

# HILLSBOROUGH 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 2010-11 fiscal year are listed below:

Randell H. Reid, Chair from 12-08-10,  
Vice Chair from 8-24-10 to 12-07-10  
Andrew L. Graham, Vice Chair from 12-08-10 (1)  
Nancy H. Watkins, Chair from 8-24-10 to 12-07-10,  
Vice Chair to 8-23-10  
Rodrigo Jurado, Chair to 8-23-10 (1)  
Daniel M. Coton

Dr. Kenneth H. Atwater, President

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

The audit team leader was Joanna Slater, and the audit was supervised by Janice Priolo, CPA. For the information technology portion of this audit, the audit team leader was Danielle M. Alvarez, CISA, and the supervisor was Heidi G. 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## HILLSBOROUGH COMMUNITY COLLEGE

### SUMMARY

Our operational audit disclosed the following:

#### CONTRACT MONITORING

**Finding No. 1:** The College had not established procedures for monitoring \$750,000 of State appropriated funds contributed towards the construction of a multi-purpose facility (facility) for College use. Also, the organization responsible for constructing the facility spent \$116,803 of the contributed funds for unauthorized purposes, and did not timely return \$250,000 of the funds contributed to the College that were not used in the construction of the facility. In addition, although a lease agreement with the organization required it to establish a repair and replacement fund to provide for future repairs, replacement, renovation, and remodeling of the organization's leased space, the lease agreement did not specify the amount the organization was required to contribute to the fund and the organization had not established the required fund.

#### STUDENT ENROLLMENT

**Finding No. 2:** The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

#### INFORMATION TECHNOLOGY

**Finding No. 3:** Certain College information technology (IT) policies and procedures were in development or existed only in draft form and had not been approved by management.

**Finding No. 4:** Some inappropriate or unnecessary IT access privileges existed.

**Finding No. 5:** The College had not developed a written, comprehensive IT risk assessment.

**Finding No. 6:** The College's IT security controls related to user authentication and data loss prevention needed improvement.

**Finding No. 7:** The College's IT security awareness and training program lacked a feature for the tracking of users' acknowledgment of security responsibilities.

### BACKGROUND

Hillsborough 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 five 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 Tampa, Brandon, Ybor City, Plant City, and Ruskin, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hillsborough County. The College reported enrollment of 21,419 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****Contract Monitoring****Finding No. 1: Monitoring Terms of Agreements**

The College, Hillsborough County Board of County Commissioners (BOCC), and State and Federal emergency management agencies contributed a total of \$6.6 million to the Brandon Community Advantage Center, Inc. (BCAC), to construct a community multi-purpose facility (facility). BCAC is a Florida not-for-profit corporation based in Brandon, Florida. In December 2009, the College Board approved contributing \$750,000 of appropriated State funds to the BCAC for use in construction of the facility. The facility (also known as “The Regent”) is to be used for community events and activities, as well as an emergency center for special needs, and to provide the College needed classroom and office space.

On December 1, 2009, the College entered into a memorandum of understanding with BCAC regarding the use of the \$750,000. In December 2010, the College entered into an agreement with BCAC that provided that the College comply with any rules and regulations necessary to allow the BOCC and the Florida Division of Emergency Management to use the facility for an emergency shelter. The agreement provided that once this facility was completed, BCAC would transfer the title to the land and facility to the College, and that the College would be responsible for all operation and maintenance of the facility. Title to the facility was transferred to the College on January 13, 2011.

**Monitoring Use of Funds Contributed**

On January 21, 2010, the College, pursuant to the December 1, 2009, agreement, paid \$750,000 to BCAC. In response to our inquiries, College personnel stated that the College had not established procedures for monitoring expenditures paid from the College’s \$750,000 contribution to BCAC. College personnel further advised us that since the College was not a party to the various contracts between the BCAC and the various other governmental entities that funded this construction project, and because BCAC was responsible for contracting for design and construction of the facility, the College lacked the authority to track and approve project expenditures using legislative and Florida Department of Education guidelines like it would for typical College construction projects that are State funded.

