

MIAMI DADE 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:

Helen Aguirre Ferré, Chair
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Mikki P. Canton (1)
Robert H. Fernandez
Benjamín León, III (1)
Marielena A. Villamil

Dr. Eduardo J. Padrón, President

Note: (1) Board member served beyond the end of their term, May 31, 2010.

The audit team leader was Delilah Almeda, CPA, and the audit was supervised by Ramon A. Gonzalez, 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MIAMI DADE COLLEGE

SUMMARY

Our operational audit disclosed the following:

DECENTRALIZED COLLECTIONS

Finding No. 1: Controls over collections at the College’s Pre-School Lab needed improvement.

PROCUREMENT

Finding No. 2: The College’s procedures for cancelling procurement card accounts of former employees needed improvement.

MONITORING ACTIVITIES

Finding No. 3: The College should enhance procedures related to its internal audit function to ensure that an annual internal audit plan is prepared, approved, and based on a complete annual risk assessment of College operations and activities.

BACKGROUND

Miami Dade 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 seven members appointed by the Governor and confirmed by the Senate.

The College has campuses in Miami, Hialeah, Homestead, and Doral, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Miami-Dade County. The College reported enrollment of 57,521 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

Decentralized Collections

Finding No. 1: Pre-School Lab Collections

The College operates a Pre-School Lab at the North Campus that provides childcare facilities for the community, including College employees and students. Collections at the Pre-School Lab consisted of checks and money orders that were subsequently remitted to the Bursar’s Office for deposit in the bank. College Procedure No. 3110 requires, in part, that the transfer of moneys from one employee to another be properly documented, that deposits submitted to the Campus Bursar’s Office include a properly completed Cash Remittance Report, and that deposits be reconciled to the departmental records and ledger. Collections made during the 2009-10 fiscal year totaled \$288,976.

As similarly noted in previous audit reports, most recently in our report No. 2009-151, our tests of 30 cash receipts disclosed that College controls over Pre-School Lab collections could be improved, as follows:

- For eight cash receipts, totaling \$18,149, transfer documents were not used to evidence the transfer of collections between employees. Transfer documentation provides accountability over collections should a loss occur.
- For seven cash receipts, totaling \$17,569, the cash remittance reports were not completed accurately. For example, we noted that references were made to incorrect receipt numbers, incorrect deposit amounts, and instances in which the Bursar’s cashier receipt number and signature were missing. Accurate cash remittance reports provide a record from which College personnel can verify that collections are subsequently deposited timely and intact.
- Periodic reconciliations of deposits to the recording of collections in the accounting records were not performed. When collections deposited at the Campus Bursar’s office are not timely reconciled to the accounting records, College personnel cannot be assured that all collections have been properly recorded in the College’s accounts.

Recommendation: The College should strengthen its controls over Pre-School Lab collections to ensure that collections are properly accounted for in accordance with College Procedure No. 3110.

Procurement

Finding No. 2: Purchasing Cards

The College administers a purchasing card program, which gives employees the convenience of purchasing goods and services 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 a Procurement Card Program Procedures manual (Manual) to provide users with additional guidance on how to properly use the purchasing card. The Manual also requires each purchasing card authorized approver to request that the Card Administrator cancel a cardholder’s card due to termination of employment, departmental transfer, or loss of purchasing card privileges. The College issued procurement cards to 390 employees as of June 30, 2010, and incurred charges totaling approximately \$2.7 million during the 2009-10 fiscal year.

Our tests of 30 purchasing card accounts for employees whose employment was terminated or whose purchasing card accounts were cancelled during the 2009-10 fiscal year, disclosed 5 purchasing card accounts that were not timely cancelled. These 5 accounts were cancelled from 148 to 302 days after the employees’ termination date.

We subsequently examined purchasing card activity for these 5 accounts and our test disclosed that no charges were made with the procurement cards after the employees terminated employment. However, the untimely cancellation of procurement card accounts of former employees increases the risk of unauthorized procurement card usage.

Recommendation: The College should strengthen procedures to ensure that purchasing card accounts of former employees are timely cancelled.

