

NEW COLLEGE OF FLORIDA

Operational Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

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

Colonel Walter L. "Mickey" Presha, Chair
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J. Robert Peterson
Dr. Vicki Pearthree Raeburn
Mary Ruiz from 12-09-08
John W. Saputo
Jane T. Smiley

Dr. Gordon E. Michalson, Jr., President

Notes: (1) Faculty senate chair.
(2) Student body president.
(3) Position vacant to December 9, 2008.

The audit was performed by Karen J. Collington, 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.

NEW COLLEGE OF FLORIDA

SUMMARY

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

Finding No. 1: The College did not provide the required written statements to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 2: The College's procedures did not ensure that it timely removes information technology (IT) access privileges of former employees.

BACKGROUND

New College of Florida (College) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting College policies, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the College President. The College President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the College.

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: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that an agency may not collect an individual's SSN unless the agency has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so; or it is imperative for the performance of that agency's duties and responsibilities as prescribed by law. Additionally, this Section requires that an agency collecting an individual's SSN provide that individual with a copy of the written statement indicating the purpose for collecting the number, and that SSNs collected by an agency will not be used for any purpose other than the purpose provided in the written statement. This Section also requires that each agency

review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

Although the College had assigned unique student and employee identification numbers to replace using SSNs for record keeping purposes, it continued to obtain SSNs from employees, prospective employees, students, and certain vendors. Although a review and evaluation of the reasons for collection of SSNs was performed, the College did not provide a written statement notifying individuals of the purpose for collection of their numbers, contrary to Section 119.071(5)(a), Florida Statutes. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The College should ensure that the required written statements are provided to individuals when their social security numbers are collected to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 2: Information Technology – Removal of Access Privileges

The College’s procedures did not ensure that it timely deleted information technology (IT) access privileges of former employees. The College uses complex IT systems to process and maintain its accounting, human resources, and student records, including financial aid. This data includes sensitive and nonpublic data on approximately 280 employees and approximately 785 full-time students. While performing their assigned responsibilities, certain College users can access this data through an extensive network system from locations on and off the College campus. Because of the importance of the College’s IT systems to its continued operations and the extent of sensitive and nonpublic information maintained in the systems, the College should have procedures for controlling access privileges that include timely removing access privileges of former employees.

College procedures require supervisors to notify the Office of Information Technologies (OIT) when an employee separates from service. Our test of 11 employees who separated from the College during the audit period disclosed three former employees who continued to have access to the system for 14 to 79 days after their separation date. We determined that, in these instances, OIT personnel timely deleted access privileges when notified; however, the supervisors did not timely notify OIT when the employee separated from service. The College is exposed to a greater risk that former employees could access and make unauthorized changes to data when it does not timely delete access privileges to its IT systems.

Recommendation: The College should ensure that supervisors timely notify the Office of Information Technologies of employee separations so that the former employees’ access privileges can be removed timely.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2008-030.

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. 2008-030. 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

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each university on a biennial basis. 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
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 former employees who separated from service during the audit period and examined supporting documentation evidencing when the College removed access privileges.
Disaster recovery plan.	Examined supporting documentation related to the College's disaster recovery plan. Determined whether the College's plan had been recently tested.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation relating to the College's fraud policy and related procedures.
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.
Journal entries.	Tested journal entries to determine that journal entries were reviewed and approved by supervisory personnel.
Electronic transfers of funds.	Examined the current banking agreement to ensure proper segregation of duties over electronic transfers of funds.
Pharmaceutical inventories.	Examined the College's inventory records and made inquiry of key personnel to determine if pharmaceutical inventories were maintained.
Multi-purpose card procedures.	Examined procedures and supporting documentation to determine whether the College had adequate controls in place over the issuance of, and accounting for, its multi-purpose cards.
Tuition and fees.	Compared out-of-state, activity and service, health, and athletic fees charged to amounts authorized by the College's Board of Trustees to ensure fees did not exceed amounts authorized by law. Selected a sample of students to determine that residency affidavits were on file for all students paying Florida resident tuition rates.
Background checks for personnel in a position of special trust.	Tested College personnel who work in an area requiring special trust and examined supporting documentation to determine whether the College had obtained fingerprint and background checks.
Procurement policies and procedures.	Examined College regulations related to procurement for compliance with Board of Governors regulations.
Purchasing card transactions.	Tested expenses charged by employees using purchasing cards and examined supporting documentation to determine if the selected charges were appropriate and in accordance with purchasing card policies and procedures. Determined the reasonableness of credit limits assigned to selected employees.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Travel expenses.	Examined travel policies and procedures. Tested employee travel vouchers and examined supporting documentation to determine (1) if the College paid for travel to a terrorist state; (2) mileage and per diem rates were in accordance with Florida statutes; and (3) vouchers contained adequate supporting documentation.
Procedures for monitoring cellular telephone usage.	Determined whether the College had procedures over the issuance and business use of cellular telephones and that the College did not pay certain taxes for which it was exempt.
Procedures for insuring architects and engineers.	Examined recent construction projects to determine whether architects and engineers provided evidence of required insurance.
Procedures for valuing property for insurance purposes.	Examined College procedures for determining insurable value of its buildings and other structures and examined supporting documentation to determine whether the insured values agreed with the College's actual cash values.
Procedures for student grade changes.	Tested 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.
Procedures for issuance of diplomas.	Tested students issued a diploma and examined supporting documentation to determine whether the recipients of diplomas met the requirements for graduation and had a transcript on file indicating the student graduated.
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.

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**EXHIBIT B
MANAGEMENT'S RESPONSE**



OFFICE OF THE PRESIDENT

October 12, 2009

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

Dear Mr. Martin:

Attached is our response to your preliminary and tentative findings and recommendations associated with New College of Florida's Operational Audit for the fiscal year ending June 30, 2009.

We continue to appreciate the assistance you and your staff provide in helping the College maintain and improve operations and accountability. Should you have any questions or need additional information, please do not hesitate to call me at 941-487-4100.

Sincerely,



Gordon E. Michalson Jr.
President

Attachment

cc: Colonel Walter L. "Mickey" Presha, Chair, Board of Trustees
Dr. Vicki Raeburn, Chair, Audit Committee
Mr. John Martin, VP for Finance & Administration

NEW COLLEGE OF FLORIDA**Response to Preliminary and Tentative Operational Audit Findings
For the Fiscal Year Ended June 30, 2009****1. COLLECTION OF SOCIAL SECURITY NUMBERS****RECOMMENDATION:**

The College should ensure that the required written statements are provided to individuals when their social security numbers are collected to ensure compliance with Section 119.071(5)(a), Florida Statutes.

RESPONSE:

The College concurs and will develop and implement procedures to provide a written statement to individuals explaining why social security numbers are collected and for what purpose.

Responsible Person: Maribeth Clark, Associate Provost

Expected Implementation: November, 2009

2. INFORMATION TECHNOLOGY – REMOVAL OF ACCESS PRIVILEGES**RECOMMENDATION:**

The College should ensure that supervisors timely notify the office of information technologies of employee separations so that former employees' access privileges can be removed timely.

RESPONSE:

The College concurs and will strengthen employment termination procedures and training to ensure that former employees' access privileges are removed timely.

Responsible Person: Eileen Harrow, Interim Chief Information Officer

Expected Implementation: October, 2009