The College contracted with a CPA firm on July 14, 2011, to review construction expenditures made by BCAC for construction of this facility. As a result of this review, the College determined that \$366,803 of the \$750,000 it contributed to BCAC was either not spent (\$250,000) or was not spent on authorized project construction costs (\$116,803). On September 15, 2011, the College entered into an agreement with BCAC whereby BCAC agreed to return the \$366,803 to the College, \$116,803 of which is to be returned to the College over a 10-year period starting in January 2012. On September 30, 2011, BCAC returned the \$250,000 of unspent funds to the College.

The lack of monitoring procedures for contract agreements increases the risk that College funds may be used for other than authorized purposes.

**Lease Agreement**

On December 8, 2010, the College entered into a lease agreement with BCAC to lease a portion of the facility for 20 years, beginning January 1, 2011, and ending December 31, 2030, with options to renew the lease for up to four additional periods of five years each. The lease agreement with BCAC provided that BCAC would lease 20,419 square feet of the 32,000 square foot facility for \$10 a month and pay to the College an additional \$1,600 a month to cover operating expenses associated with BCAC’s leased space. The College would use the remaining 11,581 square feet for

classrooms and office space. The lease agreement also provided that BCAC would manage and operate its leased space, including scheduling all use of the leased space, and fund a repair and replacement fund for future repairs, replacement, renovation, and remodeling needs for its leased space.

Although requested, we were not provided, documentation evidencing the College’s determination that BCAC had established the required repair and replacement fund. Further, the lease agreement does not specify the amount that BCAC was required to contribute to the repair and replacement fund. In response to our inquiry, College personnel indicated that BCAC had not established the repair and replacement fund as of October 31, 2011, because BCAC did not have sufficient rental income to contribute to this fund.

BCAC’s failure to establish the required repair and replacement fund and the absence of a specified amount to contribute to the fund, increases the risk that sufficient financial resources will not be available to pay future repair, replacement, renovation, and remodeling costs and that the College may have to utilize public funds for such purposes.

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**Recommendation:** For future construction projects involving multiple parties, the College should establish monitoring procedures to ensure compliance with terms of contract agreements and to ensure that College funds are used only for purposes authorized in the contract agreements. The College should also take appropriate action to compel BCAC to establish the required repair and replacement fund and establish the amount of the fund at a level sufficient to pay future repairs, replacements, renovations, and remodeling costs.

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<b>Student Enrollment</b>
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**Finding No. 2: Adult General Education**

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Section 1004.02(3), Florida Statutes defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The College received State funding for adult general education, and proviso language in Chapter 2010-152, Laws of Florida, Specific Appropriation 112, required that each college report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also provided that colleges develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

The College reported 76,357.60 instructional hours for adult general education classes provided to students during the 2010-11 fiscal year. Our review of the hours reported for ten students enrolled in 29 adult general education classes disclosed various reporting exceptions for six of the students tested, resulting in 716 hours over reported for 16 classes, as follows:

- For two students enrolled in two classes each, contact hours were over-reported by 95 hours. Documentation provided by the College showed that the students attended one class, from October 6, 2010, through December 14, 2010, for a total of 10 weeks (50 hours or 25 hours each), and attended a second class from October 30, 2010, through December 14, 2010, for a total of 7 weeks (35 hours or 17.5 hours each). However, the College incorrectly reported that each student attended each of the two classes for 18 weeks (180 hours or 90 hours for each class), 95 hours over the actual hours attended.

- For one student enrolled in three virtual (online) classes, contact hours were over-reported by 528 hours because the student had not been withdrawn from these classes even though online log-in records indicated the student had not logged-in during the first two weeks of class.
- For one student enrolled in two classes, contact hours were over-reported by 93 hours because the student was not withdrawn from the classes even though attendance records indicated the student discontinued attending.
- For two students enrolled in six classes, contact hours were over reported by 1.2 hours for one student and under reported by 1.2 hours for the other student because the College used programming that calculated the contact hours based on the withdrawal date and this can result in contact hours that are not a whole hour.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that the College report accurate data.

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**Recommendation:** The College should enhance its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to FDOE. In addition, the College should contact the FDOE to determine what corrective actions are necessary regarding the over- and under-reported hours.

