

BREVARD COMMUNITY 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:

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Alberta K. Wilson to 9-01-09,
Vice Chair to 8-16-09 (2)
Alan H. Landman
Dedra S. Sibley from 10-29-09

Dr. James A. Drake, President

Notes: (1) Position remained vacant at June 30, 2010.
(2) Position remained vacant from
September 2, 2009, to October 28, 2009.

The audit team leader was Robyn D. Bishop, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, 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.

BREVARD COMMUNITY COLLEGE

SUMMARY

Our operational audit disclosed the following:

Finding No. 1: The College did not provide complete written notification to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 2: The College charged students a parking fee based on credit hours, rather than the student's actual use of parking services, contrary to Section 1009.23(12), Florida Statutes.

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

Finding No. 4: The College's monitoring of its purchasing card program needed improvement.

Finding No. 5: The College's information technology (IT) program change management practices needed improvement.

Finding No. 6: The College needed to develop written procedures for IT system event monitoring.

Finding No. 7: The College needed to improve IT security controls related to user authentication.

Finding No. 8: The College's management of IT access privileges needed improvement.

BACKGROUND

Brevard Community 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 five members appointed by the Governor and confirmed by the Senate.

The College has campuses in Cocoa, Melbourne, Palm Bay, and Titusville, Florida. Additionally, credit and noncredit classes are offered through a virtual campus, a center located at the Kennedy Space Center, dual enrollment courses in public schools, and one private school in Brevard County. The College reported enrollment of 13,393 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: Collection of Social Security Numbers

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 the College 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 if the College collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This Section also provides that SSNs collected by the College may not be used for any purpose other than the purpose provided in the written statement. This Section further 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.

Our review of the College's procedures for the collection and use of SSNs disclosed that improvements were needed, as noted below:

- Although the College included a written statement in the College catalog and on applications for admission, the statement did not identify the specific Federal and State laws governing the collection, use, or release of SSNs and whether the collection was authorized or mandatory under Federal or State law.
- Vendors who did not have a Federal identification number were requested to provide their SSN on a Vendor Registration Form; however, the required written notification regarding the collection and use of the SSN was not provided to the vendors.

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.

Recommendation: The College should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 2: Parking Fee

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish certain user fees, including parking fees, that cannot exceed the cost of the services provided and can only be charged to persons receiving the services. Beginning with the Fall 2009 term, the College assessed students a parking fee of \$2 per credit hour, including students participating in Distance Learning (online) courses. Parking fee revenues collected for the 2009-10 fiscal year totaled approximately \$629,100.

College personnel indicated that since all students benefit from the availability of parking, as well as the safety and security of the parking areas, assessing the fee to each credit hour is the most equitable way to ensure that the fee does not exceed the cost of providing the service and is charged to the students who receive the service. However, as every student may not use the parking facilities, the College may have assessed a parking fee to persons that did not receive the service. Subsequent to our inquiry, College personnel informed us that the parking fee was discontinued effective July 1, 2010.

Recommendation: The College should ensure that parking fees are charged only to those persons using parking services, as required by Section 1009.23(12), Florida Statutes.

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 (CM). Chapter 489, Florida Statutes, establishes certain licensing requirements for specialty subcontractors such as electrical, air conditioning, plumbing, and roofing contractors. The College's Facilities Planning Office is responsible for construction administration, which includes monitoring contractor activities, implementing construction-related procedures, and ensuring compliance with applicable State laws.

In May 2009, the College entered into a CM contract for Building Number 7 (Project) on the Melbourne Campus. In November 2009, an amendment to the contract was approved by the Board of Trustees for a guaranteed maximum price (GMP) of \$5,456,224, of which the College reported expenses of \$5,268,910 as of June 30, 2010. The contract provided that the CM was responsible for selecting subcontractors using a competitive bid process, and after considering a minimum of two bids, would award those contracts to the most qualified and lowest bidder.

In response to our request for the bid documentation and bid tabulations sheets for the subcontractors on this Project, we noted that the College had to obtain these documents from the CM. College personnel informed us that they did not attend subcontractors' bid openings or monitor the bid tabulation process for selecting the subcontractor. In the absence of procedures to monitor the CM's bid opening and bid tabulation process, there is an increased risk that College records will not demonstrate the proper handling of the bids in the event of a challenge.

Additionally, our review of the College's administration of the project disclosed that College personnel had not, of record, verified that the project's subcontractors were appropriately licensed. College personnel advised us that the licensure verification was performed by an outside vendor while obtaining construction-related permits for the College. However, the College could not provide documentation, such as license copies, indicating that the verifications were performed. Verification of subcontractor licenses provides the College with additional assurance that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged. A similar finding was noted in report No. 2009-150.

