

**FLORIDA STATE COLLEGE  
AT JACKSONVILLE**

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**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:

	<u>County</u>
Thomas R. McGehee, Jr., Vice Chair to 8-05-08, Chair from 8-06-08	Duval
N. Wyman Winbush, II, Chair to 8-05-08	Duval
Dr. Linda H. Asay, Vice Chair from 8-06-08	Nassau
Gwendolyn C. Yates, Vice Chair from 8-06-08	Duval
Suanne Z. Thamm, Vice Chair to 8-05-08	Nassau
Rear Admiral Kevin F. Delaney, USN (Ret.)	Duval
James E. McCollum	Nassau
Emily Balz Smith	Duval
Michael B. Weinstein to 2-27-09 (1)	Duval

Dr. Steven R. Wallace, President

Note: (1) Board member resigned effective February 27, 2009,  
and position remained vacant through June 30, 2009.

The Vice Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

The audit team leader was Lenia Blades, and the audit was supervised by John P. Duffy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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**FLORIDA STATE COLLEGE AT JACKSONVILLE**

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**SUMMARY**

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

**Finding No. 1:** Contrary to law, the College reported full-time equivalent student enrollment for its continuing workforce education programs for the 2008-09 and 2007-08 fiscal years, although revenues received from external entities exceeded the direct cost of instruction.

**Finding No. 2:** The College did not have a written fraud policy to provide guidance to employees for communicating and reporting known or suspected fraud.

**Finding No. 3:** The College did not always provide the required written notification to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

**Finding No. 4:** The College needed to enhance its procedures for reviewing, approving, and timely submitting leave used reports.

**Finding No. 5:** The College did not correctly calculate certain employees' termination pay for unused sick leave earned after July 1, 2001, and, as a result, \$87,098 was over paid to former employees.

**Finding No. 6:** The College needed to enhance its purchasing card procedures to ensure compliance with the College's established purchasing card procedures.

**Finding No. 7:** The College did not timely enter into an operating and management agreement for an aircraft coating educational facility, to be constructed in cooperation with the Jacksonville Aviation Authority, to establish the specific rights, responsibilities, and other conditions related to the operation and management of the facility.

**Finding No. 8:** The College needed to implement procedures to ensure that cost estimates for construction projects, conducted under delivery order contracts, are independently evaluated for validity and reasonableness.

**Finding No. 9:** The College expended \$168,413 of Public Education Capital Outlay funds for unallowable purposes.

**Finding No. 10:** The College needed to develop written policies and procedures for certain information technology (IT) functions.

**Finding No. 11:** The College needed to enhance access controls for certain IT functions.

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**BACKGROUND**

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Florida State College at Jacksonville (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 nine members appointed by the Governor and confirmed by the Senate.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the name change from Florida Community College at Jacksonville to Florida State College at Jacksonville at its March 3, 2009, Board meeting. The name change became effective July 1, 2009.

The College has campuses located in Jacksonville, Florida, and centers located in Jacksonville and Yulee, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Duval and Nassau Counties. The College reported enrollment of 24,822 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: Full-Time Equivalent Enrollment Reporting - Continuing Workforce Education Courses**

Section 1011.84(1)(a), Florida Statutes, requires that the Florida Department of Education (FDOE) determine the State financial support and the annual apportionment to each college district through the College Program Fund based on the types of programs offered and the related costs of those programs. Section 1011.80(5)(a), Florida Statutes, provides that for a continuing workforce education course, State funding shall equal 50 percent of the cost of instruction, with student fees, business support, quick-response training funds, or other means making up the remaining 50 percent. Sections 1011.80(5)(d) and 1011.84(1)(f), Florida Statutes, provide that when a public educational institution has been fully funded by an external agency for direct instructional costs of any course or program, the full-time equivalent (FTE) generated shall not be reported for State funding. State Board of Education Rule 6A-14.054(7), Florida Administrative Code, provides that each board of trustees shall have the authority to negotiate tuition fees for courses and programs contracted by external agencies and companies that vary from the tuition fees provided for in this rule, and such negotiated fees may exceed the full cost of instruction; however, the courses and programs of instruction funded from these negotiated fees shall not be reported for State funding purposes.

