

DAYTONA STATE COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and the President who served during the 2008-09 fiscal year are listed below:

	<u>County</u>
Forough B. Hosseini, Chair from 9-18-08	Volusia
John E. Graham, Jr., Vice Chair from 9-18-08	Volusia
Dr. Mary G. Bennett, Vice Chair to 9-17-08	Volusia
William H. Davison	Flagler
Peter E. Mallory	Volusia
Dr. Steven G. Miles	Volusia
Joseph C. Petrock, Chair to 9-17-08	Volusia
Edward E. Schatz, Jr.	Flagler
John Gregory Smith	Volusia

Dr. D. Kent Sharples, President

The audit team leader was Patricia A. Wormeck, CPA, and the audit was supervised by Keith A. Wolfe, 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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DAYTONA STATE COLLEGE

SUMMARY

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

Finding No. 1: The College does not have a written fraud policy for communicating and reporting known or suspected fraud.

BACKGROUND

The College is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by State law and State Board of Education rules. A board of trustees governs and operates the College. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate.

Daytona State College has campuses in Daytona Beach, DeLand, Deltona, New Smyrna Beach, and Palm Coast, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Volusia and Flagler Counties. The College reported enrollment of 13,097 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.

FINDING AND RECOMMENDATION

Finding No. 1: Policies for Reporting Fraud

The College had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputations of persons suspected of fraud but subsequently exonerated. Further, in the absence of such written policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

The College advised us that they were in the process of reviewing existing fraud policies at other institutions and plan to develop a written fraud policy.

Recommendation: The College should develop and implement policies for the detection, prevention, and reporting of fraud.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2008-080.

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. 2008-080. 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
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 social security numbers, certified compliance pursuant to 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2009.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation relating to the College's fraud policy and related procedures.
Composition of Board of Trustees.	Examined supporting documentation to determine whether the College's Board of Trustees had the correct number of individuals representing each county, as set forth in State Board of Education (SBE) Rule 6A-14.024.
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 terminated employees' access to electronic data files.	Sampled employees who terminated during the audit period and examined supporting documentation evidencing when the College terminated access privileges.
Investment of funds as authorized by Section 218.415, Florida Statutes, and SBE Rule 6A-14.0765(3).	Examined supporting documentation to determine whether the College invested its funds in accordance with its written investment policy. Reviewed the College's written investment policy to ensure compliance with Section 218.415, Florida Statutes, and SBE Rule 6A-14.0765(3).
Procedures for capital outlay purchases.	Selected a sample of purchases to determine that the asset was properly capitalized or expensed, and was an allowable use of restricted capital project resources.
Tuition for baccalaureate courses.	Compared tuition fees charged for baccalaureate courses to amounts authorized to ensure these fees were less than 85 percent of tuition and out-of-state fees charged by the nearest public university.
Procedures for payroll transactions.	Selected a sample of College employee compensation payments to determine whether such payments were paid at the correct rate of pay, and were made in accordance with applicable laws and College rules and procedures.
Travel to a terrorist state.	Examined the College's travel records and made inquiry of key personnel to determine if funds were used for travel to terrorist states.
Procedures for purchases, expenses, and disbursements.	Selected a sample of purchases to determine that the expense was properly approved and recorded. Verified that the expense was paid in accordance with laws and administrative rules applicable to the source of funds and that it served an authorized and necessary purpose of the College.

**EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Procedures for monitoring motor vehicle fuel inventory.	Examined the College’s fuel management reports for its vehicles to determine if the reports were accurate, properly reconciled, and if the vehicle’s reported miles per gallon appeared reasonable.
Board meetings and retreats at locations other than the College campus.	The Board minutes were reviewed to determine whether meetings were held at unusual locations, without minutes, or without public notification.
Student activity and service fees assessed.	Verified that activity and service fees did not exceed 10 percent of the total tuition fee.
Procedures for calculating technology fee.	Verified that the sum of the tuition fee and technology fee for baccalaureate programs per credit hour did not exceed \$69.40.
Procedures for calculating user and laboratory fees.	Requested copy of College procedures to determine if the policy was approved by the Board of Trustees. Selected a sample of user and laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for insuring architects and engineers.	Examined recent construction projects to determine whether architects and engineers engaged during the audit period had evidence of required insurance.
Use of State sales tax exemption for direct purchases of construction materials.	Examined recent construction projects to determine if the College made use of its sales tax exemption to make direct purchases of construction materials or documented its justification for not doing so.
Annual safety inspections.	Determined that the College complied with the building, life safety, fire safety, and sanitation standards prescribed by Section 1013.12, Florida Statutes. Reviewed inspection reports to determine the accuracy of the deficiencies noted and whether they had been timely corrected.
Adult general education program enrollment reporting.	Selected a sample of adult education students and examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with the Florida Department of Education requirements.
Adults With Disabilities program enrollment reporting.	Selected a sample of students enrolled in the Adults With Disabilities program and examined supporting documentation to determine whether the College properly reported its student enrollments to the Florida Department of Education.
Procedures for student grade changes.	Selected a sample of students that had grade changes and examined supporting documentation to determine whether the changes posted to the student transcript records were supported by appropriate documentation.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for issuance of diplomas.	Selected a sample of students issued a diploma and examined supporting documentation to determine whether the recipients of diplomas met the grade point average and credit hours required for graduation, and had a transcript on file indicating the receipt of a diploma.
Procedures for textbook affordability.	Examined supporting documentation to determine whether the College's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the President

D. Kent Sharples

July 10, 2009

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

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Status, Daytona State College is hereby submitting the written audit response to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2009.


Finding No. 1: Policies for Reporting Fraud

Recommendation:

The College should develop and implement policies for the detection, prevention, and reporting of fraud.

Response:

Comment noted. As of the date of the operational audit exit conference, it was noted, documented, and verified that the fraud procedures had been developed, formally approved and implemented. Immediately following the audit exit, the Code of Ethics Policy was amended to include the Fraud requirement consistent with applicable laws. The College had taken and implemented appropriate action.

Sincerely,

D. Kent Sharples
President