REPORT NO. 2010-047
NOVEMBER 2009

HILLSBOROUGH COMMUNITY COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Note: (1) These Board members served beyond the end of their terms, May 31, 2009.

The audit team leader was Susan Popp, and the audit was supervised by Janice Priolo, CPA. For the information technology portion of this audit, the audit team leader was Danielle Alvarez, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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HILLSBOROUGH COMMUNITY COLLEGE

SUMMARY

Our operational audit for the fiscal year ended June 30, 2009, disclosed the following:

Finding No. 1: Improvements are needed in controls over the bank reconciliation process to ensure that cash balances are accurately recorded in the College's accounting system.

Finding No. 2: Controls over cash collections at the College's bookstores needed improvement.

Finding No. 3: The College's controls over petty cash funds needed improvement.

Finding No. 4: The College's procedures for granting and monitoring sabbatical leave for faculty members needed improvement.

Finding No. 5: Certain College information technology (IT) policies and procedures were either lacking or existed only in draft form and had not been approved by management.

Finding No. 6: The College had not fully implemented an ongoing security awareness training program to protect IT resources.

Finding No. 7: Physical access to the Data Center was not appropriately restricted.

Finding No. 8: Logical access controls related to the College's financial management system needed improvement.

Finding No. 9: The College's IT risk management and disaster recovery planning needed improvement.

BACKGROUND

Hillsborough Community 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 five members appointed by the Governor and confirmed by the Senate.

The College has campuses in Tampa, Ybor City, Plant City, Brandon, and Ruskin, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hillsborough County. The College reported enrollment of 18,661 full-time equivalent students for the 2008-09 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2009, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2009, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Bank Account Reconciliations

Effective internal controls require that the College prepare reconciliations of bank account balances with general ledger balances. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

The College performed monthly bank reconciliations of its concentration account, which includes the payroll, accounts payable, and deposits accounts. However, unreconciled differences between the amounts on the bank statements and the amounts recorded in the general ledger have been noted in the College's monthly bank reconciliations since July 2007. Our review of the bank reconciliations for the period July 2007 through June 2009, disclosed that these unreconciled differences fluctuated from a high of $68,906 in April 2008 to a low of $16,527 in March 2009. At June 30, 2009, the unreconciled difference was $29,244.

The College indicated that they had been working to determine the reasons for these differences. As part of this effort, in December 2008, the College hired a CPA firm to perform a review of the College's existing reconciliation documents and procedures, and to propose improvements to the design of the College's bank reconciliation process. The CPA firm issued a report to the College dated April 3, 2009, which noted the firm was also not able to determine the causes for differences between the cash balances on the bank statements and the recorded cash balances in the general ledger system. In response to our inquiry, the College indicated that they are still exploring other ways to resolve this issue, and they are currently working with their systems application provider to try to find the causes for these differences.

When unidentified differences are not resolved, there is an increased risk that errors or fraud may occur and may not be promptly detected or corrected. Additionally, the College would have limited assurance as to the accuracy of the amount of cash available for its operations.

Recommendation: The College should continue its efforts to identify and resolve all differences between the monthly bank statements and the cash amounts recorded in its general ledger accounting system.

Finding No. 2: Cash Collections – Bookstores

The College's internal controls over cash collections at the College bookstores needed improvement. The College operated its own bookstore at four campuses, and recorded approximately $7,450,000 in sales for the 2008-09 fiscal year. Our tests of internal controls over cash collections for the bookstores disclosed the following internal control deficiencies:

