

VALENCIA 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:

	<u>County</u>
Lewis M. Oliver, III, Chair (1)	Orange
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Ronald Blocker to 8-06-09	Orange
Jerry D. Buchanan	Orange
Bertica M. Cabrera-Morris	Orange
Lori K. Kifer from 8-07-09	Orange
Edward A. Moore to 5-31-10 (2)	Osceola
Maria C. Grulich Toumazos	Osceola
Jo Quittschreiber	Osceola

Dr. Sanford C. Shugart, President

- Notes: (1) Board member served beyond the end of term, May 31, 2010.
(2) Position vacant from June 1, 2010, to June 30, 2010.

The audit team leader was Christina T. Rider, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the audit team leader was Kathy Sellers, 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.

VALENCIA COMMUNITY COLLEGE

SUMMARY

Our operational audit disclosed the following:

PROCUREMENT

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

STUDENT TUITION AND FEES

Finding No. 2: The College’s procedures for reclassifying out-of-state students to Florida residents for tuition purposes needed improvement.

CONFIDENTIAL INFORMATION

Finding No. 3: The College did not provide the written notification required by Section 119.071(5)(a), Florida Statutes, to individuals at the time their social security numbers were collected.

PERSONNEL ADMINISTRATION

Finding No. 4: The College needed to complete its development and implementation of a policy to require personnel evaluations for administrative and professional employees.

INFORMATION TECHNOLOGY

Finding No. 5: Certain security controls related to user authentication needed improvement.

BACKGROUND

Valencia 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 eight members appointed by the Governor and confirmed by the Senate.

The College has campuses in Orlando, Kissimmee, and Winter Park, Florida, and two centers and a Criminal Justice Institute located in Orlando, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Orange and Osceola Counties. The College reported enrollment of 29,296 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

Procurement

Finding No. 1: Purchasing Cards

The College administers a purchasing card (P-Card) program, which gives employees the convenience of purchasing goods and services without using the standard purchase order process. The purpose of the P-Card 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. The College issued P-Cards to 185 employees as of June 30, 2010, and incurred approximately \$18 million in charges during the 2009-10 fiscal year.

The College appointed a Program Administrator and adopted *Procurement Card Procedures and Guidelines* (Guidelines) that address policies, procedures, and controls over its P-Card program. As similarly noted in our report No. 2009-149, our review of P-Card procedures and testing of transactions disclosed that the College’s controls over the P-Card program needed improvement, as discussed below:

- For the 11 P-Cards with credit limits exceeding \$50,000, we requested, but were not provided, documentation evidencing approval of the credit limits or justification for the limits assigned to each P-Card. Subsequent to our inquiries, the College, in July 2010, updated the Guidelines and established a Procurement Card Maintenance Form that documents changes in account information, including monthly and single transaction credit limits, and documents the justification for changes in P-Card limits.
- The monthly credit and single transaction limits for 3 of the 11 P-Cards tested appeared excessive based on actual purchases by the cardholders during the 2009-10 fiscal year, as follows:

	Single Transaction Limit	Highest Single Transaction Amount	Monthly Limit	Highest Monthly Total
Employee 1 (1)	\$ 500,000	\$ 343,337	\$ 4,400,000	\$ 2,857,034
Employee 2 (2)	80,000	58,532	250,000	149,426
Employee 3	25,000	1,000	50,000	5,241

- Notes: (1) Bookstore Operations Manager responsible for large repetitive purchases for the student bookstore.
 (2) Staff Assistant for Plant Operations used to pay monthly utility bills.

Effective controls to document authorization for, and monitor the reasonableness of, cardholder P-Card credit limits reduces the risk of unauthorized use.

Recommendation: The College should continue its efforts to monitor P-Card credit limits to ensure that authorization for credit limits are documented and limits are consistent with the actual usage by the cardholders.

Student Tuition and Fees

Finding No. 2: Student Residency

Section 1009.21(6)(a), Florida Statutes (2009), stated, in part, that for tuition purposes, a person who is classified as a nonresident may become eligible for reclassification as a resident if that person or his or her parent (if that person is a dependent child) presents clear and convincing documentation that supports permanent legal residency in this State for at least 12 consecutive months rather than temporary residency for the purpose of pursuing an education. Such documentation may include evidence of full-time permanent employment for the prior 12 months or the purchase of a home in Florida, and residence therein, for the prior 12 months while not enrolled in an institution of higher education.

