

COLLEGE OF CENTRAL FLORIDA

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>
Betty Strifler, Chair	Citrus
Cory B. Pool, Vice Chair	Marion
Sandra L. Balfour	Citrus
Robert E. Durrance	Levy
Ronald L. Ewers	Marion
Bernard L. Little, Jr., to 5-25-10 (1)	Marion
Carol P. Sullivan	Levy

Dr. Charles R. Dassance, President

Note: (1) Board member retired, position remained vacant at June 30, 2010.

The audit was coordinated by Philip B. Ciano, 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.

COLLEGE OF CENTRAL FLORIDA

SUMMARY

Our operational audit disclosed the following:

PURCHASING CARDS

Finding No. 1: The College needed to enhance controls over its purchasing card program to ensure that purchases are in accordance with the College's administrative procedures and *Purchasing Card Manual*.

INFORMATION TECHNOLOGY

Finding No. 2: The College had not implemented a formal ongoing security awareness program to reemphasize to current users the importance of preserving the confidentiality, integrity, and availability of data and information technology resources entrusted to them.

CONFIDENTIAL INFORMATION

Finding No. 3: 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.

CONSTRUCTION MANAGEMENT

Finding No. 4: The College had not established written policies and procedures for documenting the determination of general conditions costs for guaranteed maximum price construction contracts.

Finding No. 5: The College needed to improve its monitoring of the construction manager's subcontractor selection process.

Finding No. 6: The College's procedures for monitoring construction manager payment requests needed improvement.

Finding No. 7: The College needed to enhance procedures for monitoring payments to design professionals.

Finding No. 8: The College needed to enhance its procedures for monitoring compliance with insurance requirements specified in the College's administrative procedures or contracts with design professionals and construction managers.

BACKGROUND

The College of Central Florida (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.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the College's name change from Central Florida Community College to College of Central Florida at its December 1, 2009, Board meeting. The name change became effective May 25, 2010.

The College has its main campus, a special-purpose center, and a museum located in Ocala, Florida; a campus located in Lecanto, Florida; and a special-purpose center located in Chiefland, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Marion, Citrus, and Levy Counties. The College reported enrollment of 6,405 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

Purchasing Cards

Finding No. 1: Purchasing Cards

The College administers a purchasing card (PCard) program, which gives employees the convenience of purchasing items without using the standard purchase order process. The purpose of the PCard program is to provide a more efficient, cost-effective method of purchasing and paying for small dollar transactions as well as high-volume repetitive purchases. As of June 30, 2010, 89 PCards had been issued to employees and the College had PCard expenditures of \$1.4 million during the 2009-10 fiscal year.

The College adopted an administrative procedure that addresses policies, procedures, and controls over its PCard program. The College also developed a *Purchasing Card Manual* (Manual), which establishes certain responsibilities for a program administrator and finance office personnel. These responsibilities include, but are not limited to, identifying improper use of the cards, establishing security for each cardholder, monitoring vendors, monitoring products purchased and evaluating future requirements, monitoring PCard purchases, advising administrators or management of purchases that appear to be in violation of procedures, and reviewing departmental purchasing methods. Our review of PCard procedures and testing of transactions disclosed that the College’s controls over the PCard program needed improvement, as discussed below:

- The College’s procedures established monthly credit limits of \$10,000 for most cardholders; however, higher monthly credit limits were established for certain individuals, for emergency purchases, and for special projects. The monthly credit limits for several of the individuals with limits exceeding \$10,000 appeared excessive based on actual use by the cardholder during the 2009-10 fiscal year. Specifically, we noted the following for 22 cardholders:

Monthly Credit Limit	Highest Monthly Credit Balance
\$ 750,000	\$ 3,750
500,000	41,354
250,000	338
250,000	1,313
250,000	38,490
250,000	398
60,000	1,100
60,000	32,261
60,000	8,581
60,000	5,738
60,000	5,276
60,000	266
60,000	30,420
60,000	7,359
25,000	0
25,000	948
25,000	1,326
25,000	333
25,000	5,850
25,000	6,262
25,000	2,729
20,000	8,197

