REPORT NO. 2015-102
FEBRUARY 2015

BROWARD COLLEGE

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

Sean C. Guerin, Chair
John A. Benz, Vice Chair from 9-24-13 (1)
Sean C. Alveshire, Vice Chair to 8-21-13 (2)
Gloria M. Fernandez from 10-25-13
Pamela Stephany
Elizabeth A. Tonkin

J. David Armstrong, Jr., President

Notes: (1) The Vice Chair postion was vacant from August 22, 2013, through September 23, 2013.
(2) Board member resigned on August 21, 2013, and the position remained vacant until the board member was replaced on October 25, 2013.

The audit team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA. For the information technology portion of this audit, the audit team leader was Brenda Shiner, CISA, and the supervisor was Chris Gohlke, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

BROWARD COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: The College needed to continue its efforts to require verification of eligibility of all dependents covered by the College's health insurance plan.

Finding No. 2: The College needed to enhance controls over terminal leave payments.

Finding No. 3: The College needed to implement procedures to ensure documented supervisory review and approval of exempt employees' work time.

Finding No. 4: The College, in May 2014, paid an administrator $9,294 for time reportedly worked during spring break weeks for the current and prior two fiscal years. However, College records did not evidence such time worked by the administrator.

PURCHASING

Finding No. 5: The College needed to strengthen its P-card monitoring procedures to ensure compliance with established College Procurement Card Guidelines.

DIRECT-SUPPORT ORGANIZATION

Finding No. 6: The College made a $300,000 cash transfer to its direct-support organization without specific statutory authority.

BACKGROUND

Broward 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 Coconut Creek, Davie, and Pembroke Pines, and centers located in Dania Beach, Fort Lauderdale, Miramar, Pembroke Pines, and Weston, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Broward County. The College reported enrollment of 30,496 full-time equivalent students for the 2013-14 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2014, 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, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Personnel and Payroll

Finding No. 1: Healthcare Benefits

Pursuant to Board Policy No. 6Hx2-3.17, insurance coverage is provided for eligible employees, including: health, dental, life/accidental death and dismemberment insurance, and long-term disability. For health insurance coverage, the College pays the premium for full-time employees. Employees may elect to purchase health insurance coverage for eligible dependents and domestic partners through payroll deduction. Eligible dependents are defined as a spouse recognized by the State of Florida; domestic partner meeting criteria under the plan provisions; and child (employee's child, step-child, or child of domestic partner) through the calendar year in which the dependent reaches age 26, or children age 26 to 30 if they are dependent upon the parent for support, a Florida resident or student out-of-state, unmarried, and have no children of their own. Employees are eligible to enroll in health insurance coverage upon hire date or during the annual open enrollment period. Changes in health insurance plans can only be made during the open enrollment period unless the plan changes meet the Internal Revenue Service's qualifying events (marriage, divorce, Medicare eligibility, birth, spouse obtaining gainful employment with benefits, adoption, and death).

As part of the open enrollment period of November 6 through November 26, 2013, the College required documents of eligibility for all dependents covered by the College's health insurance plan and informed employees that failure to provide documentation could result in dependents being dropped from the plan. Employees were given until January 31, 2014, to comply with the requirement. College personnel advised us that email notifications were sent to employees stating that the deadline to provide dependent documentation was extended to February 28, 2014, and subsequently extended to April 8, 2014. Upon inquiry on June 4, 2014, College personnel indicated that there were a significant number of employees who had not submitted dependent eligibility documents. Subsequent to our inquiry on December 2, 2014, College personnel stated that the verification of the eligibility of all dependents still had not yet been completed. Although the email notifications indicated that failure to provide documentation could result in dependents being dropped, the College's delay in timely verifying the eligibility of all dependents covered through the College's health insurance plan increases the risk that dependents receiving insurance coverage may be ineligible participants.

Employees are required to pay health insurance premiums for dependent coverage; however, future premium rates for the College's health insurance plan are based on prior claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the College for employees' healthcare coverage.

Recommendation: The College should continue its efforts to require verification of eligibility of all dependents covered by the College's health insurance plan.