- Although requested, detailed receipts for 5 of 30 daily collections tested, totaling $137,952, were not available for our review. College personnel indicated that the detailed receipts were recorded on daily electronic journal files and that five of the electronic journal files requested had been erased from its computer files in error and were not available. Without the electronic journals the total collections recorded on the "Store Accounting Totals Report" (a cash collections summary report) were not supported and did not demonstrate that receipt numbers were continuously used to ensure that all collections were recorded. Absent this information, the College had limited assurance that all collections were recorded in the accounting system.
- When cashiers voided a transaction, a receipt was printed; however, documentation of the voided transaction was not maintained and the voided transaction was not reviewed and approved by supervisory personnel. Absent procedures to adequately document voided transactions and provide for appropriate supervisory review and approval of such transactions, errors, or fraud may occur and not be detected.
- During our testing, we noted that, when cash shortages and overages occurred, the College did not always provide an explanation or evidence of supervisory review. We noted shortages and overages that exceeded $40 for 5 of 30 daily collections tested. Each test item consisted of transactions for one day at one bookstore location. Although requested, explanations of the reasons for the cash shortages or overages or evidence of supervisory review were not provided for four of these differences ranging from a shortage of $80.38 to an overage of $44.96. Without documentation of the reason for the overages or shortages, or evidence of supervisory review of such instances, errors or fraud, should they occur, might not be detected in a timely manner.

- Collections were transferred between employees without written acknowledgement of the transfer of responsibility for the collections. There were no procedures in place for documentation of the transfer of responsibility for collections. Absent documentation of transfers of collections between employees, the College may be limited in its ability to fix responsibility for losses, should they occur.

The College implemented a new point-of-sale system in the bookstore in August 2008; however, the College had not adequately updated the existing cash collection procedures to address changes necessary for the new system.

Recommendation: The College should establish control procedures over collections in its bookstores to ensure that collections are properly recorded and safeguarded.

Finding No. 3: Petty Cash

As of June 30, 2009, the College maintained petty cash funds of $14,000 with petty cash reimbursements of $50,569 for the 2008-09 fiscal year. The College's Administrative Rule 6HX-10-6.00 establishes College policy for petty cash funds and Administrative Procedure 5.104 provides guidelines for establishing and using petty cash funds. Our review disclosed that the College's controls over petty cash funds could be improved. As similarly noted in our report No. 2008-038, we noted the following:

- College operating procedures provided that the petty cash custodian is solely responsible for the petty cash fund at the particular campus. However, during our review of petty cash reimbursements for the Dale Mabry and Brandon campuses and inquiry of College personnel, we noted that another cashier at these campuses also processed petty cash fund transactions and had physical access to petty cash. The petty cash funds at these two locations totaled $6,000 with reimbursements of $26,710 for the 2008-09 fiscal year. College personnel stated that in order to serve students, faculty and staff, in a reasonably timely manner, the custodian approved access to petty cash by another cashier in extreme situations, but remained solely responsible for the petty cash. When more than one person has access to petty cash and processes petty cash transactions, responsibility cannot be fixed to one person should errors or misappropriations occur.
- A petty cash fund custodian also handled a change fund and processed student transactions. Our test count of the petty cash fund performed at the Bursar's office at one campus indicated an overage of $54.41 in this petty cash fund. This petty cash fund maintained a $3,000 balance with reimbursements of $7,835 for the 2008-09 fiscal year. The college responded that the overage was a result of using cash from the change funds to pay petty cash reimbursements, contrary to College policy. When the petty cash fund custodian handles other cash funds and processes other cash receipts, commingling of change and petty cash funds occurs and increases the risk of errors in handling cash.

Under these conditions, there is an increased risk that unauthorized petty cash disbursements could occur and not be timely detected. While our audit tests did not disclose misappropriations resulting from the control deficiencies noted above, our audit procedures are not a substitute for management's responsibility to implement effective internal controls.

Recommendation: The College should enhance procedures to ensure that access to petty cash funds is assigned to one individual and that individual should not have access to other cash funds.

Finding No. 4: Sabbatical Leave

College Administrative Rule 6HX-10-3.13, allows the College to grant sabbatical leave to staff to pursue professionally related personal objectives. The agreement between the College and the Faculty United Services Association (FUSA Agreement) establishes various procedures for requesting and approving sabbatical leave, the types of benefits the

College will provide while on sabbatical leave, and the faculty member's responsibilities upon completion of the sabbatical leave.

