

POLK STATE COLLEGE

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:

Gregory Littleton, Vice Chair to 8-23-09,
Chair from 8-24-09
Ricardo Garcia, Vice Chair from 8-24-09
Twyla G. Ely, Chair to 8-23-09 (1)
Linda D. Ivell from 8-26-09 to 6-15-10 (2)
Teresa V. Martinez from 8-26-09
Ernest S. Pinner
Dr. Neriah E. Roberts
Cynthia Ross
Dr. Martha Santiago to 8-25-09 (1)

Dr. Eileen Holden, President

Notes: (1) Continued to serve after term
expired May 31, 2009.
(2) Position remained vacant at
June 30, 2010.

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by David A. Blanton, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Nancy 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 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.

POLK STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The College had not fully developed and implemented a written fraud policy for communicating and reporting known or suspected fraud.

Finding No. 2: The College’s disaster recovery plan lacked certain key provisions to facilitate a timely and orderly recovery and restoration of data in the event of an actual disruption of information technology (IT) operations. Also, the College’s disaster recovery plan had not been fully tested at the College’s off-site recovery location.

BACKGROUND

Polk State 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 seven members appointed by the Governor and confirmed by the Senate.

The College has a campus in Winter Haven, Florida, and a joint-use campus with the University of South Florida in Lakeland, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Polk County. The College reported enrollment of 6,673 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: Policies for Reporting Fraud

As similarly noted in our report No. 2009-159, the College had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputations of persons suspected of fraud but subsequently exonerated.

Subsequent to our inquiry, the Board, on August 24, 2010, approved an amendment to Board Rule 3.32, Employee Code of Ethics (Rule), providing for certain fraud policy elements. Our review of the amended Rule disclosed that it did not include procedures for reporting suspected fraud or designate responsibility for investigating incidents of

suspected fraud. Consequently, there is an increased risk that a known or suspected fraud may be identified but not reported to the appropriate authority for investigation.

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

Finding No. 2: Information Technology – Disaster Recovery Plan

A disaster recovery plan is an important element of an effective internal control system over information technology (IT) operations to help minimize data and asset loss in the event of a major hardware or software failure or other interruptions in IT operations. An effective disaster recovery plan identifies the data, processes, and applications that are critical to the College and contains a step-by-step plan for recovery and restoration of data. In addition, the plan should be periodically tested to disclose any areas not addressed and to facilitate proper conduct in the event of an actual disruption of IT operations.

Although the College had a written disaster recovery plan, the plan lacked certain key provisions such as a testing plan and technical documentation to facilitate a timely and orderly recovery and restoration of data in the event of an actual disruption of IT operations. Additionally, the plan had not been fully tested at the College’s off-site recovery location. Without a detailed and fully tested plan for disaster recovery, there is an increased risk that recovery measures may not function as intended and restoration of IT operations may be delayed. A similar finding was noted in our report No. 2009-159.

Subsequent to our inquiry, College management indicated that an off-site disaster recovery test was conducted in July 2010. We will review the College’s testing of the plan in future audits of the College.

Recommendation: The College should update its disaster recovery plan to include the technical documentation necessary to ensure the timely and orderly recovery and restoration of data for critical applications, continue to periodically test the plan, and use results of such tests to ensure that the plan includes all the necessary components.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-159.

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 to 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. 2009-159. 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
Information technology (IT) policies and procedures.	Reviewed the College’s written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access capabilities and user access privileges.	Reviewed documentation to determine whether the College had a process for creating, verifying use of, maintaining, and reviewing system access to IT resources. Tested access privileges to determine the appropriateness based on the employees’ job functions and responsibilities.
IT security controls.	Examined security controls associated with the College’s IT resources to determine whether vulnerabilities existed.
IT disaster recovery plan.	Determined whether the College had an IT disaster recovery plan and had tested the plan.
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 their access privileges.
Board meetings.	Reviewed 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).
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 for collecting their social security numbers.
Capital outlay budgeting and expense reporting.	Determined whether the Board adopted a capital outlay budget, as required by Section 1013.61, Florida Statutes. Reviewed capital appropriations and expenses reported to the Board to determine whether the College’s procedures provided for timely and accurate reporting.
Accounts receivable policies and related procedures.	Reviewed the College’s rules and procedures associated with accounts receivable, receivable collection efforts, and receivable write-offs, and determined whether the College complied with its rules and procedures.
Procedures for land acquisition and disposal.	Examined supporting documentation related to the College’s land acquisition and disposal processes for compliance with the requirements in law.
Annual physical inventory procedures.	Examined supporting documentation related to the College’s annual physical inventory of College-owned property and the process followed for items not located to determine whether the College complied with its rules and procedures.

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

Scope (Topic)	Methodology
Procedures for assessing, calculating, collecting, cancelling, and recording student tuition and fees.	Tested student tuition and fees to determine compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044.
Florida residency determination and in-state tuition.	Tested student registrations to determine whether the College documented Florida residency for in-state tuition purposes.
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 new hires.	Tested newly hired employees and reviewed supporting documentation to determine whether appropriate documents were obtained in accordance with College rules and procedures.
Contracts paid from appropriated State funds requirements of Section 1001.64(47), Florida Statutes.	Examined the College President’s employment contract and verified that the contract limits any settlement, to be paid from appropriated State funds, to the amount of the annual salary.
Employee contracts.	Tested employment contracts for administrative and instructional employees to determine whether they were executed timely.
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.
Credit card transactions.	Tested transactions to determine whether the credit card program was administered in accordance with College policies and procedures.
Earmarked capital project resources.	Examined supporting documentation to determine that Public Education Capital Outlay appropriations subject to reversion were properly expended or committed in accordance with Section 216.301(2), Florida Statutes.
Construction management policies and procedures.	Tested records supporting a major construction project to determine whether payment requests from the construction manager were supported by adequate documentation, change orders were properly approved, and retainage was properly withheld.
Annual safety inspections.	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.

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EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the President
Phone 863.297.1098
Fax 863.297.1053

September 23, 2010

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

Dear Mr. Martin,

Attached please find our responses to the preliminary and tentative findings which may be included in a report to be prepared on your operational audit of the:

Polk State College
For the Fiscal Year Ended June 30, 2010

delivered to us electronically on August 30, 2010. Please feel free to contact us if we can provide further information.

Yours truly,

A handwritten signature in cursive script that reads "Eileen Holden".

Dr. Eileen Holden, President
Polk State College

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 1: The College had not fully developed and implemented a written fraud policy for communicating and reporting known or suspected fraud.

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

Response: As recommended by the auditors, the College will continue its efforts to incorporate procedures for reporting and investigating known or suspected fraud into the appropriate College Procedures and communicate those procedures to the College community.

Finding No. 2: The College's disaster recovery plan lacked certain key provisions to facilitate a timely and orderly recovery and restoration of data in the event of an actual disruption of information technology (IT) operations. Also, the College's disaster recovery plan had not been fully tested at the College's off-site recovery location.

Recommendation: The College should update its disaster recovery plan to include the technical documentation necessary to ensure the timely and orderly recovery and restoration of data for critical applications, continue to periodically test the plan, and use results of such tests to ensure that the plan includes all the necessary components.

Response: As recommended by the auditors, the College will continue its efforts to improve the technical documentation in the disaster recovery plan and will continue to test the College's disaster recovery capability on a regular basis.