Recommendation: The College should establish procedures to monitor and review the subcontractors' selection process. In addition, the College should establish procedures to verify subcontractors' licensure status prior to commencement of work on a project.

Finding No. 4: 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 procurement cards to 309 employees as of June 30, 2010, and incurred charges totaling approximately \$2.5 million during the 2009-10 fiscal year.

Most single transaction purchasing card limits were set at \$999, with a monthly limit of \$7,500 for the 2009-10 fiscal year. However, the College had issued three purchasing cards with a single purchase and monthly limit of \$50,000. Our comparison of usage to credit limits for these cardholders disclosed that the limits far exceeded the cardholders' usages between July 2009 through April 2010, as shown below:

	Single Transaction Limit	Highest Single Transaction Amount	Monthly Limit	Highest Monthly Total
Employee 1	\$ 50,000	\$ 9,429	\$ 50,000	\$ 26,927
Employee 2	50,000	4,500	50,000	8,610
Employee 3	50,000	1,003	50,000	1,003

Subsequent to our inquiry, in May 2010, the purchasing card administrator evaluated the limits pertaining to the employees listed above and reduced the single transaction limits for two employees and canceled the card of the third employee.

Effective controls to properly monitor the reasonableness of cardholder purchasing card credit limits reduces the risk of unauthorized use.

Recommendation: The College should monitor purchasing card limits to ensure that such limits are reasonable based on the actual use of each cardholder.

Finding No. 5: Information Technology – Program Change Management

Periodically, information technology (IT) application programs need to be changed or modified to suit user needs. Controls over the modification of application programs help to ensure that only authorized modifications are implemented.

Although the College’s IT Request System provided a means for making programming requests and recording the identity of the requester, the system did not record the testing and approval of any changes made. In addition, programmers moved their own changes to production and the production updates were not recorded or independently monitored. Under these conditions, there is an increased risk that unauthorized changes will be made to the production systems without timely detection.

Recommendation: The College should document the testing and approval of program changes. Also, staff other than those who make the program changes should have the responsibility for moving the changes to production. Additionally, the College should explore the feasibility of establishing the ability to systematically record and monitor updates to the production system.

Finding No. 6: Information Technology – Logging of System Events

Each IT function needs complete, well-documented procedures to describe the scope of the function and its activities. Procedures establish, among other things, criteria for the identification of significant system events that should be logged as well as the length of time that the logs should be kept for review.

Although various system event logs were generated, reviewed, retained, and then discarded, there were no written procedures guiding what system events were to be captured, how long the logs should be retained, and what manner of review was to be conducted. Without adequate system event logging procedures, there is an increased risk that unauthorized system events will occur and not be timely discovered.

Recommendation: The College should develop written procedures for system event logs, including procedures for the capture, review, and retention of system events.

Finding No. 7: Information Technology – User Authentication

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 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 related to user authentication, 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 to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Finding No. 8: Information Technology – Management of Access Privileges

Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data. Further, effective access controls provide employees access privileges that restrict employees from performing incompatible functions or functions outside of their area of responsibility.

We reviewed access privileges to the finance and human resources applications to determine the appropriateness of access privileges. We identified four employees in the Information Technologies department whose access privileges were inappropriate. These employees had update access to many finance and human resources screens. The access privileges permitted the employees to perform incompatible duties and the access privileges were not necessary for their job duties, increasing the risk of unauthorized disclosure, modification, or destruction of College data and IT resources.

Recommendation: The College should review the appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job responsibilities.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-150.

