REPORT NO. 2013-018
SEPTEMBER 2012

BREVARD COMMUNITY COLLEGE

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and Presidents who served during the 2011-12 fiscal year are listed below:

Alan H. Landman, Chair from 8-15-11
Dewey L. Harris, Vice Chair from 8-15-11 (1)
Stephen G. Charpentier, Chair to 8-14-11 (2)
Myra Igo Haley
Moses L. Harvin, Sr., from 11-08-11 (3)

Dr. James H. Richey, Interim President
from October 17, 2011, to February 5, 2012;
President from February 6, 2012

Dr. James A. Drake, President
to October 16, 2011

Notes: (1) Vice Chair position was vacant from July 1, 2011, through August 14, 2011.
(2) Served beyond end of term, until reappointed on November 8, 2011.
(3) Position was vacant from July 1, 2011, to November 7, 2011.

The audit team leader was Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, CPA. 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.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

BREVARD COMMUNITY COLLEGE

SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The Board had not adopted written policies and procedures relating to electronic funds transfers.

BACKGROUND

Brevard 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 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 Cocoa, Melbourne, Palm Bay, and Titusville, Florida. Additionally, credit and noncredit classes are offered through a virtual campus and dual enrollment courses in public schools in Brevard County. The College reported enrollment of 13,395 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, 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, 2012, will be presented in a separate report.

FINDING AND RECOMMENDATION

Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each college board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment.

According to the College's records, approximately $51 million of electronic funds transfers were made from its operating and investing accounts during the 2011-12 fiscal year. In response to our inquiry, College personnel stated that they did not have written policies and procedures specifically relating to electronic funds transfers. While the College had established controls over electronic fund transfers, the lack of specific guidance in the form of written policies and procedures increases the risk of misappropriation of funds without timely detection.

Recommendation: The Board should adopt written policies and procedures related to electronic funds transfers.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our reports No. 2011-018 and No. 2012-146.

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 February 2012 to July 2012 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 reports No. 2011-018 and No. 2012-146. 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 2011-12 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
Information technology (IT) program changes.	Reviewed the College's written IT policies and procedures regarding program changes that were recently changed and determined if changes were implemented.
IT access privileges and separation of duties.	Reviewed selected access privileges relating to the finance and human resources applications to determine the appropriateness and necessity based on employees' job duties and user account functions, and adequacy with regard to preventing the performance of incompatible duties.
IT user authentication.	Reviewed selected network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT logging of systems events.	Examined selected logging policies and procedures and determined that they were properly implemented.
Board and committee meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, and maintenance of minutes).
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 of the purpose of collecting their social security numbers.
Identity theft prevention program (Red Flags Rule).	Reviewed the College's policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
Qualified public depositories.	Determined whether deposits of College moneys were secured in a qualified public depository, as required by Section 280.03, Florida Statutes, unless exempted by law.
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine whether selected electronic payments were properly authorized and supported.
Investments.	Determined whether the College's investment policy complied with Florida Statutes and that the College's investments complied with the College's policy.
Purchase of software application.	Reviewed procedures related to the purchase of software. Performed analytics.
Student loans.	Determined whether the College had established procedures, for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Assessment of student fees.	Tested student fees to verify the authority for student fees and the accuracy of calculations of assessed fees.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Laboratory and other user fees.	Reviewed the College's procedures and determined whether user fees were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees. Determined if user fees exceeded amounts allowed by Florida Statutes.
Textbook affordability.	Examined supporting documentation to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Personnel and payroll.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, accuracy of leave records, and certifications by supervisory personnel of employee time reports.
Overtime payments.	Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal pay.	Reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Sections 215.425(4)(a) and (b), Florida Statutes. Additionally, tested some severance payments.
Administrative employees compensation.	Reviewed administrative employees compensation to determine whether compensation exceeded limits provided in Florida law.
Compensation for presidents.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Direct-Support Organization – conflicts of interest.	Determined whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who also made donations to the College's direct-support organization.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Analyzed credit limits and the related control procedures.
Travel expenses.	Tested executive foreign and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested contracts to ensure that they were properly awarded and executed.
Florida College System Program Fund.	Reviewed expenditures from the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Construction administration.	For selected major construction projects, reviewed payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules regarding the project close-out process. Also, for construction management contracts, determined whether the College monitored the selection of subcontractors by the construction manager.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources.

EXHIBIT B
MANAGEMENT'S RESPONSE

BREVARD COMMUNITY COLLEGE
WORLD-WIDE, WORLD-CLASS

President
James H. Richey, J.D.

Board of Trustees
Alan H. Landman, Chair
Dewey L. Harris, Vice Chair
Stephen G. Charpentier
Myra Igo Haley
Moses Harvin, Sr.

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September 24, 2012

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

Dear Mr. Martin:

The following is the response to the preliminary and tentative finding of your operational audit of the Brevard Community College for the fiscal year ended June 30, 2012.

Finding No. 1: Electronic Funds Transfer

The College concurs with the recommendation to adopt written policies and procedures related to controls over electronic funds transfers. These policies and procedures are currently being drafted and, following administrative review, will be presented to the Board of Trustees for adoption.

Sincerely,

Dr. James H. Richey
President