- For 21 of the 22 cardholders noted above, the monthly credit limit also represented their single transaction limit because the single transaction limit control had not been activated. As a result, the single transaction limits for these 21 PCards ranged from \$20,000 to \$750,000, which exceeded the College’s single transaction limit of \$2,500 established in its PCard Manual.
- Our request for documentation authorizing the issuance of PCards to 34 cardholders disclosed that a Purchasing Card Request Form or other documents authorizing the cardholder to have a PCard were not available for 27 cardholders, including 19 of the 22 cardholders noted above. College personnel advised us that some of these cardholders had been issued their PCard in prior years before the forms and other documentation to support the issuance of PCards to employees were developed.
- Our test of 68 PCard transactions disclosed that improvements were needed in the monitoring of PCard transactions, as follows:
 - Five transactions for one cardholder, totaling \$23,264, had not been approved by the cardholder’s budget supervisor, contrary to the PCard Manual. The Manual provides that the cardholder’s monthly or individual statement, along with supporting original receipts, must be approved by the cardholder’s budget supervisor as authority for processing payments for the items purchased.
 - We noted 24 purchases, totaling \$35,457, for items that are prohibited by the PCard Manual, such as gasoline, meals, recurring maintenance, rental or lease of equipment, and equipment items normally requested as part of the annual capital outlay budget request. Subsequent to our inquiry, College personnel informed us that the College would make revisions to the Manual to address these issues.

Recommendation: The College should enhance its training, monitoring, and review procedures over its PCard program to ensure compliance with the College’s administrative procedures and *Purchasing Card Manual*.

Information Technology

Finding No. 2: Ongoing Security Awareness Training

Employee security awareness is important to minimize the misuse of information technology (IT) resources. The purpose of a security awareness program is to inform personnel of the importance of information handled and the legal and business reasons for maintaining its confidentiality, integrity, and availability. Employees must be aware of their responsibilities and the steps the organization is willing to take to ensure security through documentation describing security policies and procedures and acknowledgements of an individual's responsibility.

The College had established policies regarding the use and protection of its IT resources, such as standards for the appropriate use, actions prohibited, and consequences for violations of policies. The College also had established policies regarding the confidentiality of certain records systems, such as personnel information, student grades, and test materials.

During the 2009-10 fiscal year, the College provided security awareness training during new employee orientation. Additionally, when employees were provided IT access to administrative systems, they were required to sign a "Security and Appropriate Use Agreement for Computer and Data Resources" form, agreeing to abide by College policy and procedures, a summary of which is listed on the form. However, the College had not implemented a formal ongoing security awareness training program to reemphasize periodically to current users the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. For example, current users were not required to periodically acknowledge their security responsibilities. The absence of a formal ongoing security awareness training program, which requires users to periodically acknowledge an understanding of security policies, increases the risk that the College's data and IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties. In addition, the College could be limited in its ability to take legal recourse against individuals misusing data or IT resources.

Recommendation: The College should enhance its IT security awareness training program to include ongoing IT security awareness training of employees about the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Additionally, the College should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Confidential Information

Finding No. 3: 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 a SSN is collected. This Section also provides that SSNs collected by the College may not to 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.

The College has established a *Notification of Social Security Number Collection, Usage, and Release* statement. Additionally, although the College had assigned unique student and employee identification numbers to replace SSNs for record keeping purposes, it continued to obtain SSNs from students and prospective employees. The College's procedures needed improvement, as follows:

- The Enrollment Services Department maintained a number of printed forms that required the collection of SSNs from students. Although the required statement for collection of SSNs from students was included in the application for admission packet, it was not included on the subsequent application for readmission, the student information update form, or the enrollment verification form.
- The College collected SSNs from prospective applicants on its online application for employment form and from students using the College's online student enrollment forms located on certain College Web pages. Although the College had a link to its *Notification of Social Security Number Collection, Usage, and Release* statement on its Web home page, and on certain other departmental pages for students and prospective employees to read, not all of its online forms were electronically linked to the required written statement. Consequently, the College could not be assured that the individuals were provided the required written notification when their SSNs were collected or that the individual was provided the specific Federal and State law authorizing the collection and use of their SSN. Subsequent to our inquiry the College, on August 17, 2010, completed revisions to its Web site to ensure that the written notification required by law was provided to students and prospective employees submitting online applications.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce 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.