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<b>Information Technology</b>
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**Finding No. 3: Policies and Procedures**

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Each information technology (IT) function needs complete, well documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

As similarly noted in previous audits of the College, most recently in our report No. 2010-047, certain IT policies and procedures that had been drafted by College Office of Information Technology (OIT) management were in various stages of development. In addition, the *Hillsborough Community College OIT Standardization Manual*, which is the procedures manual for the College’s administrative systems, had not been completed. Specifically, policies and procedures for system monitoring and log file management, information security, and administrative access were in development or draft form. Although certain draft policies and procedures were used by the College while their approval was pending and some performance monitoring activities were being performed, the absence of approved, comprehensive policies and procedures increases the risk that IT controls will not be consistently applied as intended by management to prevent the compromise of data confidentiality, integrity, and availability.

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**Recommendation:** The College should continue to develop, approve, and implement IT policies and procedures.

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**Finding No. 4: Access Privileges**

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Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing IT access privileges promotes good internal control and is necessary to ensure that access to computer resources is consistent with assigned job responsibilities.

Our audit test of selected access privileges to the finance and human resources application disclosed inappropriate or unnecessary access privileges, as follows:

- One Financial Services Department employee had update access to payroll information. This access was unnecessary for her job duties and contrary to an appropriate separation of duties.
- One contractor and one OIT employee had update access to human resources and payroll information. These privileges were unnecessary for their job duties and contrary to an appropriate separation of duties.
- One process ID that was no longer in use had update access to human resources and payroll information. This access was no longer required and unnecessary for continued system operability.

Additionally, end-user departments did not perform periodic access reviews. The existence of the incompatible or unnecessary access privileges indicated a need for College review of access privileges. Without a periodic review, inappropriate access privileges may not be timely detected and addressed by the College, increasing the risk of unauthorized disclosure, modification, or destruction of College data and IT resources.

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**Recommendation:** The College should develop a process for reviewing the appropriateness of application access privileges, including those granted to process accounts, and timely remove or adjust any inappropriate or unnecessary access detected.

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**Finding No. 5: Risk Assessment**

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Management of IT-related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps an entity understand its greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact and data classification, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

As similarly noted in previous audits of the College, most recently in our report No. 2010-047, the College had not developed a written, comprehensive IT risk assessment. The absence of a written, comprehensive IT risk assessment may limit the College's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls.

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**Recommendation:** The College should develop a written, comprehensive IT risk assessment to provide a documented basis for determining how IT-related risks are managed.

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**Finding No. 6: Security Controls – User Authentication and Data Loss Prevention**

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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 and data loss prevention 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 and data loss prevention, 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 and data loss prevention to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

### **Finding No. 7: Security Awareness and Training**

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

As similarly noted in previous audits of the College, most recently in our report No. 2010-047, the College had approved an ongoing security awareness and training program that would provide for tracking users' acknowledgement of security-related responsibilities; however, the tracking feature had not been implemented. The lack of tracking user acceptance of security-related responsibilities increases the risk to, and the vulnerability of, the College's IT resources by decreasing management's assurance that users understand the importance of IT security and are sufficiently prepared to safeguard data and IT resources.

**Recommendation:** The College should continue its efforts to fully implement a security awareness and training program for all users of IT resources by tracking users' acknowledgement of security responsibilities.

### **PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2010-047.

### **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 2011 to October 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. 2010-047. 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.

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) logical access controls and user authorization.	Reviewed security settings to determine whether security and authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for creating, maintaining, and reviewing access to IT resources. Tested access privileges to determine the appropriateness based on the employees' and contractors' job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT termination of employee and contractor access.	Reviewed procedures to prohibit former employees' and contractors' access to electronic data files. Tested access privileges for former employees and contractors to determine whether their access privileges had been timely removed.
IT policies and procedures.	Reviewed written policies and procedures to determine whether they addressed certain important IT control functions.
IT disaster recovery planning.	Determined whether a comprehensive disaster recovery plan was in place and had been recently tested.
IT physical access controls.	Reviewed the data center's physical access controls to determine whether vulnerabilities existed.
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 and reporting.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
IT security awareness and training.	Determined whether a comprehensive IT security awareness and training program was in place.
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.
Interim financial reports presented to Board.	Examined financial review and analysis presented to the Board to ensure they included comparisons of financial results with budget estimates.
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.