State Board of Education (SBE) Rule 6A-10.044, Florida Administrative Code (2009), established the documentation requirements for determining the reclassification of students as Florida residents for tuition purposes and required

that a minimum of two documents as prescribed in the Rule, be presented to the institution as evidence for a change in residency for tuition purposes.

During the 2009-10 fiscal year, the College used a Florida Residency Affidavit that students must sign certifying that the student's reclassification was not for the sole purpose of attending a Florida college or university. A student, or his or her parent if the student is a dependent, must certify that they have met one of eight criteria listed on the affidavit, and one of the criteria on the affidavit only required that a student not be "enrolled full-time in a Florida higher education institution during the previous 12 months." However, Section 1009.21(6)(a), Florida Statutes (2009), required that the student not have been previously enrolled for the prior 12 months, and did not distinguish between part-time and full-time enrollment. Consequently, the College's procedures could have permitted a student to be reclassified as a Florida resident for tuition purposes after 12 months if the student attended the College part-time, contrary to the above-cited law.

Recommendation: The College should revise the above-noted Florida Residency Affidavit criteria to be consistent with Section 1009.21(6)(a), Florida Statutes.

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 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 the College had developed a written notification as required by the above-cited law. The College included the written notification on its Web site and provided an annual reminder related to SSN collection to existing students and employees. However, the College did not provide the written notification at the time SSNs were requested from individuals who applied online for student enrollment, from vendors that were required to provide their SSN, or from new employees. The College did provide the written notification to students after they enrolled and to new employees at orientation once background checks were completed. However, the College is required to provide the written notification at the time the SSN is collected.

Recommendation: The College should establish procedures to provide written notification at the time SSNs are collected to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Personnel Administration

Finding No. 4: Performance Evaluations

Section 1001.64(18), Florida Statutes, requires that each board of trustees establish a personnel program for all employees that includes standards for performance and conduct, and for performance evaluations. In our report No. 2009-149, we noted that the College did not periodically perform evaluations for administrative and professional employees. According to College personnel, the College developed a performance development process that was implemented during the 2009-10 fiscal year as a pilot program. College personnel further stated that after the pilot has been completed, the results will be evaluated, and it is anticipated that the new process will be implemented Collegewide for the 2010-11 fiscal year. According to College personnel, the related policy and written procedures for performance evaluations are under development.

Recommendation: The College should continue its efforts to implement a policy requiring periodic performance evaluations for all of its employees, as required by Section 1001.64(18), Florida Statutes.

Information Technology

Finding No. 5: 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 its security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-149.

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 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. 2009-149. 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 to request, test, approve, and implement changes to the College's business systems to determine whether change management controls were appropriate.
IT logical access controls.	Reviewed IT procedures for the creation and modification of user access to determine whether the access granted was appropriate.
IT application access.	Tested access granted to employees to determine whether such access was needed to perform their job duties.
Procedures to timely prohibit former employees' access to electronic data files.	Tested access privileges for employees who terminated employment during the audit period and verified that the College timely terminated access privileges.
IT user authentication controls.	Reviewed network, database, and business application security settings to determine whether authentication controls were appropriate.
IT security controls for audit logging and monitoring.	Reviewed procedures and reports for audit logging and monitoring of access to and modification of sensitive or critical files, including security tables.
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 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.
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.
Background checks.	Tested College personnel who worked in an area of special trust to determine whether the College had obtained background checks.
Florida residency determination, and tuition and fees.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition and fees in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Procedures for cash collections at decentralized collection points.	Reviewed collection procedures at a selected location and tested daily cash collections to determine the effectiveness of the College's procedures.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for calculating laboratory fees.	Reviewed the College's procedures regarding the assessment of laboratory fees. Tested laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for calculating the 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. Verified that the capital improvement 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.
Payroll and personnel.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, adequacy of qualifications, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports. Also, tested new hires to determine whether personnel records evidenced that employees had the necessary qualifications, degrees, experience, etc.
Terminal pay.	Reviewed the College's rules and procedures for terminal pay to ensure compliance with Florida law. Tested terminal pay to former employees and determined whether the College properly calculated terminal pay.
Procedures for overtime payments.	Tested overtime payments to employees during the audit period and determined whether payments were supported by approved time records, appeared justified, and were made in accordance with approved pay rates.
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Examined the College President's and senior management employee contracts and verified that the contracts limit any settlements, to be paid from appropriated State funds, to the amount of the annual salary.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
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