Construction Management

The College entered into a Guaranteed Maximum Price (GMP) contract with a construction manager (CM) for the construction of the Citrus Campus Learning and Conference Center (Center) at a cost of approximately \$7.1 million, exclusive of reimbursable costs for general conditions of approximately \$548 thousand not included in the GMP, for a total project construction cost of approximately \$7.6 million. This project was completed during the 2009-10 fiscal year. Under GMP contracts, the College may realize cost savings if the cost of construction is less than the GMP and, as such, a GMP contract requires close monitoring by College personnel to ensure that the cost of construction is adequately documented.

Finding No. 4: General Conditions Costs

As part of the contract with the CM and the GMP amendment to the contract, a provision was included for general conditions (CM reimbursables) at a total cost of approximately \$548 thousand, which was billed to the College in 12 installments over the life of the project. General conditions include such items as direct and indirect salary costs of

project managers and project superintendents; costs of jobsite office space, furniture, equipment, and supplies; and communication and utility costs.

The general conditions costs for the Center 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, showing quantity and units, for various general conditions 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 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 were limited to amounts determined by the College's expected procurement negotiation process.

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

Finding No. 5: Subcontractor Selection

College procedures provided that the College's project manager, or a representative of the College, must be present when bids received are opened by the CM. In addition, College procedures required that the CM provide the College a letter of recommendation for award of each bid package, a copy of each bid proposal, and a tabulation form.

Our review disclosed that the bid tabulation sheets prepared by the CM for the Center were not signed or dated by the preparer or a College representative. Consequently, it was not readily apparent that the College properly monitored the bid opening and selection process. Furthermore, in the absence of signed and witnessed competitive bid tabulation sheets, there is an increased risk that College records may not demonstrate the proper handling and award of the bids in the event of a challenge.

Recommendation: The College should document its monitoring of the CM's subcontractor selection process.

Finding No. 6: Monitoring Construction Manager Payment Requests

College policies and administrative procedures did not specifically address the documentation that a CM must submit in support of payment applications. However, the College's Purchasing Department Reference Manual stated that payment to a CM will be made upon submission of properly documented billings with sufficient backup, and that the College was responsible for the pre-audit of payments for CM services for reasonableness and accuracy and a review of project expenditures to ensure they are necessary, allowable, and adequately documented as to the business purpose. Additionally, the College's Purchasing Manual provided that the College compare detailed project cost reports supporting CM payment requests with bids awarded to individual subcontractors. Furthermore, the contract with the CM also required that invoices be submitted in detail sufficient for a proper pre- and post-audit of amounts shown on the CM's payment request.

Our comparison of payment requests to bid documents disclosed that improvements were needed in the monitoring of payments to the CM, as follows:

