

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2026-080
January 2026

SOUTH FLORIDA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2024 calendar year, Fred Hawkins served as President of South Florida State College and the following individuals served as Members of the Board of Trustees:

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Devon Donaldson from 4-19-24 ^b	Highlands
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^a Vice Chair position vacant 8-9-24, through 8-13-24.

^b Trustee position vacant through 4-18-24.

^c Trustee position vacant from 4-20-24.

^d Trustee position vacant from 6-1-24.

The Auditor General conducts 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.

The team leader was Shaun Miller, CPA, and the audit was supervised by Mark A. Arroyo, 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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SOUTH FLORIDA STATE COLLEGE

SUMMARY

This operational audit of South Florida State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2023-009. Our operational audit disclosed the following:

Finding 1: College records did not clearly demonstrate compliance with the statutory contracting requirement limiting the amount that would be spent on energy conservation measures to the amount to be saved in energy and operating costs.

Finding 2: College records did not evidence compliance with the statutory competitive selection requirement when procuring energy performance-based services totaling \$12.6 million.

Finding 3: According to College personnel, the College relied on a buying cooperative's competitive solicitation and contract award processes for energy savings equipment and other measures totaling \$4 million; however, College records did not demonstrate the cooperative's solicitation process or that the College received the same contract prices established by the cooperative.

BACKGROUND

South Florida 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 eight members appointed by the Governor and confirmed by the Senate. The College President serves as the Executive Officer and the Corporate Secretary of the Board and is responsible for the operation and administration of the College.

The College has campuses in Arcadia, Avon Park, Bowling Green, and Lake Placid. Additionally, credit and noncredit classes are offered in public schools and other locations throughout DeSoto, Hardee, and Highlands Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Energy Performance-Based Contract – Projected Savings

Pursuant to State law,¹ colleges are encouraged to invest in energy conservation measures that reduce energy consumption and produce cost savings. State law² authorizes the College to enter into an energy performance-based contract if it finds that the amount it would spend on the energy conservation measures will not exceed the amount to be saved in energy and operating costs over 20 years from the

¹ Section 1013.23, Florida Statutes.

² Section 1013.23(3)(e), Florida Statutes.

date of installation and that the annual savings are guaranteed to the extent necessary to make annual payments to satisfy the contract.

In January 2025, the College entered into an energy performance-based contract with acquisition costs totaling \$12.6 million for installation of energy conservation equipment in certain existing facilities and performance assurance services.³ The contract included projected financing costs over 18 years totaling \$19.2 million⁴ and projected guaranteed cost savings totaling \$21 million, including energy cost savings totaling \$10.5 million and operating cost savings totaling \$10.5 million. Since the projected guaranteed cost savings (\$21 million) exceeded the projected financing costs (\$19.2 million) by \$1.8 million, the College decided to proceed with contracting for the energy conservation measures.

As part of our audit, we requested for examination College records supporting the College decision to contract for the energy conservation measures and were provided various College analyses along with the contract detailing the projected operating and energy savings guarantees. Specifically, the contract:

- Included projected operating cost savings totaling \$7.4 million, or \$410,931 for each of the 18 years of the contract period, for capital costs avoided by entering into the energy performance-based contract. The contract stated that the capital costs would have been necessary to replace equipment with ages ranging from 15 to 33 years, including certain existing chillers, cooling towers, thermal storages, air handler units, and chilled water valve equipment. However, although we requested, College records were not provided to justify how the College would avoid future capital costs since the College purchased the equipment through the energy performance-based contract.
- Excluded consideration of equipment directly purchased from the energy savings service provider for \$1.9 million (discussed in Finding 3) since that equipment was not financed through the energy performance-based contract. However, the energy performance-based contract included calculated operating cost savings totaling \$2.1 million for avoided direct costs from the purchased equipment and, although we requested, College personnel could not explain why those equipment purchase costs did not impact the projected savings generated by the equipment or the basis for excluding those equipment costs from the College analyses.

Had the College analysis excluded consideration of the \$7.4 million operating cost savings and included consideration of the equipment purchase costs totaling \$1.9 million, the College's total annual contract payments would have exceeded the actual savings by a total of \$7.5 million.⁵ Absent documented explanations of the relevancy of operating cost savings in, and exclusion of purchased equipment costs from, the calculated total savings amount, compliance with the statutory requirement⁶ limiting total annual contract payments to the actual annual savings is not readily apparent.