Finding No. 2: Terminal Leave Payments

Section 1012.865(2)(d), Florida Statutes, permits colleges to provide terminal pay for accumulated unused sick leave to full-time instructional staff and educational support employees to be paid out at various percentages (35 to 100 percent) based on years of service. Section 1012.865(2)(e), Florida Statutes, permits colleges to provide terminal pay for accumulated unused sick leave to any employee other than instructional staff or educational support employees,

and such terminal pay may not exceed an amount equal to one-fourth of the employee's unused sick leave or 60 days of the employee's pay, whichever amount is less, for unused sick leave accumulated on or after July 1, 2001.

Board Policy 6Hx2-3.16, *Terminal Pay*, provides for the payment of accrued sick leave upon termination. The payment is calculated at stated percentage rates (35 to 100 percent) based on the number of years of service. The stated percentage is multiplied by the accumulated leave hours to date and by the daily rate of pay at the time of termination. Senior Administrators are limited to a maximum of 60 days of accrued sick leave for terminal pay purposes. In addition, this Policy provides for terminal annual leave calculations and payments, up to a maximum of 500 hours of annual leave at the daily rate of pay at the time of termination.

The College reported disbursements for terminal pay, including annual leave and sick leave, totaling $1,780,135 for the 2013-14 fiscal year. Our tests of terminal leave payments to 30 former employees totaling $459,380 during the 2013-14 fiscal year disclosed the following:

- Two underpayments of $84 and $25,846, totaling $25,930, were the result of using incorrect leave balances in calculating the payment. In response to our inquiries, the College made payments totaling $25,930 to the two former employees.
- Three overpayments totaling $756 (ranging from $53 to $532) were the result of using an incorrect pay rate in calculating the terminal leave payments. In response to our inquiries, College personnel stated attempts would be made to recover the overpayments.

An independent verification of terminal leave calculations prior to making payment would reduce the risk of errors or fraud in subsequent payments for accrued leave.

Recommendation: The College should enhance its procedures to ensure that payments for accrued leave are calculated in accordance with Board policy and State law. These procedures should include independent verification of the calculation for accrued leave prior to making such payments. Additionally, the College should continue its efforts to recover the overpayments from former employees as allowed by law.

Finding No. 3: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The College pays employees classified as "exempt" (Technical, Executive, Administrative, and Faculty) on a payroll by exception basis (i.e., the employee is paid the same salary each pay period unless there is an exception). When a payroll exception exists, and leave is taken, exempt employees file a leave form with their supervisor who in turn approves the form and provides the approved form to the payroll department. The payroll department then enters the leave into the College's payroll system and ensures that supervisory approval is obtained in the payroll system, prior to processing payroll, for all exceptions recorded. However, the payroll by exception process did not require supervisory personnel to review and approve time reports of exempt employees to certify the time worked by exempt employees. We were advised that supervisory personnel monitored exempt employees' work efforts; however, without time reports prepared by employees, or payroll certifications of time worked by exempt employees by appropriate supervisory personnel, College records did not document such monitoring efforts. Under these conditions, there is an increased risk that exempt employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The College should implement procedures to document supervisory review and approval of exempt employees' work time.

Follow-up to Management's Response

The College in its response indicated that it follows standard procedures based on Federal Fair Labor Standards Act (FLSA) for exempt employees and that should the College change its procedures, the College could lose the exemption for the whole class of employees classified as exempt employees under the FLSA. However, the United States Opinion Letter of the Deputy Wage and Hour Administrator No. FLSA 2006-6, states, in pertinent part, that an employer may require an exempt employee to make up work time lost due to personal absences of less than a day, to record and track hours, and to work a specified schedule without affecting the employee's exempt status. Accordingly, we remain of the opinion that the College should require exempt employees to prepare time reports and require that supervisory personnel certify the time worked by exempt employees. In determining its actions to resolve this audit finding, the College may wish to seek guidance from the United States Department of Labor.

Finding No. 4: Payroll Monitoring

Board Policy No. 6Hx2-3.35, *Compensation of Employees Who Work During Emergencies or College Declared Closings*, states, in part, that full-time exempt employees who are called back to work or who remain at work during a College closing/emergency will be paid their regular rate of pay for all hours worked during the closing/emergency. Additionally, employees will earn straight compensatory time for every hour worked during the closing/emergency. College closings include winter breaks and spring breaks.