The College reported 3,955 and 3,666 FTE in the continuing workforce education (CWE) category for the 2008-09 and 2007-08 fiscal years, respectively. The majority of these FTE were generated from contracts the College entered into with the United States Navy (Navy) for education and training programs conducted at the Great Lakes Naval Station in Illinois, and the Pensacola Naval Air Station in Florida. The College was awarded a five-year contract for each Naval Station during the 2006-07 fiscal year for these training programs in response to the Navy's request for proposals for a firm, fixed-price labor hour service contract, with indefinite quantity and indefinite delivery requirements. The College could have realized profits or losses on the training programs based on the contracted costs and the quantities purchased by the Navy. College personnel advised us that it generally prices the CWE programs it offers to break even relative to the direct cost of instruction and, potentially, to contribute to overhead costs. As shown in the Table below, the College's revenues from the Navy and other external agencies and companies for CWE courses collectively exceeded the direct cost of instruction:

Description	2008-09			2007-08		
	Total	Naval Agreements CWE	Other CWE	Total	Naval Agreements CWE	Other CWE
CWE Revenues (Fees and Contracts) (1)	\$ 18,043,402	\$ 15,199,667	\$ 2,843,735	\$ 18,523,401	\$ 14,401,910	\$ 4,121,491
Direct Instructional Expenses (2)	17,131,562	14,067,234	3,064,328	18,091,709	14,115,827	3,975,882
<b>Difference</b>	<b>\$ 911,840</b>	<b>\$ 1,132,433</b>	<b>\$ (220,593)</b>	<b>\$ 431,692</b>	<b>\$ 286,083</b>	<b>\$ 145,609</b>
<b>Revenues as a Percentage of Expenses</b>	<b>105.32%</b>	<b>108.05%</b>	<b>92.80%</b>	<b>102.39%</b>	<b>102.03%</b>	<b>103.66%</b>
CWE FTE Reported (2)	3,955	3,643	312	3,666	3,289	377
Total FTE Reported (2)	24,822			22,466		
<b>CWE FTE as a Percentage of Total FTE</b>	<b>15.93%</b>			<b>16.32%</b>		

Notes: (1) From the College's General Ledger.  
 (2) From the College's Student Enrollment and Cost Analysis Reports.

The College received \$67.2 million and \$72.6 million of College Program Fund appropriations for the 2008-09 and 2007-08 fiscal years, respectively. As the College was fully funded for direct instructional costs for these CWE programs, the College’s reporting of the FTE for these programs appears to be contrary to Sections 1011.80(5)(d) and 1011.84(1)(f), Florida Statutes, and State Board of Education Rule 6A-14.054(7), Florida Administrative Code.

Upon inquiry, we were advised by College personnel that the College was of the opinion that, because the contract had indefinite quantity and indefinite delivery requirements, the College had no guarantee that contract revenues would fully fund the costs of instruction or that all costs would be recovered. As support for its position, the College also indicated that although the contract for the Great Lakes Naval Station has recovered the costs of the program, the contract for the Pensacola Naval Air Station has not. However, because revenues for CWE sources exceeded the full cost of instruction, reporting the associated FTE enrollment for State funding purposes appears to be contrary to the above-cited Statutes and rule.

**Recommendation:** The College should consult with the Florida Department of Education on the reporting of FTE for these programs and determine the corrective action necessary to the FTE reported for CWE programs for the 2008-09 and 2007-08 fiscal years.

**Finding No. 2: Policies for Reporting Fraud**

The College had not developed written 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 policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authorities. In response to our audit inquiries, College personnel indicated that such policies are currently being developed.

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**Recommendation:** The College should continue its efforts to develop policies for detection, prevention, and reporting of known or suspected fraud. Additionally, these policies should be submitted to the Board of Trustees for approval.

