

**STATE COLLEGE OF FLORIDA,
MANATEE-SARASOTA**

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

| | <u>County</u> |
|---------------------------------------|---------------|
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| Beverly Beall to 3-25-10 (1) | Manatee |
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| Susan Miller Kelly | Manatee |
| Rev. Kelvin L. Lumpkin to 5-31-10 (1) | Sarasota |
| Joseph C. Miller, Jr. | Manatee |
| Christine Robinson to 5-31-10 (1) | Sarasota |
| Jennifer M. Saslaw | Sarasota |

Dr. Lars Hafner, President

Note: (1) Position remained vacant at June 30, 2010.

The audit team leader was Richard T. Lockhart CPA, and the audit was supervised 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.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The College’s procedures for documenting Florida residency status for tuition purposes needed improvement.

Finding No. 2: The College needed to strengthen its procedures for reviewing and documenting user fees.

Finding No. 3: The College’s procedures for the administration of construction contracts needed improvement.

Finding No. 4: The College needed to enhance its procedures to ensure the timely removal of information technology (IT) access privileges for former employees.

Finding No. 5: The College’s IT security controls related to user authentication and network and application access needed improvement.

BACKGROUND

State College of Florida, Manatee-Sarasota (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.

The College has campuses in Bradenton and Venice, Florida, and a Center at Lakewood Ranch, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Manatee and Sarasota Counties. The College reported enrollment of 9,565 full-time equivalent students for the 2009-10 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2010, 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, 2010, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Student Residency

Section 1009.21, Florida Statutes, states, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. According to this Statute, to qualify as a resident for tuition purposes, legal residence must be established and maintained in Florida for at least 12 months immediately prior to qualification. Section 1009.21(3), Florida Statutes, provides that a college may require individuals to provide documentation related to legal residence and its duration to obtain the resident tuition rate.

State Board of Education (SBE) Rule 6A-10.044, Florida Administrative Code, establishes the documentation requirements for determining the classification or reclassification of students as Florida residents for tuition purposes. This rule provides that student applicants who meet certain criteria shall be initially classified as “All Florida” residents for tuition purposes, and students not meeting all the criteria must be evaluated to determine residency status. Such

students must provide at least two of the items that are acceptable for purposes of documenting Florida residency as prescribed by SBE Rule 6A-10.044(7), Florida Administrative Code.

Our test of 36 students' records for student residency status included 22 students who received a residency status change to Florida resident during the 2009-10 fiscal year. For 3 of the 22 students, documentation obtained by the College did not evidence that legal residence had been established and maintained in Florida for at least 12 months immediately prior to the request for resident status change. Subsequent to our inquiry, the College reclassified these students to nonresident status and the additional fees owed to the College were charged to the students' accounts. A similar finding was noted in our report No. 2009-051.

Absent documentation evidencing Florida residency status, College personnel may not be properly assessing and collecting nonresident tuition fees.

Recommendation: The College should ensure that required documentation is obtained to evidence Florida residency for purposes of assessing student tuition.

Finding No. 2: Student User Fees

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish fee schedules for certain user fees, such as laboratory fees, that are not to exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees in addition to tuition fees for services that incur unusual costs. Additionally, the Florida College System Council of Business Affairs and the Florida Department of Education, Division of Florida Colleges, have issued guidelines for assessing user fees. These guidelines provide that each board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, and describing the documentation required to support the fees, the time period of review of such fees, and the manner of presenting such fees to the board for approval.

College revenues from laboratory and other user fees totaled approximately \$1.4 million for the 2009-10 fiscal year. As similarly noted in our report No. 2009-051, the College's procedures for assessing laboratory and other user fees needed improvement as follows:

- The College has Procedure 6HX14-1.07.01, a special course or lab fee instruction procedure which has been approved by the President. This procedure provided guidance on which costs are in excess of base instructional costs, the time period of review of such fees, and the manner of presenting such fees to the board for approval. However, the procedure did not describe the documentation required to support the user fees.
- Our test of nine courses for which laboratory or special course fees were assessed during the 2009-10 fiscal year disclosed the following:
 - For four of the nine course fees, the documentation provided to support the costs used by the College to calculate the laboratory or special course fees did not adequately support the costs. For example, for one laboratory fee, the College support included a spreadsheet that disclosed the costs of computers and the various supplies used for operating the laboratory. Although requested, detailed documentation supporting the costs used to calculate the fee was not provided. In these instances, the College had not demonstrated that the laboratory or special course fees assessed did not exceed the cost of the services provided.
 - Four of the nine course fees had not been reviewed in the last three years, contrary to College Procedure 6HX14-1.07.01. The College uses its Analysis of Special Course/Lab Fees Form (Form) to document

the fees calculated for each laboratory or special course. The effective date of the completed Forms for these fees ranged from 1996 through 2005. The costs of providing these services may have substantially changed since the associated fees were initially determined. Although we were provided the Form for each of the four courses; no supporting documentation was provided for two of the courses and the documentation provided for the other two courses did not support all of the costs considered in calculating the fee. College personnel indicated that the College reviews all fees as part of the annual budget approval process; however, only changes in the fees are documented. Subsequent to our inquiry, the College began the process of evaluating the user fees for two of the above courses.