The College entered into a contract with an administrator to perform the duties of General Counsel and Vice President of Public Policy and Government Affairs for the 2011-12, 2012-13, and 2013-14 fiscal years. In response to our inquiry, College personnel stated that the position of Vice President of Public Policy and Government Affairs requires work to be performed periodically in Tallahassee. On May 6, 2014, the administrator requested three weeks of pay for time worked in Tallahassee during the spring break weeks for the 2011-12, 2012-13, and 2013-14 fiscal years. On May 15, 2014, the College paid the administrator $9,294 based on the administrator's request for payment. Although requested, we were not provided documentation, including supervisory review and approval of this request, to evidence the time worked by the administrator in Tallahassee for the time periods noted in the payment request. Under these conditions, there is an increased risk that this employee may have been incorrectly compensated.

On May 27, 2014, the Board updated Policy No. 6Hx2-3.35 so that compensation under this Policy would be made only for College emergencies.

Recommendation: The College should ensure that payments for work performed are subject to documented supervisory review and approval prior to making payment.

Purchasing

Finding No. 5: Purchasing Card Program

The College administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process and expedites low dollar purchases of goods and services. P-cards are subject to the same rules and regulations that apply to regular College purchases. As of June 30, 2014, the College had assigned a total of 256 P-cards to employees.

The College appointed a Procurement Card Administrator (P-card Administrator) and developed a comprehensive Procurement Card Program Procedures Manual (Manual) to provide guidance on the issuance, use, and cancellation of P-cards. College P-cards generally have a single transaction limit ranging from $500 to $750. The Manual prohibits the splitting of P-card transactions for purchases above the single transaction limits. The Manual also states that every week the cardholder will be notified that their P-card purchases reconciliations report is available. The P-card purchases reconciliation report is used by the P-card holder to verify the charges. P-card holders must attach their receipts to the reconciliation report and the P-card reconciliation report must be signed by both the cardholder and his or her supervisor as evidence that transactions were verified and approved. The P-card reconciliation report is to be returned to the Accounts Payable department within 10 business days. Also, Section 1.2 of the Manual contains a non-exclusive listing of items that cannot be purchased with the P-card, which include gift cards, alcohol, insurance, legal services, travel, motor vehicles, memberships, and entertainment.

During the 2013-14 fiscal year, charges totaling $1.6 million were incurred on the 256 P-cards. Our review of 30 P-card transactions totaling approximately $17,000 disclosed that the College's controls over P-card usage needed improvement, as follows:

- For 6 of 30 transactions tested, P-card purchases totaling $2,954 appeared to have been split into two transactions to circumvent the $750 cardholder's single transaction limits. For example, we noted two purchases of essay test booklets from one vendor, on the same P-card, for $650 each, and totaling $1,300, made on two consecutive days. In these instances, College procedures were not sufficient to ensure that the use of P-cards complied with the College's P-card Manual.
- For 11 of 30 transactions tested, reconciliation reports totaling $5,491 were not submitted within 10 business days of the reconciliation report period, contrary to the Manual. These reports were submitted between 17 and 115 days late. Failure of the cardholder to timely review and approve P-card transactions increases the risk that unauthorized purchases may be paid without timely detection.

Recommendation: The College should enhance its P-card monitoring procedures to ensure compliance with established College Procurement Card Guidelines.

Direct-Support Organization

Finding No. 6: Cash Transfer

The Broward College Foundation, Inc. (Foundation), is a College direct-support organization as defined by Section 1004.70, Florida Statutes. Section 1004.70(1)(a)2., Florida Statutes, provides that a direct-support organization is organized and operated exclusively to receive, hold, and invest and administer property and make expenditures to and for the benefit of a Florida College System institution. Section 1004.70(3), Florida Statutes, in part, provides that the board of trustees is authorized to permit use of property, facilities, and personal services at any Florida College System institution by a direct-support organization.

Pursuant to Section 1009.23(7), Florida Statutes, the College assessed students an activity and service fee as a component part of tuition and fees. This law requires that the College retain the fees, and pay the fees into a separate fund for lawful purposes to benefit the student body in general. These purposes include, but are not limited to, student publications and grants to duly recognized student organizations, the membership of which is open to all students at the Florida College System institution without regard to race, sex, or religion. Additionally, State Board of Education (SBE) Rule 6A-14.057, Florida Administrative Code (FAC), provides that expenditures from student activity and services fees must be according to a budget prepared jointly by students and college personnel and

approved by the president. During the 2013-14 fiscal year, the College collected approximately $7 million of student activity and service fees. These fees are recorded in a separate fund and spent in accordance with the approved Student Activity and Service Fee Master Budget.