As provided in Section 12.7 of the FUSA Agreement, a full-time faculty member with a continuing contract (tenure) will be eligible for sabbatical leave for professional development after completing six years of continuous full-time service with the College. During the 2008-09 fiscal year, the College granted sabbatical leave to four faculty members, three for the Fall 2008 term and one for the Spring 2009 term. Our review of sabbatical leave for these four employees disclosed the following:

- The FUSA Agreement requires an activity report be submitted by the employee within four weeks of returning from sabbatical leave. Our review of the procedures for monitoring the submission of the activity reports disclosed that the College did not have written procedures to ensure the timely submission of the activity reports. During our tests of sabbatical leave granted for the Fall 2008 term, we noted that the sabbatical leave ended on December 11, 2008, and the faculty members returned to work on January 7, 2009. We requested the College's Sabbatical Leave Activity Reports for these three faculty members; however, none of the reports had been submitted to the College as required. Subsequent to our inquiry, the reports were completed and submitted by the three faculty members 93, 76, and 73 days late.
- The FUSA Agreement provides that the faculty member's sabbatical leave application include the anticipated activities for the sabbatical period, including the name of the institution they plan to attend or the location(s) where the faculty member plans to travel and a description of the specific professional benefit anticipated. Additionally, the FUSA Agreement provides that if a faculty member is unable to follow their proposed plan as submitted and approved, the faculty member shall notify the College President and request that the sabbatical leave be amended or canceled. During our review of the sabbatical leave applications for the Fall 2008 term, we noted that one faculty member's sabbatical leave application stated the proposed plan/activity was to attend post masters degree classes (12 credits) to prepare for a national examination in Spring 2009. Documentation provided to us disclosed that the faculty member only completed one 3 credit hour online course. Additionally, the activity report subsequently completed by the faculty member disclosed that the faculty member traveled to Spain and Portugal as part of the sabbatical leave, which was not included in the original sabbatical leave application. In response to our inquiry, the College indicated that the faculty member had not notified the College of a change in the sabbatical leave activities; and, therefore, the College could not provide evidence of approval of the change in the sabbatical leave activities as required by the FUSA Agreement with the College.
- The College reimbursed a faculty member $900 for tuition related to a graduate level course completed while on their sabbatical leave which is contrary to Section 6.20 of the FUSA Agreement. Section 6.20 of the FUSA Agreement provides full-time faculty members, who complete university courses, with an academic stipend of $200 for each semester hour for undergraduate courses, and $300 per semester hour for graduate courses, not to exceed six semester hours for each academic term. However, this section further provides that this provision is not applicable to a faculty member on approved sabbatical leave of absence from the College.

Without effective controls and procedures to monitor a faculty member's planned sabbatical activities, the College cannot ensure they are receiving the professional benefits intended by making this type of leave available to its faculty members.

Recommendation: The College should strengthen its procedures to ensure compliance with the applicable rules, procedures, and agreements governing sabbatical leave. The College should also seek reimbursement of $900 for the tuition paid to the faculty member while on sabbatical leave.

Finding No. 5: Information Technology – Written Policies and Procedures

Each IT function needs complete, well documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

Certain IT policies and procedures that had been drafted by the College Office of Information Technology (OIT) management were in various stages of development. In addition, the Hillsborough Community College OIT Standardization Manual, which is the procedures manual for the College's administrative systems, had not been completed. Specifically, certain procedures for performance monitoring, configuration management, backup and recovery, log files, profiles, disaster recovery, and job scheduling referenced systems administration documentation that the College could not provide in response to audit request. Although certain draft policies and procedures were used by the College while approval was pending and some performance monitoring activities were being performed, the absence of approved, comprehensive policies and procedures increases the risk that IT controls will not be consistently applied as intended by management to prevent the compromise of data confidentiality, integrity, and availability. A similar finding was noted in our report No. 2008-038.

Recommendation: The College should continue to develop, approve, and implement IT policies and procedures.

Finding No. 6: Information Technology – Security Awareness and Training

The purpose of a security awareness program, which can include training and publications, is to inform users of the importance of the information handled and the legal and business reasons for maintaining its confidentiality, integrity, and availability.

The College had approved an ongoing security awareness and training program that would provide for tracking users' acknowledgement of security responsibilities; however, the program had not been fully implemented. The College had determined an implementation schedule for the training program that included two phases: Phase one, which included implementation of a login banner and user acknowledgement, was partially implemented, and Phase two of the College's program, which included modules targeted at users in positions of special responsibility, was scheduled to be completed in September 2009. The College's approved program, however, did not define procedures for monitoring and reviewing activities of users in positions of special responsibility. A similar finding was noted in our report No. 2008-038.