- Three of the subcontractor's bid amounts, as shown on bid tabulation sheets, did not agree with bid amounts provided for these subcontractors by the CM. College records did not explain these differences, which were comprised of \$11,687 for site and utilities, \$6,200 for masonry, and \$1,600 for structural steel. The accuracy of subcontractor's bid amounts is important because they are used by College personnel to verify amounts paid to subcontractors as shown on CM payment requests.
- For seven subcontracts, the subcontract costs in the GMP contract did not agree with the amounts shown on the CM's payment requests upon which the College based its payments for subcontractor costs. College records did not explain these differences, which netted to \$0 and ranged from (\$3,350) to \$25,625.
- Two CM payment requests totaling \$1,048,865 either did not have documentation to support the payment or the amounts on the supporting documentation differed from the payment requests, as follows:
 - For payment request No. 9, in the amount of \$677,162 for the period ended August 25, 2009, the payment request did not include supporting documentation for \$103,185 of costs billed for general works. Likewise, for payment request No. 10, in the amount of \$371,703 for the period ended September 25, 2009, the payment request did not include supporting documentation for \$63,104 of costs billed for general works. General works included such items as construction and final cleaning, temporary fencing, patching a service road, and rough carpentry.
 - The amounts included on payment request No. 9 did not always agree with the supporting invoices with the payment request. For example, we noted 16 invoices that did not agree with the amounts on the payment request. The costs shown on these invoices exceeded the amounts on the payment request by a net amount of \$8,165. Differences ranged from \$16,967 (electrical) in which the amount on the payment request exceeded the invoices to \$44,530 (frames, doors, and hardware) in which the amount on the subcontractor's invoices exceeded the amount on the payment request. College records did not explain these differences.
 - Payment request No. 10 did not include supporting invoices for \$75,816 of subcontractor costs.

In the absence of procedures to properly monitor CM payment requests, there is an increased risk that the College may not realize potential cost savings or may over pay the CM for services provided.

Recommendation: The College should improve its procedures for monitoring CM payment requests to ensure that such requests are properly supported by adequate documentation, and that costs shown on supporting documentation are consistent with the payment requests.

Finding No. 7: Monitoring Architect Payments

The College contracted with an architect for work associated with its Center project. Section 14.1.1 of the contract provided that the fee for (basic) architectural services would not exceed 6.6 percent of the GMP. College personnel calculated the fee to be \$495,000 based on 6.6 percent of the budgeted preconstruction project construction costs of \$7,500,000 and, through December 2009 (invoice No. 22), the College made payments to the architect totaling \$495,000 for basic services for the Center project. However, GMP Amendment No. 1 to the Agreement for Construction Services between the College and the CM, dated October 21, 2008, established a final GMP of \$7,076,365 and, as a result, the architect was entitled to a fee for basic services of \$467,040. Therefore, the College overpaid the architect \$27,960 for basic services for the Center project. Subsequent to our inquiry, the College recovered the amount overpaid through adjustments to payments to the architect for services rendered for other projects.

Additionally, Section 5.1.1 of the contract provided that travel expenses and other expenses for out-of-town travel be paid in accordance with Chapter 112, Florida Statutes, and automobile travel was to be reimbursed at the current mileage rate established by State law, which was 44.5 cents per mile during the contract period. Our audit disclosed that payments to the architect for mileage traveled by their employees or consultants exceeded the authorized rate by \$918 since inception of the contract. Subsequent to our inquiry, the College recovered the amount overpaid through adjustments to payments to the architect for services rendered for other projects.

Recommendation: The College should enhance its monitoring procedures to ensure proper payment of architects fees and related expenses.

Finding No. 8: Insurance Coverage

The College's Administrative Procedure (AP), *Insurance Requirements for Professional Services*, outlines certain conditions with which project architects, consultants, and CMs must comply when performing contractual services for the College. Our review of insurance certificates for the Center's project architect and CM disclosed that the College needed to enhance its procedures for monitoring contractors' insurance coverage. Specifically, we noted the following instances of noncompliance with College administrative procedures or contract requirements:

- Contrary to the College's AP, the Board was not named as an additional insured on the architect's certificate of insurance (the College was identified as a certificate holder).
- Cancellation clauses on the certificates of insurance for both the architect and CM were not modified to reflect certain requirements of the College's AP, such as written notification to the College at least 30 calendar days prior to any cancellation, termination, non-renewal, or modification.
- The contract with the CM required excess liability, umbrella coverage of \$10 million for each occurrence; however, the certificate of insurance provided by the CM allowed for only \$3 million for each occurrence.

Failure to ensure contractors are adequately insured could place the College in a position of unnecessary risk of loss should an accident occur causing injury to persons or damage to property.

