



AUDITOR GENERAL

DAVID W. MARTIN, CPA



EDISON COLLEGE

Operational Audit

SUMMARY

Our operational audit for the fiscal year ended June 30, 2007, disclosed the following:

Finding No. 1: The College needed to enhance its procedures to ensure that appropriate documentation is obtained and retained for students enrolled in the same course more than twice and granted an exception from paying full instructional costs.

Finding No. 2: College procedures for documenting student residency status needed improvement.

Finding No. 3: College procedures for billing organizations renting College facilities were not adequate to ensure collection of rental charges prior to use of College facilities.

Finding No. 4: The College needed to enhance its procedures for ensuring adequate insurance coverage by outside organizations housed on College campuses.

BACKGROUND

The College is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by State law and State Board of Education rules. A district board of trustees 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 Board members who

served during the audit period are listed in Appendix A of this report.

Edison College has campuses in Fort Myers, Naples, and Port Charlotte, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Charlotte, Collier, Glades, Hendry, and Lee Counties. The College reported enrollment of 7,279 full-time equivalent students for the 2006-07 fiscal year.

The President of the College during the audit period was Dr. Kenneth P. Walker.

The results of our financial audit of the College for the fiscal year ended June 30, 2007, will be presented in a separate report.

An examination of expenditures of Federal awards administered by the College under contract and grant agreements to finance specific programs and projects is included in our Statewide audit of Federal awards administered by the State of Florida. The results of that audit, for the fiscal year ended June 30, 2007, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Student Fees – Repeated Enrollment

Section 1009.285, Florida Statutes, provides that a student enrolled in the same undergraduate credit

class more than twice must pay 100 percent of the full cost of instruction and not be included in calculations of full-time equivalent enrollments for State funding purposes. This Section also provides that students who withdraw from or fail a class due to extenuating circumstances may be granted an exception only once for each class, provided that approval is granted according to policy established by the community college board of trustees. Community colleges may also reduce fees paid by students due to continued enrollment in an undergraduate credit class on an individual basis contingent upon the student's financial hardship.

The College's catalog provides that students may petition for a one-time exception to paying the full instructional costs based on extenuating circumstances or financial hardships, and that the petition must be in writing. The instructions for the written petition form include the types of supporting documentation that a student must submit with the petition form.

According to College records, during the 2006-07 fiscal year, a total of 734 students enrolled in the same undergraduate credit class more than twice, of which 130 were granted an exception from paying full instructional costs. Our review of 10 students granted an exception disclosed that all 10 had submitted written petition forms; however, although requested, we were not provided supporting documentation for the petition forms for 8 of the 10 students. In the absence of such documentation, the College has limited assurance as to the accuracy of the information included in the written petition.

Recommendation: The College should ensure that students that are granted an exception from paying full instructional costs due to a financial hardship or other extenuating circumstances have submitted appropriate documentation, and that such documentation is retained.

Finding No. 2: Student Fees - Residency Status

Section 1009.21, Florida Statutes, provides, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. According to this Statute, to qualify as a resident for tuition purposes, legal residence must be established and maintained in Florida for at least 12 months immediately prior to qualification. Section 1009.21(3), Florida Statutes, provides that a community college may require individuals to provide evidence of legal residence and its duration to obtain the resident tuition rate. The College tuition rate for nonresidents is significantly higher than the rate for residents.

State Board of Education (SBE) Rule 6A-10.044, Florida Administrative Code, establishes the documentation requirements for determining the classification or reclassification of students as Florida residents for tuition purposes. This Rule provides that student applicants who meet certain criteria shall be classified as "All Florida" residents for tuition purposes. Students not meeting all the criteria must be evaluated to determine residency status. Such students must provide at least two of the items that are acceptable for purposes of documenting Florida residency as prescribed by SBE Rule 6A-10.044(7), Florida Administrative Code.