The lack of a comprehensive security awareness and training program increases the risk to, and the vulnerability of, the College's IT resources by decreasing management's assurance that users understand the importance of IT security and are sufficiently prepared to safeguard data and IT resources.

Recommendation: The College should continue its efforts to fully implement a security awareness and training program for all users of IT resources, including procedures for monitoring and reviewing activities of users in positions of special responsibility.

Finding No. 7: Information Technology – Physical Access Controls

Physical security controls restrict physical access to computer resources and protect them from intentional or unintentional loss or impairment. Computer resources include primary computer facilities, cooling system facilities,

terminals that are used to access a computer, microcomputers, computer file storage areas, and telecommunication equipment and lines. Controls include procedures over granting and discontinuing access authorizations; controlling passkeys; controlling entry during and after normal business hours for all persons entering the premises, including staff, temporary staff, clients, vendors, visitors or any third party; and handling emergencies.

The Data Center utilized an alarm system that required individuals to enter a code to arm or disarm the system. The first person to arrive in the mornings disarmed the system and the last person to leave in the evenings armed it. We noted that, of 24 alarm system codes that we tested, 2 were granted to individuals who did not need physical access to the Data Center for the performance of their job duties.

A similar finding was noted in our report No. 2008-038. Failure to adequately restrict access to the Data Center increases the risk of damage to, or misuse of, IT resources.

Recommendation: OIT should review access to the Data Center and restrict access to only those individuals who require access for the performance of their job duties.

Finding No. 8: Information Technology – Logical Access Controls

Logical access controls help provide reasonable assurance that information resources are protected against unauthorized modification, disclosure, or loss. The objectives of limiting access are to ensure that users have only the access needed to perform their duties, that access to sensitive resources is limited to only a few individuals, and that employees are restricted from performing incompatible functions.

As similarly noted in our report No. 2008-038, our review of logical access controls at the College disclosed the following:

- Eight of 346 user access accounts that were active as of June 11, 2009, were for individuals who were no longer employed or contracted by the College. Failure to timely delete former employee or contractor access increases the risk that the identity and corresponding access privileges could be used by the former employee, contractor, or others to access and make unauthorized changes to data.
- User authentication (password controls) needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Failure to implement adequate password controls increases the risk that security and access violations may occur and not be detected in a timely manner.

Recommendation: The College should address the issues described above to ensure that proper access controls are in place to adequately protect all information resources.

Finding No. 9: Information Technology – Risk Management and Disaster Recovery Planning

Security controls are intended to protect the confidentiality, integrity, and availability of information resources. Important elements of effective security controls include the management of organizational risk by performing risk assessments for key IT functions, classifying data, and preparing a disaster recovery plan.

As similarly noted in our report No. 2008-038, the College's IT risk management and disaster recovery planning needed improvement. Specifically:

- The College had not classified its data according to sensitivity or level of significance or completed a comprehensive risk assessment of the threats to data and IT resources.

- The College did not have a completed, approved, and tested disaster recovery plan. Subsequent to our inquiry, the College tested its disaster recovery plan in June 2009. However, our review disclosed that the disaster recovery plan and the testing of the plan did not include all critical functions.

The College has engaged an outside contractor to complete a risk assessment, business impact analysis, and a data classification policy. College management indicated that, upon receipt of the deliverables, they will create a prioritized list of service continuity controls and complete its disaster recovery plan.

The lack of a complete, comprehensive, and approved risk assessment and disaster recovery plan may jeopardize the College's ability to protect the confidentiality, integrity, and availability of its IT resources, including the financial management system.

Recommendation: The College should continue its efforts to develop comprehensive security controls, including disaster recovery plans, based on identified risks.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2008-038.

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 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.

