

EDISON STATE COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
Mary Lee Mann, Vice Chair from 4-26-11 to 6-28-11, Chair from 6-29-11	Lee
Ann E. Berlam, Vice Chair from 6-29-11	Collier
Christopher T. Vernon, J.D., Chair to 6-28-11	Collier
Dr. David M. Klein, Vice Chair to 3-30-11 (1)	Charlotte
Dr. Washington D. Baquero	Lee
JoAnn P. Helphenstine	Charlotte
W. Mahlan Houghton, Jr.	Lee
Dr. Randall T. Parrish, Jr.	Hendry
Julia G. Perry	Glades

Dr. Kenneth P. Walker, President

Note: (1) Board member resigned on March 30, 2011,
and position remained vacant.

The audit team leader was Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Deidre Melton, CISA, and the supervisor was Heidi Burns, 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

EDISON STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: College records did not document the reasonableness of the President’s compensation.

BOARD POLICIES

Finding No. 2: The College had not implemented an identity theft prevention program contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

STUDENT ENROLLMENT

Finding No. 3: The College did not have adequate procedures to ensure that substitutions of classes to meet graduation requirements are consistent with Board policies.

INFORMATION TECHNOLOGY

Finding No. 4: The College’s security controls related to user authentication needed improvement.

Finding No. 5: The College did not timely remove the access privileges of some former employees.

BACKGROUND

Edison State 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 President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Fort Myers, Port Charlotte, Naples, and LaBelle, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Charlotte, Collier, Glades, Hendry, and Lee Counties. The College reported enrollment of 12,215 full-time equivalent students for the 2010-11 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2011, 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, 2011, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Personnel and Payroll

Finding No. 1: President’s Compensation

Pursuant to Section 1001.64(18), Florida Statutes, the Board has the authority to establish the College President’s compensation, including benefits. Effective July 1, 2010, Section 1012.885, Florida Statutes, limits presidential compensation to not more than \$225,000 in remuneration (defined as salary, bonuses, and cash-equivalent compensation paid to a president, excluding health insurance and retirement benefits) annually from appropriated

State funds. On July 10, 2006, the Board approved an employment contract with the President, and subsequently amended the contract on November 7, 2007, and again on April 27, 2010. The Board approved pay raises of 3.25 percent effective September 25, 2007; 1 percent effective January 1, 2009; 1 percent effective July 1, 2009; and 4 percent effective August 24, 2010. For the 2010-11 fiscal year, the President's compensation totaled \$837,085 as shown on Exhibit B. We recognize the Board's statutory authority to establish the President's compensation, and our audit disclosed that the amount of appropriated State funds used for the President's compensation was limited to the amount specified in Section 1012.885, Florida Statutes. However, as discussed below, in exercising its authority the Board did not enter into the College's records adequate documentation to evidence the basis upon which the Board determined the reasonableness of the President's established compensation.

In response to our inquiry as to how the Board determined the reasonableness of the President's compensation, we were provided a memorandum from the Board chair, dated April 14, 2010, in which the chair described several factors that were considered in developing the President's compensation package, including the Board's "Compensation Philosophy" and "a comparison of salaries of his peers in higher education." We were also provided a document entitled SALARY ANALYSIS AND COMPENSATION WITH PEERS IN FLORIDA (Analysis), which compared the "average salary of the seven presidents in the top quartile" to the President's salary. While the Analysis included consideration of other college presidents' salaries in determining the President's compensation, our review disclosed deficiencies in the Analysis, as follows:

- The Analysis only compared base salaries rather than comparing total compensation. As shown in Exhibit B, the President's 2010-11 fiscal year base salary totaled \$322,400, which is only 39 percent of the President's total compensation. Given the significance of compensation other than base salary, it is not apparent why a comparison of total compensation was not made.
- The Analysis compared the President's base salary to the average base salaries of the seven highest paid college presidents and without considering whether the colleges at which those individuals were president were comparable to the College. As discussed below, we determined that there is no apparent correlation between the President's total compensation and the total compensation of presidents of similarly sized colleges. We realize that there may be factors other than FTE enrollment that affect comparability of colleges; however, College records did not evidence the factors used to determine the comparability of the College to other colleges in comparing the president's base salary to the base salaries of other college presidents.