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

Scope (Topic)	Methodology
Identity theft prevention program (Red Flags Rule).	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.
Statements 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.
Direct-support organizations.	Determined whether audits of direct-support organizations were filed timely with the Auditor General, were done in accordance with generally accepted government auditing standards, and otherwise complied with the applicable Rules of the Auditor General. Tested payments, transfers, and loans between the College and its direct-support organization to determine the purpose and legal authority of such payments, transfers, and loans.
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.
Petty cash funds.	Performed surprise counts for selected campus petty cash funds. Reviewed supporting documentation for compliance with College procedures and good business practices.
Banking service, accounts, and controls.	Examined banking agreement dated October 2009, reviewed interest rates to determine whether College minimized amounts in low interest accounts; reviewed controls over check preparation, printing, and reconciliations of accounts.
Electronic funds transfers (EFT) and vendor payments.	Reviewed electronic funds transfers and electronic vendor payments to determine compliance with College policies and procedures. Tested supporting documentation to determine if electronic funds transfers and vendor payments were properly authorized and supported.
Use of the College facilities.	Tested facility rentals by campus and reviewed the supporting documentation to determine compliance with College policies and procedures for facility use agreements, proof of insurance, and rental payments.
Tangible personal property.	Tested property items to determine whether tangible personal property inventory was complete, being used consistent with requirements of controlling laws, and recorded in the subsidiary ledgers. Also, examined Board minutes related to approval of surplus property deletions and disposals, obtained a listing of surplus property items awaiting Board approval for disposal as of June 30, 2011, and reviewed control procedures with applicable College personnel.
Donation of property and buildings.	Reviewed documentation for acquisition of land and building and valuation for recording in asset subsidiary ledger.
Cash collection procedures at bookstore.	Reviewed collection procedures at bookstores to determine effectiveness of the College’s collection procedures and tested daily cash collection.

**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 6A-10.044, Florida Administrative Code.
Assessing, calculating, collecting, cancelling, recording, and supporting student fees.	Tested student fees to verify the authority for student fees assessed; the accuracy of calculations of fees assessed; the proper collection of late fees, if appropriate; the issuance of a receipt; and the deposit of collections to the central cashier's records. Also, tested to verify that registration was cancelled if the fees were not paid when due, that student status and residency were supported, and that deferred fees were recorded as a receivable.
Laboratory and other 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.
Technology and capital improvement fees.	Verified that the sum of the tuition fee and technology fee per credit hour did not exceed the amount authorized by law and were in compliance with Florida law. Determined whether capital improvement fees assessed 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.
Student activity and service fees.	Reviewed amount of the activity and service fee assessment to determine that the fees did not exceed 10 percent of the total tuition fee rates.
Student financial aid fees.	Determined the amount of financial aid fees assessed by the College and obtained a copy of the Financial Aid Fee Report filed with the Division of Florida Colleges. Tested awards made with financial aid fees to ensure that the fees collected were awarded in accordance with Section 1009.23(8)(c), Florida Statutes.
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.
Payroll and personnel.	Tested employees, including full-time faculty, to ensure they taught the minimum hours required by Section 1012.82, Florida Statutes, or were assigned alternative responsibilities. 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.

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

Scope (Topic)	Methodology
Performance evaluations of the President, Department Chairpersons, Deans, Provosts, and Vice Presidents.	Reviewed documentation to determine whether evaluations were performed in accordance with Section 1012.86(3), Florida Statutes.
Sabbatical leave.	Reviewed College’s policies and procedures for employee sabbatical leave. Obtained a list of employees granted such leave and reviewed supporting documentation to determine compliance with College’s policies and procedures.
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.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Administrative compensation and severance pay.	Reviewed administrative compensation to determine that compensation did not exceed limits provided in to Florida law. Additionally, reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
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.
Promotions and public relations expenditures.	Reviewed the College’s policy for auxiliary enterprise funds and undesignated gifts to ensure the policy was consistent with Florida law. Tested transactions to ensure that items were not of a personal nature. Reviewed total amount spent for promotion and public relations to ensure amount did not exceed amount allowed by Florida law.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the College monitored the selection process of subcontractors by the construction manager.
Expenditures of earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay expenditures were in compliance with the restrictions imposed on the use of these resources.