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 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. 2009-150. 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) program change management controls.	Reviewed IT procedures for requesting, testing, approving, and implementing changes to the College's business systems.
IT logical access controls.	Reviewed procedures for the creation and modification of user access.
IT separation of duties.	Tested access privileges to determine whether the access granted was needed to perform their job duties and whether access restrictions prevented users from performing incompatible functions.
IT review and termination of user access.	Reviewed procedures for the periodic review of the appropriateness of user access. Tested access privileges for former employees to determine whether their access privileges had been timely removed.
IT user authentication controls.	Reviewed IT network, operating system, and business application security settings.
IT system event logging and monitoring.	Reviewed procedures for the capture, review, maintenance, and retention of IT system event logs.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
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, maintaining minutes).
Statement of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the College President, Board members, and certain purchasing agents filed statements of financial interest in accordance with 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 as to the purpose of collecting their social security numbers.
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.
Cash collection procedures at child care centers.	Reviewed collection procedures at selected child care centers to determine whether the collection procedures were adequate.
Payroll and personnel procedures.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports. Tested new hires to determine whether personnel records evidenced that employees had the necessary qualifications, degrees, and experience for the position hired. Tested terminations of employment for proper payment of unused leave.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Determined whether senior management employment contracts limit any settlements, to be paid from appropriated State funds, to the amount of the annual salary as required by Section 1012.83(2), Florida Statutes.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Procedures for calculating laboratory and other user fees.	Reviewed the College's procedures regarding the assessment of laboratory and other user fees. Tested fees and examined supporting documentation to determine whether the College properly calculated the fees.
Procedures for calculating technology and capital improvement 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. Determined whether the capital improvement fee did not exceed 10 percent of tuition fee per credit hour and was limited to an increase of \$2 per credit hour over the prior year.
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 deficiencies noted were timely corrected.
Procedures for administering construction contracts.	Reviewed records supporting a major construction project, including the selection of subcontractors, to determine compliance with provisions of law.
Subcontractors' licensure requirements.	Reviewed supporting documentation to determine whether the College verified subcontractors' licenses for a major construction project.
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



President

James A. Drake, Ph.D.

Board of Trustees

Stephen G. Charpentier, Chair
Dixie N. Sansom, Vice Chair
Dewey L. Harris
Alan H. Landman
Dedra S. Sibley

District Administration

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Fax: 321/433-7065

Cocoa Campus

1519 Clearlake Road
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Fax: 321/433-7064

Melbourne Campus

3865 N. Wickham Road
Melbourne, Florida 32935
321/433-5502
Fax: 321/433-5618

Palm Bay Campus

250 Community College Pkwy.
Palm Bay, Florida 32909
321/433-5150
Fax: 321/433-5305

Titusville Campus

1311 North U.S. 1
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321/433-5078
Fax: 321/433-5113

Website

www.brevardcc.edu



October 7, 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 the response to the preliminary and tentative findings of your operational audit of the Brevard Community College for the fiscal year ended June 30, 2010.

Finding No. 1: Collection of Social Security Numbers

The College is in full support of statutorily mandated identity fraud prevention measures, and concurs with the Auditor's recommendation. Both online and printed student application forms will be updated to identify the specific Federal and State laws governing the collection, use, or release of SSN's. Additionally, the College will supplement its online vendor registration forms and website to provide the notification required by FS 119.071.

Finding No. 2: Parking Fee

Parking fees are used to cover the substantial costs associated with the development, construction and maintenance of roadways, driveways, and parking lots. The College recognizes the importance of charging parking fees to only students using parking facilities and has discontinued the fee per credit hour. The College is exploring other methodologies to recover these costs in an equitable and efficient manner.

Finding No. 3: Construction Administration

The College will enhance its construction administration procedures to monitor the process and review the selection of subcontractors, and verify that selected subcontractors are licensed for any work performed on College facilities.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

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Finding No. 4: Purchasing Cards

The College is protected from unauthorized use by the card issuer's Liability Waiver Program which waives the College's liability for unauthorized use up to \$100,000 per cardholder.

The cardholders referenced in the finding were given larger transaction limits because they had buyer responsibilities in the district purchasing office. The College endeavored to process increased procurement activity using more efficient card technologies instead of printed purchase orders. The scale of that activity was initially unknown, but projected to include purchases up to \$50,000.

As a result of increased efficiency in the purchasing process, one of these employees was reassigned to the budget department and no longer required a card. Based on the data reviewed during the audit, card limits were reduced and one card was canceled.

The College will periodically review activity on card accounts with single purchase and monthly limits in excess of the standard limits.

Finding No. 5: Information Technology – Program Change Management

Changes to the College's IT Request System will be made to record the testing and final approval of programming changes prior to their movement to production. ERP changes made via vendor updates are recorded within the ERP database. The College will explore the feasibility and cost of a system to automatically monitor all system updates and changes.

Finding No. 6: Information Technology – Logging of System Events

The College concurs with the Auditor's recommendation and will establish written procedures outlining the capture, review, and retention of system event logs.

Finding No. 7: Information Technology – User Authentication

The College fully supports appropriate security controls to protect the confidentiality, integrity, and availability of data and IT resources. The College will review the recommendations for improving security controls and make changes as appropriate.

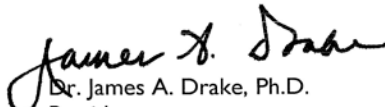
EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

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Finding No. 8: Information Technology – Management of Access Privileges

The College will review the appropriateness of the job responsibilities of these individuals in correlation to their access privileges and make adjustments as appropriate.

Sincerely,


Dr. James A. Drake, Ph.D.
President