Recommendation: The College should enhance its monitoring procedures to ensure that contractors are adequately insured in amounts and types as required by contract and College administrative procedures.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2009-81.

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. 2009-81. 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 security awareness and training program.
Procedures to timely prohibit former employees' access to electronic data files.	Tested access privileges for former employees who terminated employment during the audit period and verified that the College timely terminated access privileges.
Electronic funds transfers and payments.	Reviewed procedures for electronic funds transfers and payments to determine whether transfers and payments were appropriate and adequately supported.
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 their social security numbers.
Procedures for student receivables.	Tested student receivables to determine whether the receivables were properly authorized, documented, and within established limits. Determined whether collection procedures were adequate, and accounts written-off were properly approved.
Facilities usage and records.	Tested College facilities rental agreements to determine whether rental fees were properly collected and insurance provisions were in accordance with terms of the agreements.
Auxiliary operations contracts.	Examined contract with bookstore vendor and determined whether the College was properly monitoring for compliance with the contract terms.
Florida residency determinations 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.
Procedures for calculating activity and service fee.	Verified that the activity and service fee did not exceed the amount authorized by law.
Procedures for calculating the technology fee and the capital improvement fee.	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. Tested the capital improvement fee to determine whether the 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.
Procedures for calculating separate user fees and fines.	Reviewed the College's procedures to determine whether the policy was approved by the Board. Tested user fees and fines and examined supporting documentation to determine whether the College properly calculated these fees.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Enrollment more than once in the same class.	Tested students who enrolled more than once in the same class to determine whether the College established adequate policies and procedures to identify and to either assess the appropriate fee, or document that the students had a financial hardship.
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.
Procedures for overtime payments.	Reviewed procedures for payment of overtime to employees to determine whether procedures were adequate.
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Examined senior management employment contracts to determine whether the contract limits any settlements, to be paid from appropriated State funds, to the amount of their annual salary.
Procurement policies and procedures.	Tested purchases subject to competitive bids to determine whether the College was in compliance with bid requirements.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Procedures for limiting wireless communication devices.	Reviewed policies and procedures to determine whether the College limits the use of, and documents the level of service provided for, wireless communication devices.
Mandatory and nonmandatory transfers.	Tested transfers made between funds during the 2009-10 fiscal year to determine propriety of transfers of restricted moneys between funds.
Direct-support organization.	Reviewed payments, transfers, and loans between the College and its direct-support organization to determine the purpose and legal authority of such payments, transfers, and loans.
Agreements with consultants.	Tested payments for consultant services to determine whether the payments were approved by the Board and that payments were in accordance with term of the agreement.
Subcontractor bids.	Reviewed College procedures to determine whether subcontractor bids were properly monitored.
Construction management policies and procedures.	Tested agreements with contractors to determine whether construction expenses were adequately documented.
Procedures for insuring architects, engineers, and construction management companies and monitoring architect payments.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers and construction contractors. Examined construction projects in progress during the audit period and determined whether architects, engineers, and construction managers provided evidence of the required insurance. Also tested the College's monitoring of a project architect's payments.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Annual safety inspections.	Obtained copies of the most recent life safety, fire safety, and sanitation inspection reports and determined whether the deficiencies noted were timely corrected.
Reporting Public Education Capital Outlay (PECO) activity.	Reviewed College procedures for reporting PECO encumbrance and expenditure activity to the Florida Department of Education.
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



College of Central Florida
Office of the President

October 22, 2010

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

RE: Findings and Recommendations

Dear Mr. Martin:

Please accept these responses from the College of Central Florida for the Preliminary and Tentative Findings for the fiscal year ended June 30, 2009.

Finding No. 1: The College needed to enhance controls over its purchasing card program to ensure that purchases are in accordance with the College's administrative procedures and Purchasing Card Manual.

Recommendation: The College should enhance its training, monitoring, and review procedures over its PCard program to ensure compliance with the College's administrative procedures and Purchasing Card Manual.