We compared the President's compensation to compensation paid to other Florida College System presidents of similarly sized colleges. As a part of this comparison, we obtained from the Florida Department of Education, Division of Florida Colleges, the funded full-time equivalent (FTE) enrollments for the 2009-10 fiscal year. The College's funded FTE enrollment, as reported by the Division of Florida Colleges, was 11,394 for the 2009-10 fiscal year, placing the College 15th out of 28 colleges based on funded FTE enrollment. Our comparison for the 2010-11 fiscal year of the President's compensation to that of the presidents of four Florida colleges of similar size, and to that of the president of the largest Florida college, disclosed the following:

Table 1

College	Funded FTE	College President's Total Compensation (Note 1)
Edison State College	11,394	\$ 837,085
Miami Dade College (Note 2)	57,521	607,469
Similarly Sized Colleges:		
Indian River State College	13,827	399,364
Pensacola State College	9,276	299,936
Santa Fe College	12,229	434,800
State College of Manatee/Sarasota	9,565	374,479
Notes: (1) Total compensation does not include Social Security and Medicare contributions made by the colleges on the presidents' behalf.		
(2) Largest Florida college.		
Source: Schedule of Salary and Benefits provided by the College, College accounting records, and information from the direct-support organizations.		

As shown in Table 1, for the 2010-11 fiscal year the College President’s compensation was significantly higher than that paid to presidents of similarly sized or larger Florida colleges, and was the highest of any public college president in the State of Florida. Additionally, the President’s compensation was higher than the compensation of the 11 Florida public university presidents.

On April 26, 2011, the Board approved the President’s Succession Plan in which the President volunteered to reduce his total compensation by \$178,952 effective for the 2011-12 fiscal year. As discussed in a memorandum dated June 15, 2011, the pay reduction was to be implemented by eliminating the 4 percent pay raise of \$12,400, the \$48,360 retention bonus, \$10,322 of the leave payout, \$1,386 of the housing allowance, the \$73,238 President’s Retirement incentive, and \$33,246 of retirement benefits. However, College records did not evidence that the Board had determined that the President’s total compensation, after consideration of the \$178,952 reduction, was reasonable in comparison to compensation for other Florida college presidents.

As shown in Exhibit B, the President’s \$48,360 retention bonus was reimbursed to the College by the Edison State College Financing Corporation (Financing Corporation), a College direct-support organization. The Financing Corporation was established to finance and operate parking, student housing, and other capital projects for the exclusive benefit of the College and its students. Although the College’s policy 1.05 authorizing the Financing Corporation defines one of the purposes as “any other proper activity of Edison College,” it was not apparent from College records how the payment of the President’s retention bonus, an operating expense, was consistent with the stated purpose of the Financing Corporation.

Recommendation: The Board should determine the reasonableness of the President’s current compensation using a reasonable and relevant methodology, and enter into the College’s records the basis for such determination. Also, the College should reimburse the Financing Corporation for the retention bonus paid to the President.

Board Policies

Finding No. 2: Identity Theft Prevention Program

In response to increasingly pervasive risks associated with the custodianship of sensitive information, Section 114 of the Fair and Accurate Credit Transaction Act of 2003 (Act) expanded on the Federal Trade Commission’s (FTC) Fair Credit Reporting Act of 1970 to provide clear guidance to businesses and other organizations that process certain personal information that places them at high risk for identity theft. The Act was implemented by the Red Flags Rule (Rule), which went into effect November 1, 2008, and enforcement of the Rule began on January 1, 2011. The Rule requires financial institutions and creditors that hold consumer accounts designed to permit multiple payments or transactions or any other account for which there is a reasonable foreseeable risk of identity theft to develop and implement an identity theft prevention program (Program) for new and existing covered accounts. The Rule requires the College Board to approve the initial written program. The Program should be designed to detect, prevent, and mitigate identity theft through the identification of warning signs, or “red flags,” in their day-to-day operations. The Program must be appropriate for the College’s size and complexity and the nature and scope of its operations and must contain reasonable policies and procedures to: (1) identify relevant patterns, practices, and specific forms of activity, the red flags, that signal possible identity theft for the covered accounts; (2) detect red flags; (3) respond appropriately to any red flags detected to prevent and mitigate identity theft; and (4) ensure the Program is updated periodically to reflect changes in risks for identity theft.

As a result of its student lending activity, the College meets the definition of a creditor as defined by the FTC and, as such, must comply with the Rule. As of June 30, 2011, the College had created a College Operating Procedure (COP) titled, “Red Flags Rule Procedure,” which included guidelines and procedures to identify red flags; however, it had not been approved by the Board. Additionally, training required by the Rule had not been provided to employees who have access to accounts or personally identifiable information that may constitute a risk to the College or its students. College personnel indicated the COP would be presented to the Board for approval at the September 2011, meeting. In these circumstances, the College or its students could be at increased risk of identity theft due to the sensitive nature of information that is obtained, held, and processed through the student lending process. In addition, noncompliance with the Rule could result in monetary penalties from the FTC.