Recommendation: The College should strengthen procedures to ensure that user fees are periodically reviewed in accordance with the College’s established procedures and that adequate documentation is retained to support the fees. In addition, the College should revise its written procedures to describe the types of documentation necessary to support the calculation of user fees.

Finding No. 3: Construction Administration

Pursuant to Section 1013.45(1), Florida Statutes, a college may contract for the construction or renovation of facilities using various delivery methods, including competitive bid or selection of a construction manager. The College is responsible for monitoring the work of construction managers and general contractors, which should include reviewing documentation submitted by contractors in support of payment requests, ensuring that projects are administered in accordance with applicable laws and rules, ensuring that potential savings in material and labor costs are realized, and preventing cost overruns or other impediments to the successful completion of construction projects.

In March 2008, the College entered into a construction management (CM) contract for the construction of the Lakewood Ranch Medical Technology and Simulation Center (Project). In February 2009, the College negotiated a guaranteed maximum price for this project of \$8.8 million and, as of June 30, 2010, the College had paid the CM \$6.2 million. Our review disclosed that the College could enhance its controls over construction contracting, as discussed below:

- Section 7.1 of the CM’s contract provides that for subcontracts exceeding \$25,000, the CM shall obtain, from at least three firms, written proposals that shall all be opened publicly at the location, date, and time named by the CM in the request for proposal. Bid tabulation sheets were used to document the proposals submitted to the CM by subcontractors and the tabulations are furnished to the College, architect, engineer, and to each firm. However, the contract did not address whether the bids had to be signed by the opener and a witness to the opening, and bid tabulation sheets provided were not signed or dated by the person opening the bids or a witness. In the absence of signed and witnessed competitive bid tabulation sheets for the Project, there is an increased risk that College records will not demonstrate the proper handling and award of the bids in the event of a challenge.
- Our review of a CM application for payment totaling approximately \$475,000 did not include supporting documentation for approximately \$28,000 in stored materials. In addition, we were unable to determine the validity of approximately \$48,000 in contingency charges. Although, there was evidence that the College approved change orders to contingencies, it was not evident that current charges to contingencies were being monitored by College staff. Adequate documentation to support current amounts charged for contingencies and stored materials is necessary to evidence that charges on the application for payments are consistent with contract terms and College expectations.

Recommendation: The College should document its monitoring of the CM’s subcontractor selection process. In addition, the College should enhance its procedures to require documentation for all current charges on the CM’s application for payment.

Finding No. 4: Information Technology – Timely Removal of Access Privileges

Effective management of system access privileges includes the timely removal of employee information technology (IT) access privileges when employment is terminated. Prompt action is necessary to ensure that a former employee’s IT access privileges are not misused by the former employee or others. Appendix I, *Account Deletion Procedures*, of the College’s Network Security Plan requires the Human Resources Office or the employee’s supervisor to immediately notify Computer Services when employment is terminated. Upon receipt of the notification, the user’s access privilege is terminated.

Our review of access records for nine employees and one temporary agency employee who terminated employment during the 2009-10 fiscal year disclosed that, for six of these individuals, access to IT resources was not removed until 18 to 264 days after termination of employment. For the one temporary agency employee, there was no evidence that the required notification was sent to Computer Services by the Human Resources Office or the employee’s supervisor once services were no longer needed. Although access to computer resources had been removed for all individuals tested, failure to timely remove access to IT resources increases the risk that access privileges could be misused by former employees or others.

Recommendation: The College should enhance its controls to ensure timely removal of access privileges for former employees.

Finding No. 5: Information Technology – User Authentication and Network and Application Access

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain College security controls related to user authentication and network and application access needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls, related to user authentication and network and application access, 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.