The objectives of this operational audit were to: (1) 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 records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the College had taken corrective actions for findings included in our report No. 2008-038. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2008-09 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied, to determine that internal controls were working as designed, and to determine the College's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

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'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes).	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements, including hiring approvals.
Interim financial reports presented to the Board.	Read Board minutes and examined the financial review and analysis presented to the Board to ensure they included comparisons of financial results with budget estimates.
Statement of Financial Interest requirements of Section 112.3145(2), Florida Statutes.	Contacted county Supervisor of Elections and obtained names and filing dates for College Board Members and the College President to determine filing timeliness.
Procedures for adopting and amending the budget.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable Florida Statutes and State Board of Education Rules.
Procedures for obtaining financial audit reports and related-party information from the College's direct-support organization (DSO).	Reviewed the College's procedures to obtain annual financial audit reports and information for potential related-party transactions from its DSO.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the College had provided individuals with a written statement as to the purpose of collecting their social security numbers.
Procedures for petty cash funds.	Performed test counts of selected campus petty cash funds. Reviewed supporting documentation for compliance with College procedures and good business practices.
Banking agreement, services, accounts, and related controls.	Reviewed current banking agreement and recent changes in terms and conditions. Verified that the College complied with requirements of Section 280.17, Florida Statutes, regarding public deposits, including filing of an annual public depositor report with the Chief Financial Officer (Department of Financial Services). Tested monthly bank reconciliations for proper approvals or authorizations.
Policies governing investments.	Examined the College's investment plan to determine its compliance with Florida Statutes and State Board of Education Rules. Reviewed interest income to determine it was properly recorded and amounts were reasonable.
Procedures for inventories and central stores.	Reviewed the types of inventories and related procedures for counting and recording inventory.
Procedures for the use of College facilities.	Tested facility rentals by campus and reviewed supporting documentation to determine compliance with College procedures, including proper completion of facility-use agreements, proof of insurance, and payment.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Cash collection procedures at decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the College's collection procedures.
Compliance with College contract provisions for auxiliary operations.	Tested an auxiliary operation contract, reviewed contract provisions, and obtained and reviewed documentation to determine compliance with contract provisions.
Instructional staff classroom and office hours.	Tested instructional employees to determine compliance with Section 1012.82, Florida Statutes, with regard to classroom contact hours and availability of such staff during posted office hours.
Annual employment accountability plan.	Obtained and reviewed the College's annual employment accountability plan submitted to the Division of Florida Colleges to determine its compliance with Section 1012.86(2), Florida Statutes.
Procedures for performance evaluations of the President, department chairpersons, deans, provosts, and vice presidents.	Tested evaluations for College administrators to determine whether evaluations were performed in accordance with Section 1012.86(3), Florida Statutes.
Procedures for new hires.	Tested new hires and determined that the employee had the necessary qualifications, degrees, and experience for the position.
Background checks for personnel in a position of special trust or that had direct contact with children.	Reviewed the College's procedures for background checks on employees in positions of special trust or that had direct contact with children.
Terminal pay policies and procedures.	Reviewed the College's policies and procedures for terminal pay to ensure policies and procedures were consistent with Florida law. Tested former employees and determined whether the College properly calculated terminal pay in accordance with College policies and procedures.
Procedures for sabbatical leave and College employees working at other locations.	Reviewed the College's policies and procedures for employee sabbatical leave and for employees working at locations other than College sites. Obtained a list of employees granted such arrangements and reviewed supporting documentation for these arrangements to determine compliance with College policies and procedures.
Retirement contributions for contract employees.	Tested contract employees to determine whether retirement contributions were properly calculated based on the definition of compensation as prescribed by Section 121.021(22) and (47), Florida Statutes.
Procedures for competitive procurement compliance.	Tested significant dollar purchases and examined supporting documentation evidencing compliance with bid requirements and determined whether purchases were split to bypass bid requirements.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchasing card program policies and procedures.	Obtained a list of purchasing cards assigned to current employees and evaluated reasonableness of the credit limits. Tested purchasing cards issued, purchasing card expense transactions, and former employees for propriety and compliance with related laws, rules, and College policies. Also, reviewed supporting documentation for purchasing cards reported lost or stolen to determine they were properly handled.
Procedures for travel reimbursement.	Tested travel reimbursements for compliance with Section 112.061, Florida Statutes.
Procedures for College motor vehicles.	Obtained a list of motor vehicles owned by the College and performed a review of the College's compliance with its policies and procedures.
Procedures for promotion and public relations, and staff and program development.	Reviewed College policies and procedures for promotion and public relations, and staff and program development, and obtained documentation of related expenses to verify the College's compliance with Florida Statutes and State Board of Education Rules.