Recommendation: The College should continue its efforts to implement an identity theft prevention program as required by the Red Flags Rule.

Student Enrollment

Finding No. 3: Class Substitutions

The College’s Student Catalog states, in part, that a course may be substituted for a specific degree or program upon approval of the appropriate Department Chair and approval from the Dean of Instruction. The student must complete the course substitution form and provide a rationale for why the student benefits from the approved course substitution. Although students are limited to a maximum of three course substitutions for each enrolled program, exceptions can be approved by the Dean of Instruction. The course substitution form is prepared by the Academic Advisor or Department Chair, approved by the Associate Dean, Director, or Coordinator, and final approval must be obtained from the Dean of Instruction. The course substitution form is then sent to the Registrar’s Office for processing.

During the 2010-11 fiscal year, 728 students submitted course substitution forms for approval. Our review of 10 College approved course substitution forms (forms), totaling 60 course substitutions, disclosed the following:

- The 10 forms selected were signed only by the Academic Advisor and the Associate Dean, but not the Dean of Instruction. We were informed that the Dean of Instruction verbally approved the course substitutions; however, documentation of this approval was not maintained to support this required approval.
- For 8 forms with course substitutions ranging from 3 to 10 courses each, the substituted courses did not meet the content and competencies of the program requirements in which the student was enrolled. For example, one student enrolled in the Associates of Science for Business Administrative Management program was granted approval to substitute Introduction to Digital Photography for Principles of Banking. Another student in the same program was granted approval to substitute Drawing for Principles of Banking.
- For 9 forms, the courses substituted were in excess of the maximum three courses allowed by College procedures. The course substitutions on these forms ranged from 4 to 10 course substitutions for each student, which represented 12 to 30 credit hours.

On February 1, 2011, the College adopted College Operating Procedure (COP) 06-0217, which provides students, administrators, faculty, and staff with information concerning course substitutions. The COP 06-0217 was subsequently updated on July 8, 2011. College personnel indicated that the College intended to perform an analysis to determine the extent of the improper course substitutions granted by the College, and that the College will offer scholarships to the affected students to ensure that their degree program requirements are met.

The College engaged a consulting firm to review the College's course substitutions process. In August 2011, the consultants issued their report "Credit Awarding Assessment." This report provides, in part, that "the integrity of some of the degrees could be questionable for those programs where the substitution abuse occurred." The report further states that "the inappropriate substitutions were predominately in the Division of Professional and Technology Utilization Studies, Business Management, and some in the School of Nursing and Department of Health Professions."

Excessive or inappropriate course substitutions, as noted above, may fundamentally alter the content of the program requirements for the student's chosen field of study such that required core competencies of the program may not be met.

Recommendation: The College should continue its efforts to improve procedures to ensure that course substitutions are proper, that approval of course substitutions is obtained from appropriate College personnel, and that the courses substituted are consistent with core competencies of the student's program of study.

Information Technology

Finding No. 4: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain College security controls related to user authentication that needed improvement. Some similar issues were noted in our report No. 2010-040. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised,

increasing the risk that College data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The College should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Finding No. 5: Timely Removal of Access Privileges

Effective management of IT system access privileges includes the timely removal of employee IT access privileges when employment is terminated. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others.

College procedures provide that when an employee terminates employment, a Human Resources employee initiates the process of terminating the employee's access to the College's enterprise resource planning application software by entering the employee's last work day into the termination workflow control application. Once the last work day is entered, a notification is sent to the IT Department, which then removes the employee's access. As similarly noted in our report No. 2010-040, our audit test of 176 employees who terminated from the College during the period July 1, 2010, through January 13, 2011, disclosed that the application access privileges of six former employees remained active from 147 to 276 days after termination of employment. The College's enterprise resource planning application software encompasses student, financial aid, finance, and human resource systems.

Additionally, our audit test of the six former employees noted above disclosed that, for two of the six employees, the College did not remove their network access privileges until 14 days after termination. Further, the College did not maintain documentation to demonstrate how timely the network access had been disabled for the other four employees. Similar findings were noted in our report No. 2010-040. The College's network allows access to certain critical application systems and confidential or sensitive information stored within documents of individual network users.

Subsequent to audit inquiry, College management indicated that none of the six former employees' application access privileges had been used subsequent to the termination dates and, although two of the six former employees' network access privileges had been used subsequent to the termination dates, they were used for authorized purposes. Nevertheless, failure to timely remove access to IT resources increase the risk that access privileges could be misused by former employees.

Recommendation: The College should ensure the timely removal of access privileges of former employees.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2010-040.