According to College records, during the 2006-07 fiscal year, a total of 155 students were not classified as "All Florida" students. Our review of five students who did not meet the criteria for being classified as "All Florida," but were paying resident tuition rates, disclosed that for two of the students (reclassified from out-of-state in the Fall of 2005, and Spring of 2007, respectively), the College had not retained documentation required by SBE Rule 6A-10.044, Florida Administrative Code, to evidence Florida residency.

Absent retention of appropriate documentation evidencing Florida residency status, the College may not be properly assessing and collecting nonresident tuition.

Recommendation: The College should ensure that required documentation is obtained and retained to evidence Florida residency for the purpose of assessing and collecting student tuition.

Finding No. 3: Rental of College Facilities

The College entered into rental agreements with several organizations (private businesses and nonprofit organizations) for rental of College facilities. Pursuant to those agreements, users of the facilities were to pay the College rental charges.

College Administrative Procedure No. 6036, Facilities Reservations, provided that the Finance Office was to immediately invoice the organization upon receiving a completed rental agreement from the Continuing Education (CE) offices on the three campuses, that payment was due 10 days from the invoice date, and that contracts would be canceled for nonpayment within the 10-day window. Compliance with Procedure No. 6036 would, in effect, result in collection of the amount due prior to the organizations' use of College facilities.

During the 2006-07 fiscal year, the College entered into approximately 190 rental agreements and collected rental charges totaling \$120,170. Our review of 11 such agreements disclosed 8 for which rental charges totaling \$8,514 were collected after the organization used the College's facilities because College billing procedures were not adequate to ensure compliance with Procedure No. 6036. The Finance Office did not prepare invoices until it received billing worksheets indicating amounts due from customers from the CE office, and billing worksheets were generally dated and submitted to the Finance Office after the date(s) the facility was used. As a result, for the exceptions we noted, the invoices were dated and sent to the customer after the date(s) of usage, and the customers did not make payment to the College prior to using the facility.

Recommendation: The College should modify its billing procedures related to rental of College facilities to ensure compliance with College Procedure No. 6036.

Finding No. 4: Outside Organizations Housed on Campus - Insurance

The College provided nine outside organizations with facilities and space for the primary purpose of providing services to College employees and students. The College entered into written agreements with such organizations that generally required the organizations to provide for insurance coverage. However, our review of contractual arrangements with four such organizations, two four-year private universities and two nonprofit organizations, disclosed that the College's procedures for ensuring adequate insurance coverage by such organizations could be enhanced, as follows:

- There was no consistency in the types of insurance and limits required of and maintained by the four organizations. For example, we noted the following:
 - For one of the nonprofit organizations, the written agreement required comprehensive and automobile liability coverage of \$1 million, while \$9 million of coverage for these types of insurance was required for one of the other organizations.
 - For one of the nonprofit organizations, the written agreement was not specific as to the types and minimum limits of insurance the organization was required to carry.
 - For one of the universities, the written agreement required that the university carry comprehensive general liability and workers' compensation insurance; however, it was not specific as to the

minimum limits for each type of insurance.

- For the other university, the written agreement required that the organization carry workers' compensation, comprehensive liability, and automobile liability insurance; however, the College had not obtained a certificate of insurance evidencing such coverage. Subsequent to our inquiry, the College obtained from the university a certificate of insurance evidencing the required coverage.

The absence of consistent and specific insurance requirements in written agreements with outside organizations housed on the College's campus, and adequate monitoring of compliance with such requirements, increases the College's exposure to various risks of loss as a result of accident or injury that could occur in connection with services provided by an organization on a College campus.

Recommendation: The College should ensure that written agreements with outside organizations housed on campus include consistent and specific insurance requirements, and enhance its procedures to ensure compliance with such requirements.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this operational audit were to obtain an understanding and make overall judgments as to whether College internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the College; the reliability of financial records and reports; and the

safeguarding of assets. Specifically, we reviewed internal controls and administration of budgetary controls, financial reporting, cash and investments, student receivables, tangible personal property, construction projects and capital financing, student fees and other selected revenues, human resources and employee compensation, selected expenditures and contractual arrangements, disaster recovery planning, and controls over student grades for the fiscal year ended June 30, 2007.

This audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards.

PRIOR AUDIT FINDINGS

As part of our current audit, we determined that the College had taken corrective actions for findings included in our report No. 2005-186.

AUTHORITY

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.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

The College's response is included as Appendix B of this report.

This audit was coordinated by David Pournaras, CPA, and supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

APPENDIX A
EDISON COLLEGE'S BOARD OF TRUSTEES

Members of the College's Board of Trustees who served during the 2006-07 fiscal year are listed below:

<u>Board Member</u>	<u>County</u>
Mary Lee Mann, Chair	Lee
W. Mahlan Houghton, Jr., Vice-Chair	Lee
Dr. Washington D. Baquero	Lee
Enid S. Gorvine	Charlotte
Dr. David M. Klein	Charlotte
Kim C. Long to 2-05-07 (1)	Collier
Dr. Randall T. Parrish, Jr.	Hendry
Julia G. Perry	Glades
Christopher T. Vernon	Collier

Note: (1) Board member position remained vacant through June 30, 2007.

APPENDIX B
MANAGEMENT RESPONSE



DISTRICT PRESIDENT

February 25, 2008

David W. Martin
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Following are Edison College's responses to the preliminary and tentative findings and recommendations pertaining to the operational audit of Edison College for the fiscal year ended June 30, 2007.

Finding No 1:

The College needed to enhance its procedures to ensure that appropriate documentation is obtained and retained for students enrolled in the same course more than twice and granted an exception from paying full instructional costs.

Response: The Office of the Registrar has changed the college's procedure for processing multiple attempt petitions and for tracking and obtaining documentation related to the petition process. All petitions will now be received in the Office of the Registrar for review and decision. This process will no longer take place on the campuses and all documentation will be obtained prior to granting an exception. Petitions and documentation will also be scanned and retained in each student's electronic file. The office of the Registrar will adhere to published College Board policy and Florida State Statute Section 1009.285 requirements in granting petitions for multiple attempt charges. Petitions for fee waiver exceptions will only be granted for documented and approved reasons. We have also improved our process in correctly identifying and charging students through improvements to our ERP system.

Finding No 2:

College procedures for documenting student residency status needed improvement.

Response: Edison College is reviewing policy and processes for documenting student residency status. We are engaging in dialogue with peer institutions to determine best practices for meeting the requirements of SBE Rule 6A-10.044. We are also reviewing the residency information that we are distributing to students to make certain that it is clear. We are engaging in additional training for staff that is processing residency affidavits and documents. We are also now requiring residency documents

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Edison College is an equal access, equal opportunity institution.



David W. Martin
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as prescribed by SBE Rule 6A-10.044 from all new students to establish initial residency status. These documents are being scanned and made a part of each student's electronic student record.

Finding No 3:

College procedures for billing organizations renting College facilities were not adequate to ensure collection of rental charges prior to use of College facilities.

Response: The College has reviewed all pertinent documents related to the rental of facilities including Policy 6Hx6: 7.01, Administrative Procedure CAP6036, Continuing Education Departmental Procedure CE-003, and the Facilities Rental Contract CE-002. These documents have been revised to require payment for the use of any College facility prior to the date of the event. The College has distributed this information to all necessary departments and has instructed them to implement the changes effective immediately.

Finding No. 4:

The College needed to enhance its procedures for ensuring adequate insurance coverage by outside organizations housed on College campuses.

Response: The College is reviewing its internal procedures to ensure consistent and specific insurance requirements are developed and communicated throughout the organization. In addition, the College is reviewing its internal procedures to ensure all written agreements are reviewed and approved for the insurance requirements prior to execution. Finally, the procedures will enable all insurance documentation to be centrally housed in one location.

If the college can be of further assistance in this matter, please do not hesitate to contact me.

Sincerely,

Noceen Thomas for Kenneth Walker

Kenneth P. Walker
President