Student activity and service fees assessed.	Compared the activity and service fee to verify that this fee did not exceed 10 percent of the total tuition fee. Tested expenditures to determine that the fees were subsequently expended timely, for lawful purposes, and for expenditures that benefited the student body in general.
College Credit Student Financial Aid Fee Report.	Obtained a copy of the College Credit Student Financial Aid Fee Report to determine if the Report was timely submitted to the Division of Florida Colleges, and verified amounts reported agreed with the College's records.
Procedures for calculating user and course fees.	Requested copy of College procedures to determine if the policy was approved by the Board of Trustees. Tested user and course fees, examined supporting documentation to determine whether the College properly calculated these fees, and that only students that received the service were assessed the fees.
Annual safety inspections.	Determined that the College had established procedures to perform annual safety inspections as required by Section 1013.12, Florida Statutes. Tested annual facility inspection reports to determine that the inspections were performed by qualified personnel and that deficiencies noted were timely corrected.
Procedures for administering capital outlay compliance.	Determined that the College provided for an educational plant survey within the past five years in accordance with Section 1013.31(1), Florida Statutes, and that amounts reported to the Florida Department of Education (Form OEF 442) for various PECO allocations agreed with the College's accounting records. Also, verified that the President certified Form OEF 352 regarding PECO funds compliance with applicable laws.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for earmarked capital project resources.	Tested payments made from the Unexpended Plant Funds and examined supporting documentation to determine compliance with restrictions imposed on the use of the resources provided for capital outlay.
Procedures for procuring and paying architects and engineers.	Tested a major construction project in progress during the audit period to determine whether architects and engineers engaged during the audit period were properly selected, paid in accordance with the contract, and, where applicable, had evidence of required insurance.
Procedures for maintaining construction project ledgers.	Tested a major construction project in progress during the audit period to verify that the College maintained project ledgers or other records that account for project expenses made during the audit period.
Procedures for selecting construction managers and monitoring the selection of subcontractors.	Tested a major construction project in progress during the audit period to determine if the construction manager was properly selected. Reviewed construction project records to determine if the College monitored the selection process of subcontractors by the construction manager.
Procedures for monitoring payments made in accordance with construction manager contracts.	Examined College procedures and supporting documentation for a major construction project to determine whether the College ensured that payment requests from the construction manager were supported by adequate documentation, change orders were properly approved, and retainage was properly withheld.
Direct purchase of construction materials.	Tested a major construction project to determine whether the College took advantage of any tax savings available through the direct purchase of construction materials.
Procedures for procuring various types of insurance coverage, including group health insurance.	Reviewed the College's policies and procedures related to acquisition of insurance. Examined documentation of the competitive bid process for various group insurance coverages to determine compliance with Florida Statutes and State Board of Education Rules.
Procedures for insurance premium payments.	Tested payments made for insurance premiums and examined supporting documentation to determine that the premiums were properly assessed and paid in accordance with bid and/or consortium plan requirements.
Procedures for insuring buildings, contents, and other fixed assets.	Determined whether insurance coverage for buildings, contents, and other fixed assets were updated for major asset acquisitions and/or disposals occurring in the audit period were adequate, and the values were properly reported to the insurance carrier.
Adult general education program enrollment reporting.	Tested adult general education students and examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with FDOE requirements.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Cost Analysis Reports.	Reviewed the College's annual Cost Analysis Reports (CA-1 and CA-2) and supporting documentation to determine the reports were timely filed, properly prepared, and agreed to College records.
Procedures for student grade changes.	Examined the College's procedures related to student grade changes to determine they were adequate to prevent unauthorized changes. Also, tested student grade changes to determine compliance with procedures.
Procedures over diplomas and student transcripts.	Tested students receiving diplomas and students requesting transcripts to determine if the diplomas were properly awarded and transcripts were properly issued.
Textbook affordability.	Tested courses for the Summer term to determine the college's compliance with Section 1004.085, Florida Statutes.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's information technology (IT) security awareness and training program.
Procedures to timely prohibit former employees' access to electronic data files.	Tested employees who terminated employment during the audit period and examined supporting documentation evidencing when the College terminated access privileges.
IT policies and procedures.	Examined written and approved IT policies and procedures, as well as those existing in draft form.
Physical access to the Data Center.	Tested Data Center access codes to determine the appropriateness of access granted. Examined access system logging capability and visitor log usage.
Procedures for the program change management process.	Examined documentation supporting the program change management process.
IT security controls, including service continuity, risk analysis, and security planning.	Examined the Statement of Work between the College and its outside contractor for business continuity and resiliency services. Also examined the College's IT Security Plan.
Environmental controls.	Examined documentation supporting the existence of Data Center water sensors and environment monitoring.
Incident response procedures.	Examined the draft version of the College's incident response procedures.
Logical access controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.