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 2011 to July 2011 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. 2010-040. 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 2010-11 fiscal year and selected actions through July 2011.

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 C.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information Technology (IT) logical access controls and user authorization.	Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges over the operating system, network, and applications to determine the appropriateness based on the employees' job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT termination of employee access.	Reviewed procedures to disable former employees' access to electronic data files. Tested access privileges of former employees to determine whether their access privileges had been timely disabled.
IT data loss prevention.	Reviewed written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
IT risk management and assessment.	Reviewed the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
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).
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 of the purpose of collecting their social security numbers.
Red Flags Rule (Identity theft prevention program).	Reviewed the College's policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
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.
Student activity and service fees assessed.	Compared the activity and service fees assessed to verify that this fee did not exceed 10 percent of the total tuition fee.
Technology fees assessed.	Compared the technology fees assessed to verify that this fee did not exceed 5 percent of the total tuition fee.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Laboratory and user fees.	Reviewed the College's procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and user fees and examined supporting documentation to determine whether the College properly calculated these fees.
State employee fee waivers.	Reviewed the College's procedures regarding state employee fee waivers and reporting.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Payroll and personnel.	Tested terminated contract employees and active contract employees to determine the accuracy of the rate of pay and validity of employment contracts. Also, determined whether the College had documented the basis upon which the Board determined the reasonableness of the President's compensation.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested travel expenses to determine whether transactions were adequately supported, and mileage and per diem rates were in accordance with Florida Statutes, and were for College purposes.
Public relations expenditures.	Reviewed the College's policies and procedures related to public relation funds and tested supporting documentation to determine whether selected expenditures were properly authorized and supported, and did not exceed amounts allowed by Florida law.
State sales tax exemption for direct purchases of material.	Examined recent construction projects to determine whether the College made use of its sales tax exemptions to make direct purchases of construction materials or documented its justification for not doing so.
Insuring of architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects to determine whether architects and engineers provided evidence of the required insurance.
Wireless communication devices.	Reviewed policies and procedures to determine whether the College limited the use of, and documented the level of service for, wireless communication devices.
Electronic payments.	Reviewed College policies and procedures related to electronic payments and tested supporting documentation to determine if selected electronic payments were properly authorized and supported.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Student course substitutions.	Tested student course substitutions and examined supporting documentation to determine whether the course substitutions were supported by appropriate documentation.
Anti-nepotism policy.	Reviewed the College's policy and procedures regarding anti-nepotism.

**EXHIBIT B
PRESIDENT’S COMPENSATION – 2010-11 FISCAL YEAR**

	Total	Appropriated State and Other Funds (Note 1)	Edison State College Financing Corporation (Note 2)	Edison State College Foundation (Note 2)
Salary	\$ 322,400	\$ 322,400	\$	\$
Bonuses:				
Retention Bonus	48,360		48,360	
Other Bonus	680	680		
Cash-Equivalent Compensation:				
Annuity Plan	9,672	9,672		
Leave Payout (Note 3)	44,410	44,410		
Life Insurance Allowance	94,860	94,860		
Long-Term Care Insurance	5,557	5,557		
Health Insurance	6,201	6,201		
Housing Allowance	36,042	36,042		
President’s Retirement Incentive (Note 4)	73,238	73,238		
Professional Development Allowance (Note 5)	25,000	25,000		
Purchase of President’s Automobile	12,088			12,088
Retirement Contributions:				
Senior Management Optional Retirement Plan	51,269	51,269		
Senior Management Service Class	106,798	106,798		
Other	510	510		
Total Compensation (Note 6)	\$ 837,085	\$ 776,637	\$ 48,360	\$ 12,088

- Notes: (1) \$225,000 was funded from appropriated State funds, \$277,705 was funded from the Auxiliary Fund, and \$273,932 was funded from other sources.
- (2) Edison State College Financing Corporation and the Edison State College Foundation, Inc., are College direct-support organizations.
- (3) The President is paid for accumulated unused vacation (30 days annually) and personal/professional development (15 days annually), which is automatically rolled into a 401(a) qualified retirement plan.
- (4) The College provides the President a Retirement Incentive investment of his choice in an amount equivalent to what the President would receive if he participated in the Florida Deferred Retirement Option Program.
- (5) The College provides the President an allowance to cover professional development expenses related to teaching, research, and professional duties such as books, magazines, journals, monographs, equipment, supplies, travel expenses, and membership in professional or learned societies.
- (6) Total compensation does not include Social Security and Medicare contributions made by the College on behalf of the President.

Source: Schedule of Salary and Benefits provided by the College, College accounting records, and information from the College direct-support organizations.