Recommendation: The College should improve security controls related to user authentication and network and application access to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-051.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2010 through July, 2010 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. 2009-051. 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 2009-10 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 |
|--|---|
| Procedures to timely prohibit former employees' access to electronic data files. | Tested access privileges for employees who terminated employment during the audit period and verified that the College timely terminated access privileges. |
| Procedures for the assignment of IT user authentication and network and application access capabilities. | Reviewed finance, accounts receivable, payroll, and information technology users and tested for appropriateness of system access based on job functions and responsibilities. In addition, examined user authentication procedures and documentation. |
| Disaster recovery plan. | Determined whether the College had a disaster recovery plan and had tested the plan. |
| Statement of financial interest requirements of Section 112.3145(2), Florida Statutes. | Determined whether the College President, Board members, and purchasing agents filed statements of financial interest in accordance with law. |
| Fraud policy and related procedures. | Examined written policies, procedures, and supporting documentation related 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 social security numbers. |
| Florida residency determination and in-state tuition. | Tested students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code. |
| Procedures for calculating user fees. | Reviewed the College's procedures regarding the assessment of user fees. Tested user fees and examined supporting documentation to determine whether the College properly calculated these fees. |
| Adult general education program enrollment reporting. | Examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements. |
| Contracts paid from State funds requirements of Section 1012.83(2), Florida Statutes. | Examined the College President's and other senior management employment contracts and verified that the contract limits any settlements, to be paid from State funds, to the amount of their annual salary. |
| Terminal pay. | Reviewed the College's rules and procedures for terminal pay to ensure compliance with Florida law. Tested terminal pay to former employees and determined whether the College properly calculated terminal pay. |
| Purchasing card transactions. | Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures. |

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|--|---|
| Construction management policies and procedures. | Tested records supporting a major construction project to determine compliance with provisions of law. |
| Annual fire safety, casualty safety, and sanitation reports. | Obtained copies of the most recent annual life safety, fire safety, and sanitation inspection reports and determined whether the deficiencies noted were timely corrected. |
| 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 B
MANAGEMENT'S RESPONSE**



September 2, 2010

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

Dear Mr. Martin:

Enclosed are State College of Florida's responses to the Preliminary and Tentative Findings from the Operational Audit for the fiscal year ended June 30, 2010.

Please feel free to contact Carol Probstfeld, Vice President for Business and Administrative Services with any questions at 941-752-5326 or at probstc@scf.edu.

Sincerely,



Carol F. Probstfeld, Ed.D
Vice President

klw

Enclosure



**PRELIMINARY AND TENTATIVE FINDINGS
STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
For the Fiscal Year Ended June 30, 2010**

SUMMARY
September 2, 2010

Our operational audit disclosed the following:

Finding No. 1: The College’s procedures for documenting Florida residency status for tuition purposes needed improvement.

Recommendation: The College should ensure that required documentation is obtained to evidence Florida residency for purposes of assessing student tuition.

The Educational Records Office revised the initial and reclassification residency forms to clarify the documents and processes required for completion. Although appropriate documentation is already being collected for proof of residency for all students; to make residency classifications more accurate and precise, tracking and imaging of the documents received through the on-set of a new imaging system will ensure improvement.

Finding No. 2: The College needed to strengthen its procedures for reviewing and documenting user fees.

Recommendation: The College should strengthen procedures to ensure that user fees are periodically reviewed in accordance with the College’s established procedures and that adequate documentation is retained to support the fees. In addition, the College should revise its written procedures to describe the types of documentation necessary to support the calculation of user fees.

All student user fees were reviewed and updated with current cost documentation and methodology. One-third of the fees will be reviewed by the Vice President of Academic Quality and Success Office in detail each year to ensure appropriate fees are being assessed and that adequate documentation is retained to support the fees. The Vice President of Academic Quality and Success Office will revise the written procedure to identify the type of documentation necessary to support the calculation of fees.

Finding No. 3: The College’s procedures for the administration of construction contracts needed improvement.

Recommendation: The College should document its monitoring of the CM’s subcontractor selection process. In addition, the College should enhance its procedures to require documentation for all current charges on the CM’s application for payment.

Appropriate processes have been put in place to document CM sub-contractor selection. Designated staff in the facilities department have been reminded of the requirement to secure appropriate documentation for all charges on CM applications for payment.

PRELIMINARY AND TENTATIVE FINDINGS 2 Prepared September 2, 2010

Finding No. 4: The College needed to enhance its procedures to ensure the timely removal of information technology (IT) access privileges for former employees.

Recommendation: The College should enhance its controls to ensure timely removal of access privileges for former employees.

An auto-trigger mechanism is being designed to send all necessary termination notifications upon official employment termination as entered by the Office of Human Resources. Information Technology Services will receive the aforementioned notices and will remove access privileges accordingly.

Finding No. 5: The College’s IT security controls related to user authentication and network and application access needed improvement.

Recommendation: The College should improve security controls related to user authentication and network and application access to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

We will review your recommendations and make changes as appropriate.

Sincerely,



Carol F. Probstfeld

CP:klw