

# LAKE-SUMTER COMMUNITY COLLEGE

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## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

	<u>County</u>
Margo S. Odom, Vice Chair to 7-20-09, Chair from 7-21-09	Lake
Jon A. Simpson, Chair to 7-20-09	Sumter
Timothy Morris, Vice Chair from 7-21-09	Lake
Raymond Scott Blankenship from 9-17-09 (1)	Lake
Richard P. Bowersox	Lake
Marcia M. Butler from 9-17-09 (2)	Sumter
Richard D. Childers (1)	Sumter
Dr. Kenneth W. Kelly	Sumter
Joe M. Norman (1)	Lake
William R. Pruitt to 8-19-09 (3)	Lake

Dr. Charles R. Mojock, President

- Notes: (1) Board member served beyond end of term,  
May 31, 2010.  
(2) Position was vacant until appointment of member.  
(3) Position remained vacant from August 20, 2009,  
through September 16, 2009.

The audit team leader was Kayren P. Jost, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://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.

LAKE-SUMTER COMMUNITY COLLEGE

SUMMARY

Our operational audit disclosed the following:

PURCHASING CARDS

Finding No. 1: The College’s controls over vendor credit card usage needed improvement.

CONFIDENTIAL INFORMATION

Finding No. 2: 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.

BACKGROUND

Lake-Sumter 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 nine members appointed by the Governor and confirmed by the Senate.

The College has campuses in Leesburg, Clermont, and Sumterville, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Lake and Sumter Counties. The College reported enrollment of 3,203 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: Credit Cards

The College uses credit cards issued by various vendors to give employees the convenience of purchasing goods and services from local vendors without using the standard purchase order process. The Purchasing Manager is responsible for monitoring all vendor credit cards. The cards can be signed out indefinitely or for temporary usage to a specific employee. The Purchasing Manager maintains a master listing to maintain accountability over all credit cards and a sign-out sheet for each credit card to document the employee who was assigned the card. The Accounts Payable Department is responsible for reviewing the monthly credit card statements. The College had 56 credit cards for 12 vendors as of June 30, 2010.

Our review, in February 2010, disclosed that the College’s controls over vendor credit card usage needed improvement, as noted below:

- The College did not have formal policies or procedures providing guidance to employees regarding the appropriate use and monitoring of credit cards.

- The College had not, of record, established monthly and single transaction limits authorized for each vendor credit card.
- For 16 vendor credit cards, the master listing or the individual sign-out sheets did not accurately document the employee that had been assigned the credit card, as follows:
  - For 4 credit cards, the individual sign-out sheets indicated that the credit cards were assigned to employees who had terminated their employment with the College between April 2008 and August 2009. Our review disclosed that the College had subsequently assigned these credit cards to 4 other employees; however, the individual sign-out sheets had not been updated.
  - For 7 credit cards, the employee listed as the cardholder on the master listing did not agree with the employee shown on the sign-out sheet as having been assigned the credit card.
  - For 4 credit cards, there was no sign-out sheet for the credit card to identify the employee assigned the credit card.
  - One credit card was not included on the master listing.

Although vendor credit cards are useful for expediting the payment of small purchases in an efficient manner, without effective monitoring procedures, and formal policies and procedures that provide specific instructions governing the appropriate use of vendor credit cards, the College is at a greater risk for unauthorized purchases.

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**Recommendation:** The College should establish written policies and procedures regarding the use of vendor credit cards, including monitoring controls to ensure accountability for, and proper use of, vendor credit cards. The College should also establish, and document of record, appropriate monthly and single transaction credit limits for each cardholder.

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<b>Confidential Information</b>
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**Finding No. 2: Collection of Social Security Numbers**

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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 provided a written notification to students on its Web site, the online application for admission could be completed without the student being directed to the written notification. In addition, the written notification did not identify the specific Federal or State law governing the collection, use, and release of SSNs for each purpose for which the College collected the student's SSN and whether the collection was authorized or mandatory under law.
- Vendors who did not have a Federal identification number were requested to provide their SSN on a Vendor Information Form; however, the required written notification regarding the collection and use of the SSN was not provided to the vendor.