On November 7, 2013, the College transferred $300,000 from the student activity and service fees account to the Foundation to be used for matching contributions for the American Dream Scholarship. College personnel indicated that the intent of this transfer was to secure matching funds from private sources thereby creating additional resources for student scholarships. However, the transfer was not included in the Student Activity and Service Fees Master Budget, contrary to SBE Rule 6A-14.057 FAC. Additionally, although Section 1004.70(3), Florida Statutes, authorizes the College to permit use of property, facilities, and personal services to its direct-support organizations, we are unaware of any specific authority in Florida Statutes permitting the College to make cash payments to a College direct-support organization.

Recommendation: In the absence of specific statutory authority, the College should discontinue the practice of making cash payments to the Foundation. The College should also document the legal authority for the $300,000 transferred to its Foundation or seek to recover that amount from the Foundation. Additionally, the College should establish controls to ensure that student activity and service fees expenditures are limited to the student activity and service fee budget prepared in accordance with SBE rules.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2012-038.

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 from March 2014 to December 2014 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:

- 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.
- Determine whether management had taken corrective actions for findings included in our report No. 2012-038.
- 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 programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; 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.

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; 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.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2013-14 fiscal year, and selected actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of 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 College management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

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) policies and procedures.	Reviewed the College's written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges over the database and 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. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
IT logging and monitoring.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical IT resources.
IT user authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested the access privileges of former employees to determine whether the access privileges had been timely deactivated.
IT data loss prevention.	Reviewed the College written policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT business application system selection process.	Reviewed the College's selection methodology for replacing the existing finance and human resource application including the subsequent contract award and service-level agreement to ensure IT security controls were sufficiently considered.
IT disaster recovery plan.	Determined whether a comprehensive IT disaster recovery plan was in place and had been recently tested.
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.
Fund equity controls.	Determined whether the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget was below five percent of the total available fund balance at June 30, 2014, and if so, whether the College notified the Florida Department of Education, as required by Section 1011.84(3)(e), Florida Statutes. Performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Direct-support organization.	Tested payments and transfers between the College and its direct-support organization to determine the legal authority of such payments and transfers.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Student receivables.	Determined whether student receivables were properly authorized, adequately documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectible accounts written off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.
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.
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 they were approved by the Board of Trustees. Tested laboratory and other user fees to determine whether they were assessed only to students who received the services and examined supporting documentation to determine whether the College properly calculated these fees.
Dual enrollment program.	Reviewed College policies and procedures related to dual enrollment programs. Determined, on a test basis, whether revenues collected for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Auxiliary operations contract compliance.	Examined selected auxiliary operations contracts to determine whether the College was properly monitoring compliance with the contract terms regarding fees, insurance, and other provisions. Also, performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Personnel and payroll.	For selected faculty employees, determined whether they taught the minimum hours required by Section 1012.82, Florida Statutes, or were assigned alternative responsibilities. For selected employees, determined the accuracy of the rate of pay, validity of employment contracts, adequacy of qualifications, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports. For selected new hires determined whether personnel records evidence that employes had the necessary qualifications, degrees, experience, necessary background checks, etc.
Terminal pay.	Reviewed the College's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.
President's compensation.	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.
Background screenings.	Reviewed the College's policies and procedures for obtaining background screenings for personnel. Determined whether employees in sensitive positions, such as positions in direct contact with minors, had undergone the appropriate background screenings.
Eligibility for health insurance benefits.	Reviewed College policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and whether such insurance was timely cancelled upon employee termination. Also, determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
Mandatory and nonmandatory transfers.	Tested transfers made between funds to determine propriety of transfers of restricted moneys between funds.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested travel expenses to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Florida law.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, that contract terms were adequately supported, and that vendors carried adequate insurance.
Earmarked capital project resources.	Determined, on a test basis, whether the Public Education Capital Outlay (PECO) and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources. Determined whether PECO funds were properly encumbered by the required reversion date.
Electronic funds transfers and payments.	Reviewed College policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether the selected electronic funds transfers and payments were properly authorized and supported.
Procurement of goods and services.	Reviewed College policies and procedures related to the procurement of goods and services to ensure the competitive vendor selection process. Tested disbursements to determine whether purchase orders were issued prior to the College incurring an obligation for the goods or services. Tested purchases subject to competitive bids/ proposals to determine compliance with bid requirements.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid College purposes. Also, determined whether such payments were for employees doing business with the College, contrary to Section 112.313, Florida Statutes.
Related-party transactions.	Reviewed College policies and procedures related to identifying potential conflicts of interest. For selected College officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and College records to identify any potential relationships that represent a conflict of interest with vendors used by the College.
Purchase of software applications.	Determined whether the College evaluated the effectiveness and suitability of the software application prior to purchase and whether the purchase was performed through the competitive vendor selection process. Also, determined whether the deliverables met the terms and conditions of the contract.