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**Finding No. 3: Collection of Social Security Numbers**

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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 the College may not collect an individual's SSN unless it has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the College's duties and responsibilities as prescribed by law. Additionally, this Section requires that, as the College collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the SSN. Further, this Section provides that SSNs collected by the College may not be used by the College for any purpose other than the purpose provided in the written statement. This Section also requires that the College 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 a review and evaluation of the reasons for collection of SSNs was performed, the College did not always provide the required written notification to individuals when their SSNs were collected, contrary to Section 119.071(5)(a), Florida Statutes. For example, we noted 13 forms available on the College's Web site that did not contain or provide a reference to the required written statement. Subsequent to our inquiries, the College posted a written statement in its online College catalog for notifying students when SSNs were collected and, as of February 12, 2010, the College was in the process of developing specific written statements to provide notification to all employees and prospective employees when their SSNs are collected. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduces the risk that SSNs may be used for unauthorized purposes.

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**Recommendation:** The College should continue its effort to provide the required written statements to individuals when their SSNs are collected.

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**Finding No. 4: Attendance and Leave Reports**

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The College uses a semi-monthly leave used report (report) to provide verification of attendance and leave for full-time employees. The report is distributed to supervising administrators who are responsible for verifying that employees worked their respective schedule, except for leave reported as used. The College requires that supervising administrators document their review by signing and dating the report, and forwarding the signed copies to the applicable campus business office by a specified date.

Our review disclosed that College records did not always evidence that the reports were adequately reviewed or timely submitted by supervising administrators. Our review of 70 reports for the 2008-09 fiscal year disclosed that 9 reports

were not signed by the designated supervisor, 3 were submitted from 4 to 83 days late, and 8 did not indicate the date signed by the supervisor or the date received by the campus business office.

When appropriate documentation of attendance and leave does not include evidence of supervisory review and approval, or such documentation is not timely submitted to the business office, there is increased risk of employees being compensated for time not worked or that leave used would not be timely recorded in the employees' leave records, if at all.

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**Recommendation:** The College should enhance its procedures to ensure that leave used reports include documentation of timely supervisory review and approval and are timely submitted to the applicable campus business office.

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**Finding No. 5: Terminal Pay for Accumulated Unused Sick Leave**

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Section 1012.865(2)(e), Florida Statutes, permits colleges to provide terminal pay for accumulated unused sick leave to any full-time employee of a college other than instructional staff or educational support employees. This Statute provides that terminal pay shall be made pursuant to rules or policies of the board of trustees that were in effect on June 30, 2001, for unused sick leave accumulated before July 1, 2001. The College policies in effect on June 30, 2001, provided that terminal pay for full-time employees for accumulated unused sick leave would be paid out at various percentages (from 35 to 100 percent) based on years of service.

Section 1012.865(2)(e)2., Florida Statutes, provides that 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. This section further provides that if the employee had an accumulated sick leave balance of 60 days or more on June 30, 2001, sick leave earned after that date may not be accumulated for terminal pay purposes until the accumulated leave balance as of June 30, 2001, is less than 60 days.

Our review of the terminal pay calculation for one full-time College administrative employee disclosed that the former employee was over paid \$11,053. The overpayment resulted from the College calculating the payment based on 100 percent of the employee's unused sick leave earned after July 1, 2001, rather than using one-fourth of the unused leave. We also noted that the College's Board of Trustees rule and related payroll procedures for calculating such employees' terminal pay did not address the one-fourth limitation for unused sick leave earned after July 1, 2001.

Subsequent to audit inquiry, we were advised by College personnel that when Board of Trustees Rule 6Hx7-3.38, *Sick Leave*, was modified on December 3, 2002, the College inadvertently omitted the wording limiting terminal sick leave payments to one-fourth of the employee's unused sick leave. In response to our inquiry, College personnel recalculated all terminal leave payments made to administrative and professional employees from July 1, 2001, through June 30, 2009, and determined that, of 181 employees, 23 received overpayments totaling \$87,098 (\$43,501 of this amount was applicable to 6 employees terminating from March 15, 2008, through June 30, 2009) because it did not limit terminal pay for sick leave as required by the above-cited Statute. The College indicated it intends to revise the Board of Trustees rule to address the one-fourth limitation for unused sick leave earned after July 1, 2001; however, it is not the College's intention to request repayments of the funds already paid to the 23 employees.