Monitoring Activities

Finding No. 3: Internal Audit Function

An internal audit function can provide assurance that management and internal controls are adequately designed and functioning effectively, and can ensure compliance with Board-approved policies and procedures, as well as with State and Federal laws, regulations, and guidelines. Section 1012.855(b), Florida Statutes, provides that any internal auditor employed by the College must be hired by and report directly to the Board. The College established an internal audit function pursuant to College Procedure No. 1013. This procedure provides for the hiring of an internal auditor to plan and supervise the College's internal audit functions. The Procedure also provides, in part, for the internal audit function to determine compliance with laws, regulations, College policies and procedures, evaluate the effectiveness and efficiency of operations, review the safeguarding of College assets, and evaluate the reliability of financial reports. The internal auditor is required to prepare an annual internal audit plan for approval by the audit liaison, who is a Board member appointed annually by the Chairman of the Board. The audit liaison is required to provide the audit plan to the full Board.

In the development of an audit plan, a risk assessment is an integral component. Risk assessments are a process used to identify potential audit areas based upon specific risk factors related to the College's operations and internal controls. This is critical to ensure that audit resources are allocated to the areas with the highest assessed risk. The internal auditor indicated that the Association of College and University Auditors (ACUA) risk dictionary was used to perform the College's risk assessment from which the audit plan was developed. The risk dictionary identifies 15 risk areas (i.e., Financial Management, Information Technology, Purchasing, etc.) and includes a list of controls for each named risk. The internal auditor indicated that applicable risk areas to the College were identified and controls were reviewed and when inadequate controls were noted, the internal auditor determined whether there were mitigating controls or spoke with College management to determine the actual risks posed to the College. However, based on our review of the written risk assessment provided by the internal auditor, we noted that the following essential elements of a risk assessment were not present:

- Descriptions of the College's operating procedures and controls
- Identification of specific College risk areas and an evaluation of the effectiveness of controls
- Risk ratings (e.g., low, medium, or high) for identified risks that represent the probabilities or likelihood of risk occurrence
- An action plan to improve controls in areas where controls were inadequate or found not to exist

The internal auditor prepared an internal audit plan for the period February 2010 to June 2010. This audit plan covered such areas as: the Pre-School Lab cash handling procedures; participation on the computerized Financial Aid System Implementation project and on the Financial Aid System (Pro-Sam) and Financial Accounting System (Odyssey) Committees; the periodic monitoring of purchasing cards; Collegewide overtime; and student grade changes. Although requested, we were not provided with an audit plan for the period July 2009 to January 2010. In addition, contrary to College Procedure No. 1013, the audit plan for the period February 2010 to June 2010 was not, of record, approved by the audit liaison.

Failure to prepare an internal audit plan, based on a complete annual risk assessment of the College's financial operations and activities, may result in areas of high risk not being identified and considered for audit review. These areas of high risk may have a reasonable potential for cost recovery, efficiency, and savings to the College.

