

# SANTA FE COLLEGE

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## 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>
Evelyn T. Womack, Chair	Bradford
Dr. Bessie G. Jackson, Vice Chair	Alachua
Winston J. Bradley	Alachua
Glenna F. Brashear	Alachua
Robert C. Hudson from 7-15-09 (1)	Alachua
G. Thomas Mallini	Alachua
Col. Arley W. McRae from 7-15-09 (1)	Bradford
Ltc. Richard C. Solze, Jr.	Bradford

Dr. Jackson N. Sasser, President

Note: (1) Filled vacant position of Board member who resigned during the prior fiscal year.

The audit team leader was Leslie R. Coddington, CPA, and the audit was supervised by Philip B. Ciano, CPA. The information technology portion of this audit was conducted by Heidi Burns, CPA, CISA, and supervised by Nancy M. Reeder, CPA, CISA. 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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SANTA FE COLLEGE

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The College needed to improve procedures to ensure that agreements for use of College facilities include necessary insurance coverage and that the College adequately monitors insurance coverage over the life of the contract.

Finding No. 2: The College did not have a policy that addresses liability insurance that should be included in construction contracts with design professionals.

Finding No. 3: The College had not established policies and procedures for documenting the negotiation process for certain costs included in guaranteed maximum price construction contracts.

Finding No. 4: The College’s information technology (IT) risk management and assessment practices needed improvement.

Finding No. 5: Certain IT controls related to program changes and user authentication needed improvement.

BACKGROUND

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

The College has its campus in Gainesville, Florida, and educational centers in Alachua, Archer, Gainesville, Starke, and Keystone Heights, Florida. Additionally, credit and noncredit classes are offered in various physical locations throughout Alachua and Bradford counties and through the College’s virtual campus via the Internet. The College reported enrollment of 12,229 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: Articulation Agreements – Required Insurance**

We reviewed articulation agreements between the College and three external postsecondary educational entities under which the entities rented classroom and office space from the College. We also reviewed certificates of insurance the entities provided the College to determine whether the liability insurance coverage complied with terms of the agreements. Our review disclosed that the College needed to improve its procedures in securing liability insurance coverage from external entities that rent College facilities, as follows:

- College Rules Manual, Rule 6.4 *Use of College Facilities*, provided that renters of College facilities may be required to provide liability insurance; however, the types and the amounts of liability insurance required are not specified in the rule.
- For the three entities tested, the College did not have certificates of insurance on file at the time of our request. We were informed by College personnel that the certificates had been inadvertently discarded by a College employee. Subsequent to our inquiry, College personnel obtained copies of the certificates of insurance from the entities and provided them to us for review. The replacement certificates of insurance evidenced that insurance coverages were in force during the 2009-10 fiscal year; however, the replacement certificate of insurance for one of the entities did not include auto liability or workers’ compensation insurance coverage required by the articulation agreement. Subsequent to our additional inquiries, the College obtained an updated certificate of insurance from the entity that included coverage for the types of insurance required by the agreement.
- The articulation agreements for two entities required comprehensive general liability, automobile, and workers’ compensation insurance; however, the agreements did not specify the minimum amounts of insurance coverage required.
- The articulation agreement for one entity specified minimum amounts of liability coverage for personal injury and property damage; however, the agreement did not require automobile liability or workers’ compensation insurance. In the absence of a College rule addressing the types and amounts of insurance required, we were unable to determine if the omission from the contract was an error or intentionally left out of the contract. The replacement certificate of insurance for this entity included coverage for property damage, automobile liability, and general liability, including personal injury; however, there was no evidence that the entity had coverage for workers’ compensation insurance.

A College rule indicating the types and amounts of coverage required for organizations utilizing classroom and office space would provide guidance to College personnel to ensure that articulation agreements include provisions for the appropriate types and amounts of insurance consistent with the College’s risk management philosophy. Additionally, establishing procedures to monitor insurance requirements in articulation agreements would provide additional assurance that the College could recover damages should a loss incident occur.

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**Recommendation:** The College should enhance its rules to indicate the types and amounts of coverage required for entities using College facilities. Additionally, the College should establish procedures to monitor compliance with insurance requirements in articulation agreements.

