

INDIAN RIVER 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:

	<u>County</u>
J. Hal Roberts, Jr., Chair from 8-25-09	St. Lucie
Tomas Rene Perez, Vice Chair from 8-25-09	Indian River
Cheryl L. Kirton, Chair to 8-24-09	Okeechobee
Samuel L. Patterson, Vice Chair to 8-24-09	St. Lucie
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Gerald T. Roden	Indian River
Jane E. Rowley	St. Lucie
Linda T. Syfrett	Okeechobee

Dr. Edwin R. Massey, President

The audit team leader was Mark Smith, CPA, and the audit was supervised by Tim Tucker, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, 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.

INDIAN RIVER STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The College’s monitoring of its purchasing card program needed improvement.

BACKGROUND

Indian River 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 nine members appointed by the Governor and confirmed by the Senate.

The College has campuses in Ft Pierce, Okeechobee, Port St. Lucie, Stuart, and Vero Beach, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout St Lucie, Okeechobee, Martin, and Indian River Counties. The College reported enrollment of 13,827 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.

FINDING AND RECOMMENDATION

Finding No. 1: Purchasing Cards

The College administers a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College uses purchasing cards to efficiently and effectively handle and expedite low dollar purchases of goods and services. Purchasing cards are subject to the same rules and regulations that apply to regular College purchases, and the College has established purchasing card procedures to provide users with additional guidance on how to properly use the purchasing cards. The College issued 170 purchasing cards to employees as of June 30, 2010, and incurred charges totaling approximately \$2.1 million during the 2009-10 fiscal year.

Our review of the monthly credit limits for 170 purchasing cards issued by the College disclosed that the monthly credit limit for 166 of the cards were excessive based on the purchasing needs of the cardholder as noted below:

- For 165 purchasing cards issued, the cardholder had been granted a \$25,000 monthly credit limit; however, these cardholders made average monthly purchases of approximately \$1,000, and the maximum monthly purchases for these cardholders was \$6,186, during the 2009-10 fiscal year.
- One cardholder was granted a monthly credit limit of \$75,000; however, the maximum monthly purchases for this cardholder during the 2009-10 fiscal year was \$17,828.

Effective controls to properly monitor the reasonableness of cardholder purchasing card credit limits reduces the risk of unauthorized use. Subsequent to our inquiries, College personnel indicated that they were establishing monitoring

procedures to review the monthly credit limits granted to each cardholder and would revise monthly credit limits to reflect the needs of each cardholder.

Recommendation: The College should continue its efforts to establish monitoring procedures to ensure that credit limits are reasonable based on the actual use of each cardholder.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2009-155.

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 March 2010 through August 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. 2009-155. 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) network administration.	Reviewed the College's procedures related to network and firewall administration.
IT access privileges.	Reviewed the College's IT information security policy and inspected the College's "Employee Transfer Checklist" to determine whether access privileges were appropriate.
IT logical access controls.	Reviewed screen views of application and network operating system parameters to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
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 State law.
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 of collecting their social security numbers.
Facilities usage and records.	Tested College facilities rental agreements and determined whether rental fees and security deposits were properly collected and insurance provisions were met.
Faculty instructional and office hours.	Tested College faculty assignments and examined supporting documentation to determine whether faculty met minimum teaching hours and were available during posted office hours.
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Examined senior management employment contracts and verified that the contracts limit any settlements, to be paid from appropriated State funds, to the amount of their annual salary.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Construction management policies and procedures.	Tested a major construction project to determine whether the construction manager was properly selected. Reviewed construction project records to determine whether the College monitored the selection process of subcontractors.
Procedures for insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects and determined whether architects and engineers provided evidence of the required insurance.
Florida residency determination and tuition.	Tested student registrations 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.

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

Scope (Topic)	Methodology
Adult general education program enrollment reporting.	Tested adult general education students and examined supporting documentation 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 policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

EXHIBIT B
MANAGEMENT'S RESPONSE



INDIAN RIVER STATE COLLEGE
Office of the President

September 28, 2010

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

Dear Mr. Martin:

The following is our response to the one preliminary and tentative finding in the Operational Audit for Indian River State College for the Fiscal Year Ended June 30, 2010.

Finding: The College should continue its efforts to establish monitoring procedures to ensure that credit limits are reasonable based on the actual use of each cardholder.

The Auditor acknowledged that the College uses purchasing cards to efficiently and effectively handle and expedite purchases. The Auditor also states that the College has established purchasing card procedures to provide users with additional guidance on how to properly use the purchasing cards. The College also performs a 100% internal audit of all purchasing card transactions and no misuse of purchasing cards were discovered.

Nevertheless, the College agrees with the Auditor's recommendation and concurs that the recommendation adds to and strengthens the safeguards we already have in place. The College has reviewed and revised the monthly credit limits of each cardholder based upon both their peak expenditure pattern and their position class, and the College has fully implemented the Auditor's recommendation.

Sincerely,

A handwritten signature in black ink that reads 'Edwin R. Massey'.

Edwin R. Massey, Ph.D.
President