EXHIBIT B
MANAGEMENT'S RESPONSE

BROWARD COLLEGE
www.broward.edu

CHIEF FINANCIAL OFFICER
Cypress Creek Administrative Center
6400 N.W. 6th Way, Fort Lauderdale, FL 33309
Phone 954-201-7435/Fax 954-201-7309

February 13, 2015

The Florida Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, Fl. 32399

Dear Sir/Madam:

Attached herewith, please find the responses to Broward College's Operational Audit and Tentative Findings for the fiscal year ended June 30, 2014.

FINDING No. 1: Healthcare Benefits

Acknowledged. The finding indicates the college should continue its efforts to require verification of eligibility for all dependents covered by the College's health insurance plan. E-mail communications are sent periodically to individuals reminding them the College has not been provided with the proper documentation of eligibility. The last email communication was in January of 2015. Prospectively, the Benefits Department on a monthly basis will review and contact the list of individuals who have not submitted their verification of eligibility, to obtain such documentation.

FINDING No. 2: Terminal Leave Payments

Acknowledged. In order to ensure that terminal leave payments are correctly calculated and paid in accordance with Florida Statutes and Broward College Board Policy, the Payroll Department has implemented a system whereby all terminal leave payouts will be calculated by one person in the Payroll Department and reviewed by a second person. Each person will sign off that the calculation is correct by placing their initials and the date of their review on the calculation sheet. The person performing the review will not only verify that the calculation is correct but that the payment is accordance with Florida Statutes and Board Policy. With regards to recovering the three overpayments, the Payroll Department has placed the accounts with our Credit and Collections Department to pursue collection of the funds.

FINDING No. 3: Payroll Processing - Time Records

Acknowledged. The finding is based on a recommended best practice and not a violation of any statute or rule. The College follows standard procedures based on Federal Fair Labor Standards Act (FLSA) for exempt employees. Employees are required to submit leave requests for time taken and those requests are approved by their supervisor. The FLSA states that employers cannot deduct partial days in pay from individuals who are classified as exempt. If an employer does so consistently, they could lose the exemption for that whole class of employees. Therefore, the College uses payroll by exception which does not require certification of time efforts. Should we change this procedure, we could be liable under FLSA for overtime for over 150 positions. Based on the risks involved with the recommended best practice, continuance of the College's current procedure is planned.

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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

FINDING No. 4: Payroll Monitoring

Acknowledged. College policy at the time of payment was to provide payment for work performed during College closings. The administrator was compensated in accordance with that policy for time worked over Spring Break for the years in question. Subsequently, the policy was changed and there will be no further payments for working during scheduled College closures, just emergency closures. In addition, all payments are now entered into the payroll system and are required to have supervisory approval before paid.

FINDING No. 5: Purchasing Card Program

Acknowledged. The college is in the process of modifying its current procurement card guidelines. These new guidelines will incorporate enhanced monitoring procedures that will address those issues identified in this finding and the associated discipline for failure to comply with those guidelines.

FINDING No. 6: Direct-Support Organization-Cash Transfer

Acknowledged. The Broward College Foundation is transferring back the entire $300,000 to Broward College.

Yours truly,

Jayson Iroff

Jayson Iroff
Chief Financial Officer