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**Finding No. 2: Design Professionals – Insurance**

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The College’s Board of Trustees contracts with design professionals, such as architects and engineers, for its construction projects. The Florida Department of Education (FDOE), in its current *Guidelines for State Requirements for Educational Facilities*, recommends that the Board develop a policy requiring either the Board or the design professional carry professional liability insurance. Our review disclosed that the contracts required design professionals to provide professional liability and errors and omissions, and other various types of liability insurance, such as automobile liability, and comprehensive general public liability insurance. However, the College had not developed a policy that addresses insurance requirements that should be included in contracts with design professionals; consequently, a determination could not be made whether the types and amounts of professional liability insurance coverage provided by the design professionals was sufficient to protect the College’s investments in its construction projects or whether other liability insurance was sufficient to protect the College in case of an accident causing bodily harm to an individual on College grounds.

For example, the College contracted with an architect for \$1,510,000 related to services for construction of the Fine Arts Hall, with costs of \$13 million. The College also contracted with a design professional for \$69,325 related to

services for the Building B Air Handling Unit Replacement project, with a cost of \$930,682. For each contract, the College required \$1 million insurance coverage for professional liability and errors and omissions, comprehensive general public liability and property damage, and automobile liability insurance; however, since the College had no written policy prescribing minimum liability insurance requirements for design professionals, it is unclear whether the level of coverage for these projects was consistent with the Board’s risk management philosophy. Adopting a written policy would provide guidance as to the extent of risk the Board is willing to accept when deciding on the types and amounts of liability insurance required.

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**Recommendation:** Management should evaluate the College’s exposure to design risk for construction projects and develop policies and procedures to ensure that the College obtains evidence of the appropriate type and amount of professional liability and other liability insurance that is consistent with the Board’s risk management philosophy. Such policies and procedures should be submitted to the Board for its review and approval.

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**Finding No. 3: General Conditions and Requirements Costs**

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The College entered into a Guaranteed Maximum Price (GMP) contract with a construction manager (CM) for the construction of the Fine Arts Hall at a cost of \$15 million and as of June 30, 2010, the College has paid a total of \$4.1 million of the contract. Under GMP contracts, the College may realize cost savings if the cost of construction is less than the GMP. As such, a GMP contract requires close monitoring by College personnel to ensure that the cost of construction is adequately documented.

As part the GMP contract, a provision was included for general conditions and requirements at a total cost of \$1,163,526, which was billed to the College in 17 installments. As of June 30, 2010, the College had paid a total of \$615,984 on the GMP contract for general condition and requirements costs. General conditions and requirements include such items as direct and indirect salary costs of project superintendents and field engineers; costs for jobsite office spaces; furniture, equipment and supplies; communication and utilities; vehicles used at the jobsite; and clean-up. The general conditions and requirements costs for the College’s Fine Arts Hall were determined through a negotiation process between the College and the CM. Upon our request for documentation to show how the negotiated costs were determined, we were provided a list of costs that totaled to the amounts billed to the College over the life of the project. However, documentation of the methodology applied and factors considered during the negotiation process for each item on the list was not provided and, in the absence of such documentation, the College could not document, of record, that amounts paid for general conditions and requirements were reasonable and appropriate.

Further, the College did not have procedures or guidelines specifying the methodology to be applied, and factors to be considered, during negotiations or requirements for documenting the negotiation process. In these circumstances, College records did not evidence whether the costs incurred for general conditions and requirements were limited to amounts determined by the College’s expected procurement negotiation process.

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**Recommendation:** The College should establish policies and procedures to address negotiated construction costs for general conditions and requirements costs. Such procedures should require documentation of the methodology used and application of various costs and factors considered in determining such costs.

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**Finding No. 4: Information Technology (IT) – Risk Management and Assessment**

Risk management is the process of identifying vulnerabilities and threats to IT resources used by an entity in achieving its goals and objectives and of deciding what measures, if any, to take to reduce risk to an acceptable level. Risk assessment is a tool that can be used to provide valuable information to define an IT strategic plan, designing and implementing controls, and monitoring and evaluating those controls.

The College’s risk management practices related to the development of IT security policies and procedures needed improvement. Specifically, although the College had informal IT security procedures, the College lacked written policies and procedures for the following IT security functions:

- Sanitation and disposal of computer equipment and multi-functioning devices.
- Periodic review of assigned access privileges by the information owner.

Further, the College’s Information Security Incident Response Policy remained in draft form and the Information Security Incident Response Team had not been formally assigned.

Our audit also disclosed that the College’s risk assessment practices needed improvement. We are not disclosing specific details of the issues related to risk assessment 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.

The absence of appropriate risk management and risk assessment practices may result in inadequate or improperly implemented controls, increasing the risk that sensitive or critical IT resources will not be sufficiently protected.

