

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-052
November 2023

NORTH FLORIDA COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period January through December 2022, Dr. John Grosskopf served as President of North Florida College and the following individuals served as Members of the Board of Trustees:

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^a Trustee position vacant from 4-19-22.

The team leader was Tiffany R. Stewart, CPA, and the audit was supervised by Glenda K. Hart, 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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NORTH FLORIDA COLLEGE

SUMMARY

This operational audit of North Florida College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2021-024. Our operational audit disclosed the following:

Finding 1: College controls over delinquent student accounts receivable were deficient.

Finding 2: The College did not provide appropriate accountability over tangible personal property.

BACKGROUND

North Florida 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 Live Oak, Madison, and Perry. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hamilton, Jefferson, Lafayette, Madison, Suwannee, and Taylor Counties.

FINDINGS AND RECOMMENDATIONS

Finding 1: Student Accounts Receivable

State law¹ provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts. The law further provides that the Board may adopt rules to implement a collection process that includes setoff procedures and restrictions on the release of transcripts, awarding diplomas, and access to other College resources and services.

According to College administrative procedures,² students whose fees have not been paid at the end of the registration period will have their registration canceled and those who owe partial fees on scholarships or grants, or have signed deferment requests against veteran benefits or financial aid, and do not pay the balance due on their account will be considered in default. College administrative procedures also provide that students will be invoiced for all funds owed and holds will be placed on their record, which will prevent future registrations and receipt of transcripts.

According to College personnel, delinquent accounts are reviewed once each year and the accounts over \$35 and greater than 90 days old are referred to a collection agency. Notwithstanding, neither Board

¹ Section 1010.03, Florida Statutes.

² NFCC Administrative Procedure 3.18 – *Delinquent Accounts and Returned Checks*.

policies nor College administrative procedures specify when an account is considered delinquent, should have a hold to prevent future registrations and receipt of transcripts, or should be referred to a collection agency.

College records included a list of students with delinquent accounts receivables (outstanding more than 90 days) totaling \$117,494 at June 16, 2022. As part of our audit, we requested for examination College records supporting 29 selected students with delinquent accounts receivables totaling \$30,948. We found that College efforts for collecting delinquent accounts from each of the 29 students were deficient. Specifically, of the 29 students:

- 2 students had delinquent accounts receivables of \$4,602 and \$1,448 that had been outstanding 398 and 295 days, respectively, and holds had not been placed on their accounts.
- 23 students with delinquent accounts receivables ranging from \$422 to \$3,558 (totaling \$22,426) did not have holds placed on their accounts until 27 to 1,032 days, or an average of 175 days, after the applicable registration period ended.
- 10 students had receivables ranging from \$469 to \$4,602 (totaling \$15,167) that were delinquent for 65 to 470 days, or an average of 251 days, and had not been referred to a collection agency.
- 16 students had receivables ranging from \$422 to \$2,181 (totaling \$12,960) that were referred to a collection agency 350 to 1,057 days (an average of 627 days) after the accounts became delinquent.
- During the 2022 calendar year, 2 students each received a diploma and another student received a certificate while they had delinquent accounts receivables of \$4,602, \$1,181, and \$742 (totaling \$6,525). Subsequently, on April 13, 2023, 1 of the 3 students paid the \$742 due; however, the receivables for the other 2 students remained unpaid as of that date.
- 2 students were allowed to register while they had delinquent accounts receivables of \$583 and \$357 (totaling \$940) and incurred additional fees totaling \$4,257 for subsequent terms that were also uncollected as of June 16, 2022.

College personnel indicated that they did not have adequate procedures to timely place holds on student accounts or refer delinquent accounts to a collection agency. Without such, students with delinquent accounts were sometimes allowed to register in subsequent terms, incur additional fees, and be awarded diplomas or certificates.

Absent effective receivable collection efforts, there is an increased risk for inconsistent and untimely collection efforts, for student account balances to remain uncollected and ultimately be written off, and for students to register and receive diplomas or certificates without paying course fees.

Recommendation: The College should establish Board rules or College procedures that specify when an unpaid student account is considered delinquent, should have a hold placed to prevent future registrations and receipt of transcripts, and should be referred to a collection agency. In addition, the College should implement effective controls to comply with the established rules or procedures and demonstrate appropriate efforts to collect all delinquent accounts.

Finding 2: Tangible Personal Property

Board policies and the College *Procedure Manual*³ require the College to maintain adequate records of TPP (i.e., furniture, machinery, and equipment costing \$5,000 or more with a useful life of 1 year or more) in its custody. Those provisions also require that a complete physical inventory be taken annually and as often as deemed appropriate, such as when there is a change in custodians, the results of the physical inventory be compared to the property records, and any differences be researched and resolved.