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**Recommendation:** The College should continue its efforts to revise the Board of Trustees rule to ensure that termination pay for unused sick leave is in accordance with Florida Statutes. Additionally, the College should attempt to recover the overpayments from former employees as allowed by law.

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**Finding No. 6: Purchasing Cards**

The College established a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College developed a comprehensive purchasing card manual (manual) that addresses management controls over purchasing cards. The purchasing card program was designed to handle and expedite small orders in an efficient manner with a significant reduction in overhead costs. The College's purchasing cards may be used for purchases less than \$2,500 per transaction and less than \$1,000 per item. The College issued purchasing cards to 160 employees as of June 30, 2009. During the 2008-09 and 2007-08 fiscal years, purchasing card charges totaled approximately \$2.35 million and \$2.36 million, respectively.

Our test of purchasing card transactions for the period June 15, 2007, through June 14, 2009 (the College's purchasing card fiscal year ends on June 14, the last day of the monthly billing cycle), disclosed the following:

- Twenty purchases were split into multiple purchases or were split between cardholders during the 2008-09 and 2007-08 fiscal years to stay within the per transaction limit of \$2,500. For example, on August 28, 2008, two employees in the same department each purchased video memory cards costing \$1,715 and totaling \$3,430. The manual provides that no purchase shall be split into smaller purchases to be under the \$2,500 limit and all purchases over \$2,500 are required to be entered into the College's accounting system and have a purchase order issued.
- Twenty-two purchases were made from one vendor for printing services that, based on the amount purchased, should have been pursuant to bids. These purchases were made by two College employees in the same department and totaled \$52,444 during the period June 18, 2008, through June 9, 2009. Because the amount purchased exceeded the \$50,000 bid threshold established by State Board of Education Rule 6A-14.0734, the College should have solicited bids for the printing.
- Seven transactions exceeded the \$2,500 per transaction limit. These transactions ranged from \$2,736 to \$6,061, with six of the transactions made during the 2007-08 fiscal year and one transaction made during the 2008-09 fiscal year.
- A cardholder made two purchases on June 19, 2008, for capital equipment items costing \$1,999 and \$2,160.04. The College's manual limits purchases to less than \$1,000 per item and also provides that purchasing cards may not be used to purchase capital equipment. Further, these transactions were incorrectly coded in the accounting system as education materials expenses rather than the acquisition of capital equipment.
- Several cardholders made purchases under the direction of the supervising budget administrator responsible for approving the expenditures. As a result, budget administrators essentially approved their own purchases, contrary to the manual, which prohibits any cardholder from approving their own expenditures.

We provided details of our test results to College management and they promptly followed-up and suspended purchasing card privileges for several employees pending the completion of additional purchasing card training.

Additionally, our review disclosed that the College did not have effective procedures for monitoring and reviewing potential split-purchases between employees or purchases made by individual cardholders or departments for more than one billing cycle to ensure that purchasing cards were used in accordance with the manual. According to College management, the Purchasing Department was responsible for training cardholders, issuing purchasing cards, and monitoring the validity of transactions, while the Accounts Payable Department was responsible for ensuring that documentation of purchases was received prior to remitting the monthly payment to the purchasing card provider. However, neither Department was monitoring for the potential of split-purchases between employees or purchases split between more than one billing cycle to ensure compliance with the College's manual.

Although a purchasing card program is useful for expediting the payment of small purchases, without effective monitoring and controls the College is at a greater risk that purchases will be made that are unauthorized or contrary to College procedures. In such circumstances, it is important that effective training and monitoring procedures exist to ensure that purchases made with purchasing cards comply with the College's purchasing manual.

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**Recommendation:** The College should enhance its training, monitoring, and review procedures over the purchasing card program to ensure compliance with the College's established purchasing card procedures.