**Recommendation: The College should implement appropriate risk management and assessment practices to provide assurance that IT-related risks are properly identified and managed.**

**Finding No. 5: Information Technology – Program Change and User Authentication Controls**

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Established controls over the modification to information resources help ensure that only authorized changes to systems and related programs are implemented. Effective security controls are designed to limit the risk of changes being made outside the established controls.

Our audit disclosed that the Director of Information Services, who was responsible for approving and initiating changes to production, also maintained the authority to make program changes to applications. The Director assigned, scheduled, and approved the work for the system coordinators. Although system coordinators assigned to specific applications may become aware if the Director checks out or changes a program, they were not responsible for monitoring the Director’s actions. Without adequate oversight and monitoring of program changes made by the Director, the risk is increased that unauthorized modifications could occur to systems and not be timely detected.

Our audit also disclosed certain security controls related to user authentication that 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, 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 monitor program changes made by the Director. Such monitoring should be performed by staff independent of the Director but familiar with change requests and affected programs. In addition, the College should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

**PRIOR AUDIT FOLLOW-UP**

The College had taken corrective actions for findings included in our report No. 2009-041.

**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 January 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. 2009-041. 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
Security awareness and training program regarding the confidentiality of information.	Determined whether the College had developed a comprehensive information technology (IT) security awareness and training program.
Procedures for the assignment of IT access capabilities.	Reviewed the access capabilities of users in Finance and Human Resources for appropriateness of system access based on their job functions and responsibilities.
Procedures for risk management and assessment of IT resources.	Reviewed the College's risk management and assessment policies for IT resources, including identification of vulnerabilities and threats, critical and sensitive data, and procedures for responding to security incidents.
Procedures for IT user authentication and program change controls.	Reviewed security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Procedures to timely prohibit former employees' access to electronic data files.	Tested access privileges to data files for employees who terminated employment during the audit period and verified that the College timely terminated access privileges.
Statements of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the College President, Board members, and other required staff (purchasing agent) filed statements of financial interests in accordance with law.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Inquired of College personnel and examined supporting documentation to determine whether the College complied with requirements of Section 119.071(5)(a), Florida Statutes, by identifying in writing the specific Federal or State law governing the collection, use, or release of social security numbers for each purpose for which the College collects the social security number.
Procedures for cash collections at decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the College's procedures.
Electronic Payments.	Reviewed the College's procedures for performing electronic transfers and payments.
Auxiliary operations contract compliance.	Examined selected contracts to determine whether the College was properly monitoring for compliance with the contract terms regarding fees, insurance, and other provisions.
Facilities usage and records.	Tested College facilities rental agreements and determined whether rental fees were collected and insurance provisions were met.
College President and Vice President's contract settlement terms.	For employment contracts entered into by the Board with the College President and Vice Presidents on or after July 1, 2009, reviewed terms of contract settlement for compliance with Section 1001.64(47), Florida Statutes.
Florida residency determinations for in-state tuition.	Tested records for students whose residency status changed to determine if the College documented Florida residency requirements in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.

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

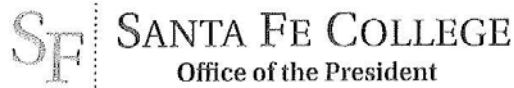
Scope (Topic)	Methodology
Standard tuition and fee rates established.	Verified standard resident and nonresident tuition and fee rates complied with Chapter 2009-81, Laws of Florida.
Tuition for baccalaureate courses did not exceed the amount authorized.	Reviewed tuition fees charged for baccalaureate courses to ensure that these fees were less than 85 percent of tuition and out-of-state fees charged by the nearest public university.
Procedures for calculating laboratory fees.	Reviewed the College’s procedures regarding the assessment of laboratory fees. Tested laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for calculating technology fees.	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.
Procedures for calculating capital improvement fees.	Determined whether the capital improvement fee did not exceed 10 percent of the tuition fee per credit hour and was limited to an increase of \$2 per credit hour over the prior year.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Mandatory and nonmandatory transfers.	Tested transfers from all College-restricted funds to determine the purpose and legal authority for such transfers.
Procedures for limiting wireless communication devices.	Reviewed policies and procedures for wireless communication devices to determine whether the College limited their acquisition and use, and documented the level of service provided.
Reporting Public Education Capital Outlay (PECO) activity.	Reviewed College procedures for reporting PECO encumbrance and expenditure activity to the Florida Department of Education and determined whether the College provided for an educational plant survey within the past five years in accordance with Section 1013.31(1), Florida Statutes.
Construction contracts.	For selected construction projects in progress during the audit period, tested change orders to determine whether changes orders were made in accordance with the Board’s policy; determined whether payment requests were supported by adequate documentation, change orders were properly approved, retainage was properly withheld, and required insurance coverage was obtained; and verified that the College maintained project ledgers or other records that accounted for project expenses made during the audit period.
Procedures for monitoring the selection of subcontractors.	Tested selected construction projects in progress during the audit period to determine whether the College monitored the selection process of subcontractors by the construction manager and verified that subcontractors were licensed.