³ The contractor-provided performance assurance services included all labor activities, site visits, and monitoring and analyses necessary to calculate an estimate of the projected energy cost savings assurance report and the annual savings achieved performance assurance report for each annual period. The reports of projected savings were certified by a registered engineer employed by the energy savings service provider.

⁴ The projected financing costs included principal payments totaling \$12.6 million and interest payments totaling \$6.6 million.

⁵ The savings deficiency of \$7.5 million was calculated based on the original projected guaranteed cost savings over the projected financing costs, or \$1.8 million, minus the projected operating cost savings totaling \$7.4 million and equipment directly purchased from the energy savings service provider with costs totaling \$1.9 million.

⁶ Section 1013.23(2)(c)2., Florida Statutes.

Recommendation: The College should maintain appropriate records to demonstrate compliance with the energy performance-based contracting requirements. Such records should include documented consideration demonstrating how operating cost savings are actually achieved when the College incurs similar costs and how direct equipment purchases impact projected savings generated by that equipment.

Follow-Up to Management’s Response

Management’s response states that “nothing in Section 1013.23, Florida Statutes precludes the consideration of forgone capital costs in the calculation of guaranteed cost savings” and that “the College stands by its analysis of the projected cost savings and contrary to the Auditor’s assertions, had the College not engaged in this project it would have most certainly incurred significant capital and operational costs over the course of the project period as well as risked operational disruptions and decreased efficiency and effectiveness of HVAC systems campuswide.”

To enter into an energy performance-based contract pursuant to State law, the amount that the College will spend on the energy conservation measures must not exceed the amount to be saved in energy and operating costs. However, according to College records, the amount that the College will spend will exceed the amount it will save. Consequently, College records did not demonstrate compliance with the energy performance-based contracting requirements and the finding stands as presented.

Finding 2: Competitive Selection

Before contracting for energy performance-based measures, State law⁷ requires the College to publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project the basic construction cost of which is estimated to exceed \$325,000. For each proposed project, the College must evaluate current statements of qualifications and performance data on file with the College, together with those that may be submitted by other firms regarding the proposed project, and must conduct discussions with, and may require public presentations by, no fewer than three firms regarding their qualifications, approach to the project, and ability to furnish the required services.

As discussed in Finding 1, in January 2025 the College entered into an energy performance-based contract totaling \$12.6 million to install energy conservation equipment in certain existing facilities and to receive performance assurance services. According to College personnel, the College relied on a buying cooperative’s competitive selection award when selecting the energy performance contractor. However, College records did not evidence compliance with the statutory competitive selection requirement or demonstrate that the energy performance contract was awarded in a fair, equitable, and reasonable manner.

Recommendation: The College should enhance procedures to ensure that, when selecting an energy performance contractor, competitive selection requirements are followed in accordance with State law.

⁷ Section 1013.23(3)(b) and 287.055, Florida Statutes.

Finding 3: Competitive Solicitation

Pursuant to the State Board of Education (SBE) rules,⁸ the College must generally request competitive solicitations from three or more sources for contractual services exceeding \$65,000. Notwithstanding, the requirement for requesting competitive solicitations for contractual services from three or more sources is waived pursuant to SBE rules⁹ when purchasing at the contract prices established through competitive solicitation by another unit of government or buying cooperative. When relying on another governmental entity's competitive solicitation and contract award processes, it is important to obtain and review records demonstrating that the contract prices are consistent with those established through competitive solicitation prior to awarding the contract.

In October 2024, the Board approved issuance of a purchase order to a vendor to purchase chillers and heating, ventilation, and air conditioning (HVAC) equipment for \$1.9 million. College personnel indicated that the HVAC equipment was purchased, instead of being financed as a part of the energy performance-based contract referenced in Findings 1 and 2, to recognize sales tax savings and to use available deferred maintenance funding. In that month, the Board also approved issuance of a \$2.1 million purchase order to the same vendor for HVAC equipment and piping to replace the existing underground leaking chilled water piping.

According to College personnel, the purchases totaling \$4 million were procured by relying on a competitive solicitation made by a buying cooperative, as referenced in Finding 2. However, College records did not demonstrate that the buying cooperative's competitive solicitation process and contract with the vendor excluded the price of purchased chillers and HVAC equipment. Consequently, College records did not demonstrate that use of the buying cooperative's contract was to the College's economic advantage or that the College received the same contract prices as the buying cooperative.