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**Finding No. 7: Operating and Management Agreement**

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On January 31, 2007, the College and the Jacksonville Aviation Authority (JAA) entered into a Letter of Agreement (Agreement) to develop an aircraft coating educational facility at the Cecil Commerce Center. JAA agreed to contribute \$10 million to the College in support of the College's application for State matching funds subject to the terms and conditions contained in the Agreement. The Agreement required, in part, that if the College's matching funds were appropriated prior to May 31, 2007, then both parties shall enter into an Operating and Management Agreement (OMA) by June 30, 2007 (unless otherwise extended in writing by mutual agreement of the parties), to operate, manage, and maintain the aircraft coating facility. The College received the appropriation in May 2007, and agreed with JAA to extend the deadline for the OMA to December 31, 2007.

During June 2009, the College awarded a design-build contract for construction of the aircraft coating facility, and the JAA Board entered into an agreement with a corporate tenant to operate and manage the facility. The College entered into a Ground Lease with JAA on July 28, 2009, and anticipated starting construction of the facility in September 2009, with completion in December 2010. On August 4, 2009, the College's Board of Trustees approved authorizing the College to negotiate and enter into an OMA with JAA for the Aircraft Coating, Maintenance, Repair, and Overhaul Educational Facility at Cecil Field. However, the OMA had not been finalized as of February 12, 2010, more than 25 months after the December 31, 2007, deadline. College personnel advised us that delays in completing the Ground Lease Agreement and various other factors contributed to delays in completing the OMA. A written operating and management agreement is necessary to establish the specific rights, responsibilities, and other conditions relating to the operation and management of the facility.

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**Recommendation:** The College should continue its efforts to develop and approve an Operating and Management Agreement for the aircraft coating educational facility to establish the specific rights, responsibilities, and other conditions related to the operation and management of the facility.

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**Finding No. 8: Delivery Order Contracting**

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The College entered into delivery order contracts with two construction management firms to perform miscellaneous construction services, including minor renovation and remodeling projects costing less than \$500,000. Delivery order contracting involves using construction cost estimating guides to establish for a project estimated construction cost and then applying agreed upon adjustment factors, including percentage markups for profit and overhead, a fixed coefficient based on anticipated project cost and the scheduled work hours, and a regional cost index. The College selects construction management firms, in part, on their qualifications and experience, as well as their proposed markup for profit and overhead. Although the construction management firms are competitively selected, individual projects are priced by the selected firms using the specified construction cost estimating software, and purchase orders are issued using the resulting estimates and applying the various agreed upon adjustment factors.

The *Purchasing Reference Manual for Florida Community Colleges* (Manual), developed by the Council of Purchasing Professionals, a Florida college organization comprised of participating college purchasing professionals, recognizes delivery order contracting as a construction delivery method available to Florida colleges, and considers it to be a variation of contracting with a construction management entity. The Manual also provides several optional business practices for delivery order contracting, including having RS Means software available to the college's facilities department to enable the college to periodically evaluate that cost estimates provided by the contracted firms are both valid and reasonable.

Our review of the College's delivery order contracts and contracting procedures for individual projects disclosed that the College did not have a procedure to independently verify delivery order projects to evaluate the validity and reasonableness of the estimated costs provided. Absent effective procedures to independently verify the estimated costs for these projects, there is an increased risk that the College may not obtain the lowest possible costs within an acceptable level of quality.

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**Recommendation:** The College should implement procedures to ensure that cost estimates for construction projects conducted under delivery order contracts are independently evaluated for validity and reasonableness prior to authorizing construction management entities to proceed.

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**Finding No. 9: Public Education Capital Outlay Maintenance Funds**

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The State allocates Public Education Capital Outlay (PECO) moneys to the College on an annual basis. The College's annual PECO allocation consists of specific State-defined project categories and appropriation amounts, each of which has restrictions governing use. Section 1013.64, Florida Statutes, provides that PECO funds may be used for remodeling, renovation, maintenance, repair, or site improvement projects to expand or upgrade current educational plants. Section 1013.01, Florida Statutes, indicates that "educational plant" comprises the educational facilities, site, and site improvements necessary to accommodate students, faculty, administrators, staff, and the activities of the educational program of each plant. Pursuant to the definition of "maintenance and repair" in Section 1013.01(12), Florida Statutes, PECO funds may not be used for custodial or groundskeeping functions.