The College *Procedure Manual* provides that each item of property shall be assigned to a College employee as designated custodian. Inventory sheets must be sent to each custodian on an annual basis to be verified, signed, and submitted to the property records clerk; however, the custodian is not to conduct the physical inventory of the property for which the custodian is responsible. At a minimum, the TPP physical inventory records should contain, the inventory date, TPP identification number, serial number, physical location, name and signature of the employee attesting to the existence of the item, and its condition. In addition, “spot” checks of property location are to be made by the property records clerk, or designee. Unlocated items are to be thoroughly investigated and, if the investigation determines that the item was stolen, the College is required to file a report with the appropriate law enforcement agency describing the missing property item and the circumstances surrounding its disappearance.

The College maintains TPP records on a spreadsheet identifying the property’s assigned number, description, cost, assigned custodian, and other relevant data. The College *Procedures Manual* requires all property be permanently marked or tagged unless the value or utility of the item of property would be significantly impaired by the attachment of the property number, in which case sufficient descriptive data should be maintained in the property file to identify the property item.

According to College personnel, at fiscal year end, the property records clerk notifies the inventory custodians by e-mail with a list of their respective property items and instructions to complete the annual inventory. College personnel also indicated that any property items found during the process, which had not been previously recorded, are to be communicated to administrative services for documenting and items not located are to be promptly reported for investigation. As of June 30, 2022, the College had assigned TPP with acquisition costs totaling \$2.6 million to 19 property custodians.

As part of our audit, we requested for examination College records supporting the physical TPP inventory for the 2021-22 fiscal year. Our examination and discussion with College personnel found that the College did not provide appropriate accountability over TPP. Specifically:

- College records and College personnel indicated that the physical inventory was only conducted by 13 of the 19 property custodians and that TPP with acquisition costs totaling \$630,000, or 24 percent of the TPP costs, was not inventoried.
- The physical inventory was conducted by inventory custodians who had the incompatible duties of TPP recordkeeping and asset custody responsibilities. In addition, College records did not demonstrate any “spot” checks of property location by the property records clerk, or designee.

³ Board Policy and Procedure No. 3.14, *Accountability for College Owned Furniture and Equipment*.

- The physical inventory records did not always evidence required information such as the date the inventory was conducted, and name and signature of the employee attesting to the existence of the items.
- During the 2021-22 fiscal year, 6 TPP custodians either transferred to other departments or left College employment and, contrary to College administrative procedures, inventories were not completed when the property custodians changed.

To evaluate the accuracy and completeness of College TPP records, we selected 26 items recorded in the College TPP property records to observe (records to TPP test) and selected 9 items observed on College premises to trace to the College TPP property records (TPP to records test). We found that:

- 12 TPP items,⁴ including lawn equipment, medical training equipment, golf carts, and utility vehicles with a total cost of \$214,264, did not have an affixed property number. Additionally, for one lawn equipment item, the serial number observed did not agree to that recorded in the property records. College personnel indicated that they did not believe that lawn equipment, golf carts, and utility vehicles were required to have a property number and that the medical training equipment would be impaired by attaching a property number. Notwithstanding, our physical inspection of the equipment did not indicate that any of the items would be physically impaired by a property number and data was not maintained in the property file to identify why the items should not be marked or tagged.
- A grand piano and a floor cover and rack⁵ with a total cost of \$52,000 had attached property number tags; however, the number on the grand piano tag did not agree with the property records and the property record for the floor cover and rack did not list a property number.

In response to our inquiry, College personnel indicated that, due to personnel turnover and oversights, TPP physical inventories and related records were deficient. According to College personnel, procedures would be implemented in the 2023-24 fiscal year to help ensure that physical inventories are properly completed, and the inventory results are reconciled to College TPP records going forward.

Absent effective annual physical inventory procedures and accurate and complete TPP records, the College cannot demonstrate compliance with State law, Board policies, and College procedures; accountability over TPP is diminished; and there is an increased risk that any loss or theft of College property will not be timely detected, reported to the appropriate parties, and correctly reflected in College property and accounting records.

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

- **TPP property records are maintained to appropriately identify all TPP in College custody. At a minimum, TPP physical inventory records should contain the inventory date, TPP identification number, serial number, physical location, name and signature of employee attesting to the existence of the item, and its condition.**
- **TPP items are all permanently marked or tagged unless the value or utility of the item of property would be significantly impaired by the attachment of the property number, in which case sufficient descriptive data should be maintained in the property file to identify the property item.**

⁴ The 12 items included 7 items identified during the records to TPP test and 5 identified during the TPP to records test.