Recommendation: The College should enhance procedures to ensure that, when relying on a buying cooperative's competitive solicitation and contract award processes, College records demonstrate the cooperative's competitive solicitation process, and that the College received the same established contract prices as the cooperative.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2023-009.

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

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

⁹ SBE Rule 6A-14.0734(2)(c), Florida Administrative Code.

We conducted this operational audit from March 2025 through November 2025 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 information technology resources and related controls, textbook affordability, capital improvement plans, energy savings contracts, Purchasing cards, Unexpended Plant and Deferred Maintenance Funds, student enrollment and other 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. 2023-009.
- 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 2024 through December 2024 and selected College actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although

we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, College policies and procedures, and other guidelines, and interviewed College personnel to obtain an understanding of applicable processes and administrative activities 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 security, systems development and maintenance, disaster recovery, and incident response and recovery.
- Evaluated College procedures for maintaining and reviewing employee access to IT data and resources. We examined access privileges to the finance and human resources applications during the audit period for 28 of the 142 total users to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and the adequacy with regard to preventing the performance of incompatible duties.
- Evaluated College procedures that prohibit former employees' access to College IT data and resources. We examined the access privileges for the 34 employees who separated to determine whether their access privileges had been timely deactivated.
- Examined College records during the audit period to determine whether vendor and employee information changes, such as address and bank information changes, were properly authorized, documented, and verified before payments were made.
- Evaluated the College's guaranteed energy savings contracting process for reasonableness and compliance with Section 1013.23, Florida Statutes.
- Evaluated the effectiveness of the College's procurement process for three contracts totaling \$4.1 million under provisions of State Board of Education Rule 6A-14.0734, Florida Administrative Code.
- 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.
- From the population of 1,122 course sections offered during the audit period, examined College records supporting textbook adoptions to determine whether the College textbook affordability procedures complied with Section 1004.085, Florida Statutes.
- From the population of 5,122 purchasing card (P-card) transactions totaling \$1.3 million during the audit period, examined College records supporting 43 selected P-card transactions totaling \$202,091 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 18 cardholders who separated from College employment during the audit period to determine whether the College timely canceled the cardholders' P-cards.
- From the population of 1,241 adult general education instructional students reported for 217,515 contact hours for the Spring, Summer, and Fall 2024 Semesters, examined College records supporting 8,270 reported contact hours for 30 selected students to determine whether

the College reported the instructional contact hours in accordance with the Florida Department of Education requirements.

- From the population of 111 industry certifications reported for performance funding that were attained by students during the 2023-24 fiscal year, examined 35 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- From the population of Public Education Capital Outlay and other restricted capital outlay expenses totaling \$1.2 million during the audit period, examined records supporting 7 selected expenses totaling \$307,307 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of deferred maintenance funds totaling \$2.7 million during the 2023 and 2024 calendar years, examined records supporting 6 selected expenses totaling \$2.4 million to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources in Chapter 2022-156, Laws of Florida, General Appropriations Act, Section 197.
- Reviewed the capital improvement plans for the 2024-2025 through 2026-27 fiscal years to determine that the College's capital projects were properly reported in accordance with Division of Florida Colleges instructions for consideration in the Florida Department of Education annual legislative budget request for Public Education and Capital Outlay funding submitted to the Legislature.
- Examined College records and inquired of College personnel to determine 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.
- 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



OFFICE OF THE PRESIDENT

January 9, 2026

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

Dear Ms. Norman,

Please find enclosed the College's responses to the preliminary and tentative audit findings and recommendations that may be included in your report to be prepared on your 2025 Operational Audit of South Florida State College.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. D. Hawkins", is written over a light blue circular stamp.

President

Finding 1: College records did not clearly demonstrate compliance with the statutory contracting requirement limiting the amount that would be spent on energy conservation measures to the amount to be saved in energy and operating costs.

Recommendation: The College should maintain appropriate records to demonstrate compliance with the energy performance-based contracting requirements. Such records should include documented consideration demonstrating how operating cost savings are actually achieved when the College incurs similar costs and how direct equipment purchases impact projected savings generated by that equipment.