Response: The College has amended and improved its' PCard procedures, and enhanced an on-going training program and improved its monitoring and controls.

Finding No. 2: The College had not implemented a formal ongoing security awareness program to reemphasize to current users the importance of preserving the confidentiality, integrity, and availability of data and information technology resources entrusted to them.

Recommendation: The College should enhance its IT security awareness-training program to include ongoing IT security awareness training of employees about the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Additionally, the College should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Response: The College will develop and implement an enhanced and on-going IT security awareness program. The College will also develop a program that will

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

annually require all employees to provide written confirmation of their understanding and acceptance of IT security-related responsibilities.

Finding No. 3: 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.

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

Response: The College will monitor departmental compliance with the statute. The College has also amended website based applications to require acknowledgment.

Construction Management

Finding No. 4: The College had not established written policies and procedures for documenting the determination of general conditions costs for guaranteed maximum price construction contracts.

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

Response: The procedures and methodology utilized for this project followed the statutory and SREF guidelines. The College utilized competitive and collaborative negotiation of the terms, items and areas acceptable to both the college and the construction company. Representatives from the college, the Project Architect and representatives from the CM met on several occasions over several weeks to negotiate an agreed upon fixed rate. The College did use data from previous CM projects and other firms as comparable assessment data when considering specific general conditions items. The College's attorney highly recommended this process and the use of a fixed rate for this contract so that the College could avoid overcharging and overruns, increases in the GMP that might affect the reimbursables (general conditions) as well as controversy on itemized costs. The College performed its' necessary due diligence in the determination of the fixed rate. We strongly believe that the CM should be At-Risk for this item and the agreement to a fixed rate put the risk strictly on the Construction Company. By using the fixed rate process, the college was able to avoid the additional costs of schedule overruns and/ or unforeseen circumstances, therefore saving college resources. In summary, the College's current CM negotiation process follows the Guidelines for State Requirements for Educational Facilities, competitive negotiations rules, involves College staff, the Project Architect, the selected CM and is guided and advised by our College Attorney. The College will review its procedures.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5: The College needed to improve its monitoring of the construction manager's subcontractor selection process.

Recommendation: The College should document its monitoring of the CM's subcontractor selection process.

Response: The College will establish a monitoring process with supportive documentation on future construction projects.

Finding No. 6: The College's procedures for monitoring construction manager payment requests needed improvement.

Recommendation: The College should improve its procedures for monitoring CM payment requests to ensure that such requests are properly supported by adequate documentation, and that costs shown on supporting documentation are consistent with the payment requests.

Response: The College will improve its' procedures regarding CM payments and establish a monitoring process with supportive documentation on future projects.

Finding No. 7: The College needed to enhance procedures for monitoring payments to design professionals.

Recommendation: The College should enhance its monitoring procedures to ensure proper payment of architects fees and related expenses.

Response: The College will enhance its' monitoring process for proper payments and improve the monitoring process with supportive documentation on future projects.

Finding No. 8: The College needed to enhance its procedures for monitoring compliance with insurance requirements specified in the College's administrative procedures or contracts with design professionals and construction managers.

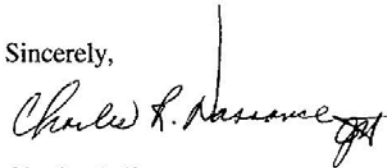
Recommendation: The College should enhance its monitoring procedures to ensure that contractors are adequately insured in amounts and types as required by contract and College administrative procedures.

Response: The College will enhance its' procedures regarding insurance requirements and improve the monitoring process with supportive documentation on future projects.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

If you have any questions, please contact James Harvey at 352-873-5823

Sincerely,

A handwritten signature in black ink, appearing to read "Charles R. Dassance". The signature is written in a cursive style with a vertical line extending upwards from the top of the name.

Charles R. Dassance
President

CRD/td

c: Dr. James D. Harvey
Mr. Steve Ash
Mr. Philip B. Ciano