⁵ These 2 TPP items were identified during the records to TPP test.

- **A complete and documented physical TPP inventory is taken by someone independent of asset custody each year, including “spot” checks by the property records clerk, and whenever there is a change in custodians. The inventory results should be compared to the property records and any differences researched and resolved. If the physical inventory process determines that any item was stolen, the College should file a report with the appropriate law enforcement agency describing the missing item and the circumstances surrounding its disappearance.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2021-024.

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 2023 through August 2023 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. 2021-024.
- 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 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 for the 23 users as of June 2022 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 access privileges for the 24 employees who separated from College employment during the 2021-22 fiscal year to determine whether their access privileges had been timely deactivated.
- Evaluated the appropriateness of the College comprehensive IT disaster recovery plan effective 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.

- Examined College records to determine whether a College spending plan was prepared for the College excess carryforward balance pursuant to Section 1013.841, Florida Statutes.
- Examined College records supporting textbook adoptions for the 360 course sections offered during the Fall 2022 and Spring 2023 Terms to determine if the College had posted the required information in the course registration system and on its Web site pursuant to Section 1004.085, Florida Statutes.
- Examined documentation supporting the College's annual tangible personal property (TPP) physical inventory process to determine whether inventory results were reconciled to the property records, appropriate follow-up was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen. We also evaluated whether certain TPP items on College premises were included in the College property records.
- From the population of delinquent student accounts receivables (outstanding more than 90 days) totaling \$117,494 and recorded as of June 16, 2022, evaluated College records supporting 29 selected receivables totaling \$30,948 to determine whether College collection efforts were adequate and whether restrictions and holds on student records and accounts were appropriate and enforced in accordance with Board policies established pursuant to Section 1010.03, Florida Statutes.
- Reviewed the College's capital improvement plan for the 2023-24 through 2025-26 fiscal years, including the status of funded and budgeted projects for the 2022-23 fiscal year, to determine whether the College properly reported the capital outlay project funding sources in accordance with Division of Florida Colleges instructions for consideration in the Florida Department of Education annual legislative budget request for Public Education and Capital Outlay funding submitted to the Legislature.
- From the 75 classes with laboratory fees totaling \$124,567 during the 2021-22 fiscal year, examined College records supporting 6 selected classes with laboratory fees ranging from \$48 to \$1,395 per student to determine whether the Board had established appropriate policies and procedures to support the fees in accordance with Section 1009.23(12)(a), Florida Statutes, and the *Accounting Manual for Florida's College System*.
- From the population of 360 course sections offered during the Fall 2022 and Spring 2023 Terms, 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 compensation payments totaling \$7 million made to 238 employees during for the period of July 2022 through April 2023, selected payments totaling \$128,355 made to 30 employees and examined College records supporting the payments 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.
- Examined College records to determine whether selected expenses were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and Board policies. Specifically:
 - From the population of general expenses totaling \$4.3 million for the period of July 2022 through April 2023, we examined College records supporting 30 selected payments for general expenses totaling \$45,351.
 - From the population of contracted services expenses totaling \$1.2 million for the 2022 calendar year, selected 16 payments totaling \$248,966 related to 12 contracts for contractual or professional services.

- From the population of restricted capital outlay expenses totaling \$554,482 during the audit period, examined College records supporting 30 selected expenses totaling \$294,743 to determine if the expenses complied with the restrictions imposed on the use of the resources.
- From the population of 99 industry certifications reported for performance funding that were attained by students during the 2021-22 fiscal year, examined 25 industry certifications to determine if 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.
- 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General



NORTH FLORIDA
COLLEGE

OFFICE OF THE PRESIDENT

November 8, 2023

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

Dear Ms. Norman,

This letter is in response to our receipt of the preliminary and tentative findings and recommendations made to North Florida College (NFC) as a result of the operational audit.

Finding 1: College controls over delinquent student accounts receivable were deficient.

Response: We agree with the finding. The College is implementing the recommended corrective actions.

Finding 2: The College did not provide appropriate accountability over tangible personal property.

Response: We agree with the finding. The College is in the process of implementing the recommended corrective actions.

Sincerely,

A handwritten signature in black ink that reads 'John Grosskopf'. The signature is written in a cursive, flowing style.

John Grosskopf
President

NORTH FLORIDA COLLEGE

325 NW Turner Davis Dr | Madison, FL 32340 | 850.973.1618 | president@nfc.edu | NFC.EDU