EXHIBIT B
MANAGEMENT'S RESPONSE

HILLSBOROUGH Community College

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OFFICE OF THE PRESIDENT
Gwendolyn W. Stephenson, Ph.D.

October 27, 2009

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G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed are Hillsborough Community College's responses to the preliminary and tentative findings from the operational audit for the fiscal year ended June 30, 2009.

Please feel free to contact Barbara Larson, Vice President for Administration and CFO with any questions at 813-253-7015 or at blarson2@hccfl.edu.

Thank you for the opportunity provided by your office to continue our review and improvement of College operations.

Sincerely,

Gwendolyn W. Stephenson

Gwendolyn W. Stephenson, Ph.D.
President

cc: District Board of Trustees
Ms. Barbara A. Larson

Enclosure

November 11, 2009

HILLSBOROUGH COMMUNITY COLLEGE
RESPONSES TO PRELIMINARY AND TENATIVE OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding No. 1: Bank Account Reconciliations

Recommendation: Improvements are needed in controls over the bank reconciliation process to ensure that cash balances are accurately recorded in the College accounting system. The College should continue its efforts to identify and resolve all differences between the monthly bank statements and the cash amounts recorded in its general ledger accounting system.

Response:

The College has continuously pursued resolution of the differences between the monthly bank statements and the cash amounts recorded in the general ledger. Most recently, the College engaged an information technology consulting firm that specializes in supporting the enterprise reporting system that is used by the College. Additional staff with both information technology programming and accounting experience has been added to the reconciliation project. These resources are automating significant portions of the monthly process so that outstanding issues may be isolated and resolved quickly. The un-reconciled amount has been significantly reduced since it originated. The unresolved amount is being monitored and is not material to cash balances. We will continue to pursue this until it is resolved.

Finding No. 2: Cash Collections-- Bookstores

Recommendation: Controls over cash collections at the College's bookstores needed improvement. The College should establish control procedures over collections in its bookstores to ensure that collections are properly recorded and safeguarded.

Response:

The College has enhanced the control procedures over collections at the bookstores. We have established new back up procedures to ensure that electronic journals are routinely saved and properly stored. Bookstore cashiers have been re-trained on how to correctly void a transaction using the new point-of-sale system so that price checks are not reported as voids. The bookstore staff has been re-trained to properly and fully complete the forms to report cash overages, shortages and collection transfers. Independent staff will conduct periodic monitoring for compliance with the procedures.

Finding No. 3: Petty Cash

Recommendation: The College's controls over petty cash funds needed improvement. The College should enhance procedures to ensure that access to petty cash funds is assigned to one individual and that individual should not have access to other cash funds.

Response:

The College currently has a procedure that assigns the Senior Cashier as the custodian of petty cash at each campus. Access to petty cash is controlled by the custodian. During high activity the Senior Cashier/Custodian may direct the regular cashier to process petty cash requests. When this is necessary, the Senior Cashier confirms the cash on hand and remains responsible for the petty cash fund when it is reconciled and audited by the accounting staff. This retains the integrity of the process.

In the coming months, the College plans to eliminate the use of petty cash funds at the Bursar offices as the typical petty cash transaction can be handled using a College purchasing card.