Recommendation: The College should enhance procedures related to its internal audit function to ensure that an annual internal audit plan is prepared based on a complete risk assessment of College operations and activities and submitted to the audit liaison for approval.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-151.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2010 to October 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. 2009-151. 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
Strategic Technology Plan.	Determined whether the College President approved the 2008-2013 Strategic Technology Plan.
Information technology (IT) program change management controls.	Reviewed IT procedures for requesting, testing, approving and implementing changes to the College’s business system.
IT instant messaging.	Reviewed the College’s Guidelines for Use of Miami Dade Computing Resources to determine whether it included coverage of instant messaging.
Procedures to timely prohibit former employees’ access to electronic data files.	Tested access privileges to data files for employees who terminated employment during the audit period and verified that the College timely terminated access privileges.
IT job scheduling.	Examined IT production control procedures and examples of output documentation to determine whether student financial aid processing was adequate.
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, maintain minutes).
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.
Procedures for budgetary controls.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable State Board of Education Rules and Florida Statutes.
Procedures for fund equity controls.	Determined whether the unencumbered balance in the unrestricted current fund of the Board of Trustees approved operating budget was below five percent at June 30, 2010, and if so, whether the College notified the Florida Department of Education, as required by Section 1011.84(3)(e), Florida Statutes.
Internal audit function.	Reviewed organizational charts, audit plans, and audit agendas to verify that the internal auditor reports directly to the Board, as required by Section 1012.855(1)(b), Florida Statutes. Determined whether the internal auditor develops audit plans based on annual risk assessments that use input from other finance and administrative management.
Direct-support organizations.	Determined whether audits of direct-support organizations were filed timely with the Auditor General, were audited in accordance with generally accepted government auditing standards, and otherwise complied with the applicable Rules of the Auditor General.
Cash collection procedures at Pre-School Lab.	Tested collections at the North Campus Pre-School Lab to determine whether the collection procedures were adequate.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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 6A10.044, Florida Administrative Code.
Procedures for calculating laboratory and 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.
Faculty hours and employment accountability plan.	Tested full-time faculty to determine whether they maintained office hours available to students in accordance with Board policy and taught the minimum hours, or were assigned alternative responsibilities, as required by Section 1012.82, Florida Statutes. Also, determined whether the College submitted an annual employment accountability plan to the Division of Florida Colleges that included all the factors listed in Section 1012.86(2), Florida Statutes.
Leave policies.	Reviewed policies and procedures to determine whether the College had a Board-approved leave policy pursuant to Section 1001.64(18), Florida Statutes.
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Determined whether new employment contracts limit any settlement, to be paid from appropriated State funds, to the amount of the annual salary as required by Section 1012.83(2), Florida Statutes.
Procurement policies and procedures.	Tested purchases subject to competitive bids/proposals to determine compliance with bid requirements.
Purchasing card program.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Procedures for administering contractual agreements.	Tested contractual payments to determine whether they were supported by a Board-approved contract. Determined whether the contract adequately described the services (deliverables) to be provided and the amount to be paid.
Annual fire safety, casualty safety, and sanitation inspection reports.	Obtained copies of the most recent annual life safety, fire safety, and sanitation inspection reports and determined whether deficiencies noted were timely corrected.
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.
Textbook affordability.	Examined supporting documentation to determine whether the College’s policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

**EXHIBIT B
MANAGEMENT'S RESPONSE**

Office of the College President
300 N.E. Second Avenue
Miami, Florida 33132-2297



Eduardo J. Padrón
College President
(305) 237-3404 / FAX: (305) 237-3109
email: eduardo.padron@mdc.edu

December 14, 2010

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

Dear Mr. Martin:

Please find the attached College response to the Preliminary and Tentative Findings for the Miami Dade College Operational Audit for the Fiscal Year Ended June 30, 2010. Should you have any questions, please contact Mr. E.H. Levering at (305) 237-2389.

Sincerely,

A handwritten signature in blue ink, appearing to read 'EJP', written over the printed name of the sender.

Dr. Eduardo J. Padrón

Attachment

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Miami Dade College
RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS
2009-10 Operational Audit

Finding #1 – Pre-school Lab Collections

Controls over Collections at the College's Pre-School Lab needed improvement.

AG Recommendation

The College should strengthen its controls over Pre-School Lab collections to ensure that collections are properly accounted for in accordance with College Procedure No. 3110.

College Response

The College agrees with the recommendation and is taking the actions required to address the issues raised in the finding.

Finding #2 – Purchasing Cards

The College's procedures for cancelling procurement card accounts of former employees needed improvement.

AG Recommendation

The College should strengthen procedures to ensure that purchasing card accounts of former employees are timely cancelled.

College Response

While compensating controls exist to minimize the potential for loss, the College agrees with the recommendation and is taking the actions required to address the issues raised in the finding.

Finding #3 – Internal Audit Function

The College should enhance procedures related to its internal audit function to ensure that an annual internal audit plan is prepared, approved, and based on a complete annual risk assessment of College operations and activities.

AG Recommendation

The College should enhance procedures related to its internal audit function to ensure that an annual internal audit plan is prepared based on a complete risk assessment of College operations and activities and submitted to the audit liaison for approval.

College Response

The College is presently reviewing the processes and procedures related to its internal audit function, and in conjunction with further discussions with the Auditor General's Office, expects to make adjustments to address the issues raised in the finding.