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.

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

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### PRIOR AUDIT FOLLOW-UP

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The College had taken corrective actions for findings included in our report No. 2009-145.

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### OBJECTIVES, SCOPE, AND METHODOLOGY

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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 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. 2009-145. 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) disaster recovery plan.	Determined whether the College had recently tested its IT disaster recovery plan.
IT environmental controls.	Examined IT environmental controls related to fire suppression systems to determine whether vulnerabilities existed.
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 and Board members 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 social security numbers.
Strategic plan.	Reviewed the strategic plan to determine whether it was used in the College's budgeting process.
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.
Procedures for calculating laboratory fees.	Reviewed the College's procedures regarding the assessment of laboratory fees and determined whether the College properly calculated these fees.
Procedures for calculating technology fees.	Verified that the sum of the tuition fee and the technology fee per credit hour did not exceed the amount authorized by law.
Procedures for calculating capital improvement fees.	Verified that 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.
Electronic funds transfers.	Reviewed electronic funds transfers for adequate control procedures regarding authorization, processing, and documentation of fund transfers.
Procurement policies and procedures.	Reviewed policies and procedures for selecting vendors to determine compliance with bid requirements.
Credit card transactions.	Tested transactions and reviewed procedures to determine whether the vendor credit card program was administered in accordance with good business practices.
Payroll and personnel.	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 of employee time reports by supervisory personnel.

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

Scope (Topic)	Methodology
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Examined the College President’s and other senior management’s employment contracts to determine whether the contracts limit any settlements, to be paid from appropriate State funds, to the amount of the annual salary.
Direct-support organization.	Reviewed payments from the College to its direct-support organization to determine the purpose and legal authority of such payments.
Expenses and disbursements.	Tested expense and disbursement transactions to determine whether they were authorized, adequately supported, and accurately recorded.
Mandatory and nonmandatory transfers.	Tested transfers made between funds to determine the propriety of transfers of restricted moneys.
Procedures regarding subcontractor licensure requirements.	Reviewed, and determined the adequacy of, the College’s procedures regarding verification of the licensure of construction subcontractors.
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.

EXHIBIT B  
MANAGEMENT'S RESPONSE



Office of the Vice President for Business Affairs ~ Richard M. Scott

October 26, 2010

Mr. David Martin, CPA  
Auditor General  
State of Florida  
G 74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin,

The attached is Lake-Sumter Community College's response to the preliminary and tentative findings and recommendations pertaining to the Operational Audit of Lake-Sumter Community College for the fiscal year ended June 30, 2010.

Should you have any questions on any of our responses please don't hesitate to contact me at 352-365-3525.

Sincerely,

A handwritten signature in cursive script that reads "Richard M. Scott".

Richard M. Scott  
Vice President for Business Affairs  
Lake-Sumter Community College

RMS/lmp

Cc: Charles R. Mojock, Ed.D.  
Brenda Racis  
John Froman

Attachment

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

**2009-2010 Operational Audit General**  
**Findings and Responses**

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**Finding No. 1: Vendor Credit Cards**

**Recommendation:** The College should establish written policies and procedures regarding the use of vendor credit cards, including monitoring controls to ensure accountability for, and proper use of, vendor credit cards. The College should also establish, and document of record, appropriate monthly and single transaction credit limits for each cardholder.

**Response:** We agree. The College has written and adopted new procedures on the issuance, distribution, and use of vendor credit cards. The College is also in the process of collecting and reissuing any existing vendor credit cards under the guidelines outlined in the newly adopted procedures.

**Finding No. 2: Collection of Social Security Numbers**

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

**Response:** We agree that there were a couple of areas where the College did not fully comply with Section 119.071 (5)(a) Florida Statutes concerning the collection of social security numbers. Those areas mentioned have been corrected or are in the process of being corrected.