EXHIBIT C
MANAGEMENT'S RESPONSE



November 4, 2011

David W. Martin, CPA
Auditor General
12557-1 New Brittany Boulevard
Fort Myers, Florida 33907

Dear Mr. Martin:

Please find enclosed Edison State College's response to the Operational Audit preliminary and tentative audit findings and recommendations for the fiscal year ended June 30, 2011.

Personnel & Payroll Administration:

Finding No. 1: College records did not document the reasonableness of the President's compensation.

Recommendation: The Board should determine the reasonableness of the President's current compensation using a reasonable and relevant methodology, and enter into the College's records the basis for such determination. Also, the College should reimburse the Financing Corporation for the retention bonus paid to the President.

Response:

The Board will promptly determine the reasonableness of the President's current compensation using a reasonable and relevant methodology, and enter into the College's records the basis for such determination. Also, the College has reimbursed the Financing Corporation for the retention bonus paid to the President.

Board Policies:

Finding No. 2: The College had not implemented an identity theft prevention program contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

Recommendation: The College should continue its efforts to implement an identity theft prevention program as required by the Red Flags Rule.

Response:

As recommended by the College Administration the Board of Trustees approved the Identity Theft Prevention Program on September 27, 2011. The Program as approved was created as College Operating Procedure 02-0302 in order ensure that it is continually updated and revised as necessary due to changes in risks for identity theft or any changes to the laws it adheres to. Through the periodic staff training to be conducted by the Program Administrator as prescribed by the COP the Program will detect, prevent, and mitigate identity theft by

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Edison State College is an equal access, equal opportunity organization.

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSE



spotting red flags in the College's daily operations. The training as carried out in accordance with the Program will ensure that College's processes are designed to identify relevant patterns, practices, and specific forms of activity that signal possible identity theft, and that the College respond appropriately.

A copy of the approved College Operating Procedure 02-0302 was sent to the office of the Auditor General on October 27, 2011.

Student Enrollment:

Finding No. 3: The College did not have adequate procedures to ensure that substitutions of classes to meet graduation requirements are consistent with Board policies.

Recommendation: The College should continue its efforts to improve procedures to ensure that course substitutions are proper, that approval of course substitutions is obtained from appropriate College personnel, and that the courses substituted are consistent with core competencies of the student's program of study.

Response:

The College took the following immediate corrective actions to ensure compliance with College policy and relevant accreditation standards regarding Course Substitutions:

The course substitution procedure was further strengthened and the form was revised to include the signature of the student, and the approval of the discipline area Department Chair, Dean of Instruction and Vice President of Academic Affairs. The procedure and form were approved through appropriate channels, implemented, and disseminated to students, staff, and academic administrators.

A "Course Substitution Committee" was assembled consisting of the Vice President of Academic Affairs, the Dean of Professional and Technical Studies, a department chair, two associate deans from Arts and Sciences and the Registrar to review substitutions on a case-by-case basis. Based on recommendation from the academic consultant, two forms were developed, for acceptance or denial of substitutions. The forms document the committee's rationale for approving or denying substitutions. Under this new group review process, substitutions are not approved for core courses except in extraordinary, well-supported cases; substitutions for program electives are evaluated on a case-by-case basis.

Information Technology:

Finding No. 4: The College's security controls related to user authentication needed improvement.

Recommendation: The College should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response:

In order to ensure the continued confidentiality, integrity, and availability of information technology security controls, Edison State College hired a Security Administrator in August 2011. The findings of the Auditor General's office were deemed confidential so the Administrator met with a representative at the Fort Myers

EXHIBIT C (CONTINUED)
MANAGEMENT'S RESPONSE



office to receive the details of the findings as related to the College's technology security controls. The stated findings will be remediated by the end of December 2011.

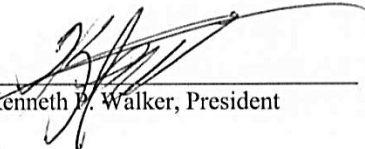
Finding No. 5: The College did not timely remove the access privileges of some former employees.

Recommendation: The College should ensure that the access privileges of former employees are removed in a timely manner.

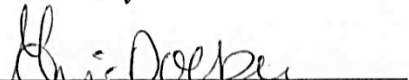
Response:

The College has created an automated termination process for access privileges. The new process will terminate end users access privileges upon their termination. This process is now running and provides notifications to the Edison Security Administrator, Banner Security Administrator and the Network Group. The College will continue to refine this process to ensure privileges are removed in a timely and automated manner.

Sincerely,



Dr. Kenneth E. Walker, President



Ms. Gina Doeble, VP, Financial Services