For the 2008-09 fiscal year, the College reported PECO revenue of \$19,749,964, of which \$1,364,517 was for maintenance projects. Our test of PECO expenditures for maintenance during the 2008-09 fiscal year disclosed that \$168,413 was used to pay for groundskeeping services, which are not an authorized use of PECO moneys. Subsequent to our inquiries, the College reimbursed the \$168,413 from its unrestricted current funds.

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**Recommendation:** The College should continue its efforts to ensure that PECO moneys are used for authorized purposes.

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**Finding No. 10: Information Technology – Written Policies and Procedures**

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Each information technology (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.

The College lacked written policies and procedures for the following IT functions:

- Sanitation method for disposed or transferred equipment.
- Monitoring and reviewing audit logs.

- Periodically reviewing and revising access privileges of current and transferred employees.
- Removing confidential College information from consultant or vendor equipment upon completion of contractual services.
- Addressing administrator rights on the workstations of end-users.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management’s expectations.

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**Recommendation:** The College should establish and implement written policies and procedures to document management’s expectations for the performance of the above-listed IT functions.

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**Finding No. 11: Information Technology – Access Controls**

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Effective access controls are necessary to protect the confidentiality, integrity, and availability of data and IT resources. During our review, we noted certain access controls that needed improvement. Specific details of these control deficiencies are not disclosed in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the deficiencies. Without appropriate access controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that College data and IT resources may be subject to improper disclosure, modification, or destruction. A similar finding was noted in our report No. 2008-163.

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**Recommendation:** The College should modify its access controls as necessary to enhance the security of College data and IT resources.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2008-163.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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. 2008-163. 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
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation related 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 removed IT access privileges.
IT policies and procedures.	Reviewed the College's written policies and procedures to determine whether they addressed certain important IT control functions.
IT security controls.	Reviewed the College's IT security controls to determine whether vulnerabilities existed.
Business continuity plan and related procedures.	Examined supporting documentation related to the College's business continuity plan and determined whether the plan had been recently tested.
Fraud policy and related procedures.	Inquired of College personnel and examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
Board meetings and retreats at locations other than the College campus.	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements (i.e., proper notice of meetings, ready access to public, maintain 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 for collecting social security numbers.
Bank services, accounts, and controls.	Determined whether the Board periodically reviewed its banking agreement and verified the bank was listed as a qualified public depository. Reviewed the year-end bank reconciliation to determine whether it was accurate, complete, and properly approved.
Tuition for baccalaureate courses did not exceed the amount authorized.	Compared tuition fees charged for baccalaureate courses to ensure these fees were less than 85 percent of tuition and out-of-state fees charged by the nearest public university.
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.
Procedures for calculating the technology fee.	Verified that the sum of the tuition fee and technology fee for baccalaureate programs per credit hour did not exceed the amount authorized by law.
Adult general education program enrollment reporting.	Tested adult education students and examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.
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.

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

Scope (Topic)	Methodology
Procedures for issuance of diplomas.	Tested students issued diplomas 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.
Payroll procedures.	Tested College employee compensation payments to determine whether such payments were at the correct rate of pay and were made in accordance with applicable laws and College rules and procedures.
Personnel procedures.	Tested personnel records to determine whether appropriate documents were maintained as required by applicable laws, rules, and procedures.
Procedures for new hires.	Tested newly hired employees and reviewed supporting documentation to determine whether appropriate documents were obtained in accordance with College rules and procedures.
Background checks for personnel in a position of special trust.	Tested College personnel who worked in areas requiring special trust to determine whether the College had obtained background checks for individuals tested.
Terminal pay rules and procedures.	Reviewed the College's rules and procedures for terminal pay to ensure consistency with Florida law. Tested former employees and determined whether the College properly calculated terminal pay.
Minimum faculty teaching hours per week.	Reviewed College procedures for monitoring minimum full-time faculty teaching hours and obtained and reviewed College reports supporting teaching hours for the year.
Certifications of leave used reports.	Reviewed leave used reports for departments from two campuses to determine whether appropriate reviews and approvals of leave taken were performed, documented, and maintained as required by College procedures.
Procedures for overtime payments.	Obtained a listing of all employees who received overtime pay during the audit period and tested whether payments were supported by approved time records, appeared justified, and were made in accordance with approved pay rates.
Purchasing card procurement rules and procedures.	Tested purchasing card expense transactions to test for propriety and compliance with related laws, rules, and College procedures.
Travel to a terrorist state.	Examined the College's travel records and made inquiry of key personnel to determine whether funds were used for travel to terrorist states.
Procedures for contractual agreements.	Tested contractual agreements (greater than \$1 million) and reviewed to determine compliance with applicable laws, rules, and contractual requirements.

