31, 2023.

Recommendation: The College should enhance procedures to provide proper accountability for College TPP.

Indian River State College Response: Indian River State College acknowledges and accepts the Auditor General's recommendation. The College will create property tags per Board Policy 7450, with the location and owner assigned including campus location, building, and room numbers with a completion date of March 2025. In addition, the college is in the process of hiring an Inventory Coordinator. This position will be assigned to comply with inventory audit and ensure and verify inventory assets are tagged, locations updated, and asset owners are correct and current. The college will develop and implement a property records manual as described in the procedures with the necessary controls per Board policy. The college will conduct monthly spot checks of inventory and an annual audit and physical count. Documentation and record of these audits will be maintained by the Purchasing department.

Finding 2: College controls over competitively solicited procurements could be enhanced.

Recommendation: The College should establish procedures to require and ensure that, when procurements are based on the competitive solicitations of other governments, College records demonstrate the propriety of the solicitation process and that the procurement is at the same unit or contract price established through the competitive solicitations.

Indian River State College Response: Indian River State College acknowledges and accepts the Auditor General's recommendation and the State Board of Education (SBE) rules for competitive public solicitations. The Purchasing department will ensure all quotes, proposals and requisitions, match the state, federal or cooperative pricing before issuing a Purchase Order (PO). If a state, federal or cooperative

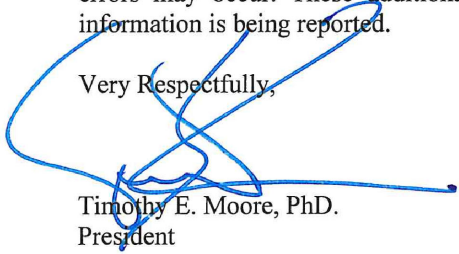
contract is not fully executed or expired, the purchasing department will not proceed with issuing Purchase Order (PO), in accordance with SBE Rule 6A-14.0734 and section 287.017 of the State of Florida Statutes. A public solicitation will be published when thresholds are greater than the college's Board policy requirements.

Finding 3: College procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Recommendation: The College should strengthen procedures to ensure that instructional contact hours for adult general education classes are properly supported and accurately reported to the FDOE. Such procedures should include the accurate recording of enrollment and last attendance dates for adult general education students.

Indian River State College Response: Indian River State College acknowledges and accepts the Auditor General's recommendation. The College has implemented new trainings and procedures to ensure that instructional contact hours for adult general education classes are accurately reported. Employees who enter last date of attendance and X grades in the College's ERP have received additional training regarding how to enter the information in the system. The training also emphasizes the importance of accurate data entry. In addition, procedures for getting the attendance data into the ERP's reporting program have changed. Attendance files with aggregated hours of attendance for each student are now imported directly into the program, bypassing the need for extra calculations and thus eliminating a manual step where errors may occur. These additional trainings and procedures are intended to ensure that accurate information is being reported.

Very Respectfully,



Timothy E. Moore, PhD.
President

Cc: Edith Pacacha, Vice President of Administration and Finance, CFO