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

Scope (Topic)	Methodology
Direct purchase of construction materials.	Tested selected construction projects in progress during the audit period to determine whether the College took advantage of any tax savings available through the direct purchase of construction materials.
Procedures for insuring design professionals (architects and engineers).	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals. Examined recent construction projects and determined whether evidence of required insurance was provided.
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.
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**



September 24, 2010

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

Dear Mr. Martin:

In response to the preliminary and tentative audit findings in and recommendations from your audit of the District Board of Trustees of Santa Fe College for the Fiscal Year Ended June 30, 2010, we submit the following comment's including corrective action taken or to be taken.

Finding No. 1 Articulation Agreements-Required Insurance

Recommendation: The College should enhance its rules to indicate the types and amounts of coverage required for entities using College facilities. Additionally, the College should establish procedures to monitor compliance with insurance requirements in articulation agreements.

Response: The College is in the process of reviewing its Rules manual and will review this enhancement for required insurance coverage while reviewing College Rule 6.4: Use of College Facilities. Contract/Agreement management at Santa Fe is decentralized and the College will continue to remind managers of their responsibilities to monitor insurance requirement compliance as identified in each Contract/Agreement.

Finding No. 2 Design Professionals- Insurance

Recommendation: Management should evaluate the College's exposure to design risk for construction projects and develop policies and procedures to ensure that the College obtains evidence of the appropriate type and amount of professional liability and other liability insurance that is consistent with the Board's risk management philosophy. Such policies and procedures should be submitted to the Board for its review and approval.

Response: Management is in the process of assessing its risk exposure for the design of construction projects and reviewing and evaluating Design Professionals insurance requirements. The College will consult with the Board and legal counsel to determine appropriate review and approval of design professional insurance requirements.

Finding No. 3 General Conditions and Requirement Costs

Recommendation: The College should establish policies and procedures to address negotiated construction costs for general conditions and requirements costs. Such procedures should require documentation of the methodology used and application of various costs and factors considered in determining such costs.

**EXHIBIT B (Continued)  
MANAGEMENT'S RESPONSE**

Mr. David Martin  
September 24, 201  
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Response: Management in Facilities Services is discussing and reviewing the policies and procedures for negotiating construction costs for general conditions and requirement costs with other Florida colleges to determine what documented methodology others use. Once this information is gathered and compared to the College's current process, the College will develop a procedure to address this finding.

Finding No. 4 Information Technology (IT) - Risk Management and Assessment

Recommendation: The College should implement appropriate risk management and assessment practices to provide assurance that IT-related risks are properly identified and managed.

Response: The College agrees with the recommendation and will continue to improve its risk management and assessment practices in this area.

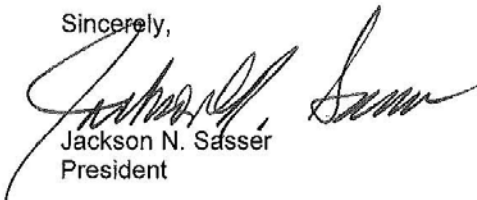
Finding No. 5 Information Technology-Program Change and User Authentication Controls

Recommendation: The College should monitor program changes made by the Director. Such monitoring should be performed by staff independent of the Director but familiar with change requests and affected programs. In addition, the College should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response: The College is implementing a program to monitor program changes made by the Director of Information Technology. In addition, the College is committed to continual improvement of security controls and agrees with improving security controls related to user authentication.

Should you have any questions regarding the College's responses, please contact, Ms. Ginger Gibson, Vice President for Administrative Affairs/CFO at (352)395-5208 or [ginger.gibson@sfcollge.edu](mailto:ginger.gibson@sfcollge.edu).

Sincerely,

  
Jackson N. Sasser  
President

- c: G. Gibson
- G. York
- B. Reese
- T. Nesler