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

Scope (Topic)	Methodology
Non-Federal student financial assistance (SFA), grants, and appropriations.	Tested programs from non-Federal SFA, grants, and appropriations. Reviewed supporting documentation for evidence of proper program administration in areas such as eligibility, reporting, expenditures, etc.
Procedures for capital outlay purchases.	Tested purchases to determine that the asset was properly capitalized or expensed, and was an allowable use of restricted capital outlay resources.
Capital project ledgers.	Tested representative major construction projects and compared expenses recorded in project ledgers to expenses recorded in accounting records.
State-funded capital outlay program reporting.	Determined whether amounts reported to the Florida Department of Education for State-funded capital outlay programs were supported by the College's accounting records.
Procedures for selecting and insuring architects and engineers.	Tested representative major construction projects to determine whether architects and engineers engaged were properly selected and, where applicable, had evidence of required insurance.
Use of State sales tax exemption for direct purchases of construction materials.	Examined recent construction projects to determine whether 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 whether 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 were timely corrected.
Facilities usage and records.	Tested College facilities rental agreements and determined whether College procedures were followed governing the use of facilities and equipment by groups, organizations, associations, individuals, etc.
Motor vehicle usage.	Tested motor vehicle logs to determine whether the logs were properly maintained and that procedures were in place to ensure drivers possessed valid drivers' licenses.

EXHIBIT B  
MANAGEMENT’S RESPONSE

Dr. Steven R. Wallace  
College President



March 23, 2010

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

Reference: Preliminary and Tentative Findings Operational Audit  
Florida State College at Jacksonville  
For the Fiscal Year Ended June 30, 2009

Dear Mr. Martin:

The following is a summary of the State of Florida Auditor General findings and recommendations and the College responses to the Operational Audit for the fiscal year ended June 30, 2009:

1. Finding – Contrary to law, the College reported full-time equivalent student enrollment for its continuing workforce education programs for the 2008-09 and 2007-08 fiscal years, although revenues received from external entities exceeded the direct cost of instruction. Recommendation – The College should consult with the Florida Department of Education on the reporting of FTE for these programs and should determine the corrective action necessary to the FTE reported for CWE programs for the 2008-09 and 2007-08 fiscal years.

**College Response – The College disagrees with the Finding and with the Auditor General’s interpretation of the law. Florida Statutes do not allow reporting of FTE for funding purposes “when a public educational institution has been fully funded by an external agency for direct instructional costs of any course”. The courses in question in the Audit are the Navy courses at Great Lakes and Pensacola. These courses were not fully funded by the Navy, but rather were contracted using an Indefinite Delivery Indefinite Quantity basis. In fact, while some courses at Great Lakes Training Base did show a surplus of revenues over direct expenses, some others did not, and the courses at Pensacola Training Base incurred deficits of revenue to direct expenditures in total. Clearly, these courses were not “fully funded”. However, the College will accept the Recommendation to discuss this issue with the Florida Department of Education.**

2. Finding – The College did not have a written fraud policy to provide guidance to employees for communicating and reporting known or suspected fraud.  
Recommendation – The College should continue its efforts to develop policies for detection, prevention, and reporting of known or suspected fraud. Additionally these policies should be submitted to the Board of Trustees for approval.

**College Response – The District Board of Trustees approved Rule 6Hx7-2.28, Standard of Conduct and Compliance for Employees on January 12, 2010, which contains the prescribed language regarding fraud.**

3. Finding – The College did not always provide the required written notification to individuals when their social security numbers were collected, contrary to law.  
Recommendation – The College should continue its efforts to provide the required written statements to individuals when their SSNs are collected.