Finding No. 4: Sabbatical Leave

Recommendation: The College's procedures for granting and monitoring sabbatical leave for faculty members needed improvement. The College should strengthen its procedures to ensure compliance with the applicable rules, procedures, and agreements governing sabbatical leave. The College should also seek reimbursement of $900 for the tuition paid to the faculty member while on sabbatical leave.

Response:

The College will modify its sabbatical leave procedures in response to the audit recommendation. The Sabbatical Leave Application will be modified to include information about the Sabbatical Activity Report. In addition, a sabbatical leave information sheet will be created and given to all sabbatical applicants who are approved for sabbatical leave. The information sheet will include information about the Sabbatical Activity Report. Human Resources will monitor the filing of the Sabbatical Activity Report and will assume responsibility for notifying faculty of the pending due date and/or tardiness of reports. The application and information sheet will state that a faculty member is not eligible for a tuition stipend while on sabbatical, as per Article 6.20 of the agreement between the College and the Faculty United Services Association. The faculty member who received a tuition stipend during her sabbatical is reimbursing the College through payroll deduction for the full amount of the tuition stipend received while on sabbatical.

Finding No. 5: Information Technology—Written Policies and Procedures

Recommendation: Certain College information technology (IT) policies and procedures were either lacking or existed only in draft form and had not been approved by management. The College should continue to develop, approve, and implement IT policies and procedures.

Response:

The College continues to update policies and procedures relative to Information Technology. A number of policies and procedures, including an Acceptable Use Policy, a Privacy Policy, a Third-Party Access Operational Procedure, an Anti-spam and Anti-virus Policy, and an Operational Procedure for use in Obtaining Services from the Office of Information Technology (OIT), have been fully implemented since the prior audit.

In addition, a number of operational procedures relative to performance monitoring, backup and recovery, log files, disaster recovery, job scheduling and other critical procedures are in the development stage, with approvals pending. The College will continue to develop and update information technology procedures so that all policies cited above will be completed no later than July 2010. Procedures will be reviewed annually and updated as needed.

Finding No. 6: Information Technology—Security Awareness and Training
Recommendation: The College had not fully implemented an ongoing security awareness training program to protect IT resources. The College should continue its efforts to fully implement a security awareness and training program for all users of IT resources, including procedures for monitoring and reviewing activities of users in positions of special responsibility.

Response:

Certain aspects of the College's security awareness training are complete. Users must acknowledge their understanding of the College's Acceptable Use Policy every time they login to a computer.
The College's full security awareness training program is under development. The first module on HIPAA and FERPA security awareness will be completed and implemented before March 2010.

Finding No. 7: Information Technology—Physical Access Controls
Recommendation: Physical access to the Data Center was not appropriately restricted. OIT should review access to the Data Center and restrict access to only those individuals who require access for the performance of their job duties.

Response:

The two individuals who still had access to the Data Center but did not need access to complete their current job responsibilities have been removed from the list of individuals with access to the Data Center. An internal procedure will be created to notify the College's Public Safety Office to remove any employee who has access to the Data Center when they separate from the College or when their job functions no longer require access. This procedure will be in place on or before March 31, 2010.

Finding No. 8: Information Technology—Logical Access Controls

Recommendation: Logical access controls related to the College's financial management system needed improvement. The College should address the issues described above to ensure that proper access controls are in place to adequately protect all information resources.

Response

Industry standard strong passwords are now required for access to the network and the Colleague ERP system.

Provisioning and deprovisioning of user accounts will be improved in cooperation with Human Resources and departmental supervisors. Current procedures will be reviewed and modified on or before July 1, 2010. In the interim, a monthly internal audit of user accounts and terminated employees will be completed until the revised procedure is tested and approved.

Finding No. 9: Information Technology—Risk Management and Disaster Recovery Planning

Recommendation: The College's IT risk management and disaster recovery planning needed improvement. The College should continue its efforts to develop comprehensive security controls, including disaster recovery plans, based on identified risks.

Response:

The College has successfully tested some core business functions as part of its disaster recovery planning and continues its work. The Business Impact Analysis has been completed and the prioritized list of business processes has been developed. The data classification analysis is on-going at this time and will be completed by March 2010. These data will be summarized, reviewed and analyzed for incorporation into the College's Disaster Recovery Plan.