October 28, 2010

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

Dear Mr. Martin:

Pursuant to Section 11.45(4) (d), Florida Statutes, Valencia Community College is submitting to you a written statement of explanation, including our actual and proposed corrective actions, in response to the preliminary and tentative findings of your operational audit for the fiscal year ended June 30, 2010.

Finding No. 1: Purchasing Cards

On July 1, 2010, a new Purchasing Card Maintenance Form was implemented to require justification for any changes to single or monthly transaction credit limits. This form requires the approval of the budget manager responsible for the cardholder requesting the change in card limit. If the cardholder and the budget manager are the same employee, the direct supervisor of the cardholder must approve the credit limit request.

The Program Administrator reviews cardholder limits every three (3) months, and adjusts single or monthly transaction credit limits if necessary based on expenditures from the previous three (3) months.

Finding No. 2: Student Residency

Until 2009, Valencia required physical documentation as evidence for both initial and reclassifications of residency. After consideration based on lengthy discussions with the Statewide Residency Committee, it was determined that the statute did not require physical documentation of clear and convincing evidence but review of said documentation by a school official. Valencia then decided to stop collecting physical documentation as long as the documents were reviewed by an official authorized to certify and update residency. In response to SBE Rule 6A-10.044 cited in this audit finding, staff who have been authorized to review and update residency for tuition purposes will be required to notate (in the students system comment record) the documents they reviewed.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

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The audit finding raises the question of whether students who were enrolled part-time prior to reclassification are permitted to be considered for reclassification. The audit finding states that the Florida Statute requiring that students not be enrolled the previous 12 months does not distinguish between full-time and part-time. In 2009, following the adoption of the revised Florida Statute, a series of consultations was held by the State Residency Committee (part of the Articulation Coordinating Committee) and the Florida Department of Education to obtain guidance on the implementation of the revised Florida Statute. As a result of these consultations, the Florida Department of Education issued Technical Assistance memorandums which stated "Not all potential scenarios include a requirement that a student sit out of higher education for 12 months....". The main point that Valencia must determine for reclassification is "clear and convincing evidence of intent to make Florida the student's permanent home." We believe Valencia's Florida Residency Reclassification procedures meet that standard.

Finding No. 3: Collection of Social Security Numbers

Valencia concurs with the Auditor General's recommendation that procedures should be established to provide written notification at the time social security numbers (SSNs) are collected to ensure compliance with Florida Statute 119.071(5) (a).

All Admissions Applications are received through our online system. We are in the process of modifying the system to view and/or print the social security number usage notification. It is our expectation that this revision will be completed within the first quarter of 2011.

Valencia does not require applicants for employment at the College to provide their SSNs as a part of the application process, and therefore do not give them notification of SSN collection and usage. After an applicant is offered employment, they are required to come to Human Resources and complete the required paperwork for drug screening, criminal background check, and other employment requirements. At this point in the process, the applicant is required to provide their social security number at which time the applicant was informed of the Notification of Social Security Number Collection and Usage on the Valencia website. Effective May 2010, the applicant was also provided a copy of this notification.

In September 2010, the Supplier Business Profile form was updated to include a statement regarding the necessity and purpose for the collection of SSNs, and specific identification of the Federal law governing the collection of SSNs.

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

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Finding No. 4: Performance Evaluations

Valencia has developed a performance development process that was implemented during the 2009-10 fiscal year as a pilot program. This new evaluation process is currently being implemented for all professional and career service employees at the college. A policy that documents performance evaluation programs for all employees, as required by Florida Statute, is currently under development. We plan to have this policy vetted through the College's process for policy development and presented to the District Board of Trustees in Spring 2011.

Finding No. 5: Information Technology – User Authentication

Valencia will take the Auditor General's recommendations for improving security related to user authentication under consideration, and make changes as deemed appropriate.

Sincerely,



Sanford C. Shugart
President