**College Response – The College will continue its efforts to provide written statements to individuals as recommended.**

4. Finding – The College needed to enhance its procedures for reviewing, approving, and timely submitting leave used reports. Recommendation – The College should enhance its procedures to ensure that leave used reports include documentation of timely supervisory review and approval and are timely submitted to the applicable campus business office.

**College Response – The College will enhance its procedures as required to ensure timely review, approval and submission of employee leave used reports.**

5. Finding – The College did not correctly calculate certain employees' terminal pay for unused sick leave earned after July 1, 2001, and, as a result, \$87,098 was over paid to former employees. Recommendation – The College should continue its efforts to revise the Board of Trustees rule to ensure that termination pay for unused sick leave is in accordance with Florida Statutes. Additionally, the College should attempt to recover the overpayments from former employees as allowed by law.

**College Response – The District Board of Trustees amended Board Rule 6Hx7-3.38, Sick Leave, on November 3, 2009 to be in accordance with the amended Florida law. However, the College will not attempt to collect overpayments from the 23 former employees that have separated from the College.**

6. Finding – The College needed to enhance its purchasing card procedures to ensure compliance with the College’s established purchasing card procedures.  
Recommendation – The College should enhance its training, monitoring, and review procedures over the purchasing card to ensure compliance with the College’s established purchasing card procedures.

**College Response – The College will enhance its training, monitoring, and review procedures to ensure compliance with the College’s established purchasing card procedures.**

7. Finding – The College did not timely enter into an operating and management agreement for an aircraft coating educational facility, to be constructed in cooperation with the Jacksonville Aviation Authority, to establish the specific rights, responsibilities, and other conditions related to the operation and management of the facility.  
Recommendation – The College should continue its efforts to develop and approve an Operating and Management Agreement for the aircraft coating educational facility.

**College Response – The District Board of Trustees authorized the College administration to negotiate and enter into an Operations and Management Agreement with JAA for the Aircraft Coating Educational Facility at its August 4, 2009 meeting. The College is currently in final stages of negotiations for this Agreement.**

8. Finding – The College needed to implement procedures to ensure that cost estimates for construction projects, conducted under delivery order contracts, are independently evaluated for validity and reasonableness. Recommendation - The College should implement procedures to ensure that cost estimates for construction projects conducted under delivery order contracts are independently evaluated for validity and reasonableness prior to authorizing construction management entities to proceed.

**College Response – The College regularly solicits competition for its Delivery Order Contractors and is assured of the lowest possible costs through the competitive bid process. The College also requires the Delivery Order Contractors to use the RS Means software to estimate the cost of projects and then bid 10% or more below this estimate. The College will enhance its procedures to validate that costs are reasonable and within an acceptable level of quality.**

9. Finding – The College expended \$168,413 of Public Education Capital Outlay funds for unallowable purposes. Recommendation – The College should continue its efforts to ensure that PECO moneys are used for authorized purposes.

**College Response – The College will continue its efforts to ensure that PECO moneys are used for authorized purposes.**

10. Finding – The College needed to develop written policies and procedures for certain technology (IT) functions. Recommendation – The College should establish and implement policies and procedures to document management’s expectations for the performance of the above-listed IT functions. (Included are transferred equipment, access privileges of employees, and others)

**College Response – The College will establish and implement policies and procedures for the listed functions.**

11. Finding – The College needed to enhance access controls for certain IT functions. Recommendation – The College should modify its access controls as necessary to enhance the security of College data and IT resources.

**College Response – The College will modify its access controls as necessary to enhance the security of College data and IT resources. However, since there are not statewide or Florida College System standards for IT access controls, the implementation of these modifications may not necessarily match the detailed audit recommendations. Some of the detailed findings and recommendations of the audit involve judgments on the efficacy of College procedures, and without statewide or Florida College System published standards the College will enhance security of IT access controls as appropriate. The College will also initiate an effort with other colleges to establish working standards for this area.**

Florida State College at Jacksonville values the recommendations from the Auditor General’s Office and will implement several enhancements to procedures as described above.

Sincerely,



Steven R. Wallace, Ph.D.  
College President  
Florida State College at Jacksonville