Response: In the spring of 2024, the College embarked on a comprehensive analysis of the existing HVAC physical plant the goal of which was to determine the optimal deployment of approximately \$4.2 million in funds appropriated to the College for projects addressing the College's existing mechanical infrastructure, including building air quality, systems reliability, and systems efficiency. During the course of that analysis, several options for deploying those appropriated funds were considered, including:

- equipment refits for the existing chillers and cooling towers, which currently exceed the ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) expected useful life for such equipment by 10 or more years. Those refits have an expected life of 3-5 years before the warranty period would elapse, and further repairs/refits would become necessary.
- refit or replacement of several air handlers and/or chilled water valves in buildings around campus only. This equipment is all original to the construction of the buildings they are housed in and like the chiller and cooling tower equipment, often exceeding the ASHRAE expected useful life for such equipment by 10 or more years.
- construction of a completely new main chiller plant using geothermal storage for cooling.

As part of the assessment, the College and its business partner identified several major issues that needed to be addressed to ensure that we have a reliable, effective, and efficient HVAC system campuswide. Those included:

- identification and repair of the source(s) of chilled water leaks in the west campus chilled water loop. This loop connects the chiller to the individual buildings on campus. Additionally, we discovered that several segments of this loop were uninsulated pipe. Accordingly, in addition to direct water loss, we were losing thermal load between the chillers and the building resulting in increased operating costs and reduced control over temperature and humidity in several buildings.
- repair and/or replacement of several chilled water valves connecting the chilled water loop to the air handler equipment which were leaking and/or not compatible with modern electronic building control systems. Similarly to the chilled water loop, effectively operating chilled water valves are critical to the effective and efficient operation of the HVAC system in a modern building.
- complete rehab or replacement of the existing ice storage facility including rehab of all 50+ ice storage containers, the associated chiller and the connected cooling tower.
- replacement and resizing of the existing chiller equipment to more appropriately match campus capacity needs and provide for operational redundancy and improved efficiency.

Given the scope of the identified issues in the College's HVAC infrastructure, the College entertained combining the funds previously appropriated to the College and an energy savings performance contract to provide sufficient funds to completely modernize the existing infrastructure, achieve significant energy savings, and provide for improved air quality and comfort in the College's buildings.

Accordingly, the College and its business partner conducted the requisite analysis of the guaranteed cost savings needed to support the financed facility improvements as noted in your report. In addition to that analysis, the College's consideration of whether to proceed with this project included both the improvements made with funds provided through the guaranteed energy saving contract and those direct equipment purchases made from the funds previously appropriated to the College.

Nothing in Section 1013.23, Florida Statutes precludes the consideration of forgone capital costs in the calculation of guaranteed cost savings. The College's analysis and evaluation of the project included projections of the cost of maintaining the existing chiller equipment, air handlers, and chilled water valves that were well beyond their recommended useful lives and their ultimate replacement over the course of the project period should the project not proceed as proposed.

As to the inclusion of the direct purchased equipment, the inclusion of the cost of the purchased equipment in the analysis of guaranteed cost savings is certainly something that could be considered. However, excluding the funds provided from non-financed sources in the same analysis fails to consider all the resources applied to this project. The net effect of including both the cost and the additional College funds provided for such equipment has a negligible effect on the projected cost savings. As noted above, this energy performance-based contract was one of the funding sources in a larger modernization project and the decision to proceed with this project was made considering all the resources available to the College and ultimate impact of the project on the reliability, effectiveness, and efficiency the HVAC system campuswide.

The College stands by its analysis of the projected cost savings and contrary to the Auditor's assertions, had the College not engaged in this project it would have most certainly incurred significant capital and operational costs over the course of the project period as well as risked operational disruptions and decreased efficiency and effectiveness of HVAC systems campuswide.

Notwithstanding the above, the College will consider the Auditor's recommendations if we are to engage in an energy performance-based contract in the future.

Finding 2: College records did not evidence compliance with the statutory competitive selection requirement when procuring energy performance-based services totaling \$12.6 million.

Recommendation: The College should enhance procedures to ensure that, when selecting an energy performance contractor, competitive selection requirements are followed in accordance with State law.

Response: The College will consider the Auditor's recommendations if we are to engage in an energy performance-based contract in the future.

Finding 3: According to College personnel, the College relied on a buying cooperative's competitive solicitation and contract award processes for energy savings equipment and other measures totaling \$4 million; however, College records did not demonstrate the cooperative's solicitation process or that the College received the same contract prices established by the cooperative.

Recommendation: The College should enhance procedures to ensure that, when relying on a buying cooperative's competitive solicitation and contract award processes, College records demonstrate the cooperative's competitive solicitation process, and that the College received the same established contract prices as the cooperative.

Response: The College will enhance its procedures when using cooperative contracts.