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

Scope (Topic)	Methodology
Insuring 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.
Use of the state sales tax exemption for direct purchase of construction materials.	Tested significant construction projects to determine whether the College made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
Annual fire safety, casualty safety, and sanitation inspection reports.	Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and determined whether deficiencies noted were timely corrected.
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.
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.
Cost Analysis Reports.	Reviewed the College's annual cost analysis reports (CA-1 and CA-2) and supporting documentation to determine the reports were timely filed, properly prepared, and agreed to College records.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



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# Hillsborough Community College

Office of the President  
Dr. Ken Atwater

January 4, 2012

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

Dear Mr. Martin:

Enclosed are Hillsborough Community College's responses to the preliminary and tentative findings from the operational audit for the fiscal year ended June 30, 2011.

Please feel free to contact Barbara Larson, Vice President for Administration and CFO with any questions at 813-253-7015 or at [blarson2@hccfl.edu](mailto:blarson2@hccfl.edu).

Thank you for the opportunity provided by your office to continue our review and improvement of College operations.

Sincerely,

A handwritten signature in black ink, appearing to be "Ken Atwater".

Dr. Ken Atwater  
President

cc: District Board of Trustees  
Ms. Barbara Larson

Enclosure

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

**January 4, 2012**

**HILLSBOROUGH COMMUNITY COLLEGE**  
**RESPONSES TO PRELIMINARY AND TENTATIVE OPERATIONAL AUDIT FOR**  
**THE FISCAL YEAR ENDED JUNE 30, 2011**

**Finding No. 1: Contract Monitoring**—The College had not established procedures for monitoring \$750,000 of State appropriated funds contributed towards the construction of a multi-purpose facility (facility) for College use, and the organization responsible for constructing the facility spent \$116,803 of the contributed funds for unauthorized purposes, and had not returned \$250,000 of the funds contributed to the College that were not used in the construction of the multi-purpose facility. Also, although a lease agreement with the organization required it to establish a repair and replacement fund to provide for future repairs, replacement, renovation, and remodeling of the organization's leased space, the lease agreement did not specify the amount the organization was required to contribute to the fund and the organization had not established the required fund.

**Recommendation: The College should establish monitoring procedures to ensure compliance with terms of contract agreements and to ensure that College funds are used only for purposes authorized in the contract agreements. The College should also take appropriate action to compel BCAC to establish the required repair and replacement fund and establish the amount of the fund at a level sufficient to pay future repairs, replacements, renovations, and remodeling costs.**

**College Response to Monitoring Use of Funds:**

HCC follows procedures established by the Florida legislature and the Department of Education (DOE) to account for all expenditures for new construction projects, which requires College staff to monitor the expenditures. The DOE guidelines set forth in the State Requirements for Educational Facilities (SREF) 2009 and the DOE financial and program cost accounting and reporting for Florida schools outline specific expenditure reporting procedures. Further, the HCC District Board of Trustees (BOT) has established administrative rules on the review and approval of construction (6HX-10-7.00), and purchasing (6HX-10-6.08), which further outline internal procedures for monitoring new construction projects and expenditures.

The Florida legislature and the DOE have also established a detailed process for state colleges to obtain funding for new construction, which requires planning and State approval to be eligible for Public Education Capital Outlay (PECO) funding. The entire process, which is outlined in SREF, is intended to demonstrate need and planning before the legislature will fund new construction, if funding is available.

With The Regent construction project, the initial funding in fiscal year 2007-08 by the Florida legislature was funded through an appropriation and designated by the DOE as a Restricted Fund 2 appropriation, followed by subsequent appropriations in 2008-09 and 2009-10 as unrestricted, which the BOT designated for the Brandon Community Advantage Center (BCAC). The

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

funding process for The Regent and fund source did not follow the typical new construction process for PECO funds, with the legislation designating specific funding for the BCAC with no designation or direction to HCC for how or for what purpose these funds were to be expended.

The BCAC Board received funding for this project from the Florida Department of Emergency Management (DEM), which includes the Federal Emergency Management Agency (FEMA) and Hillsborough County, as well as the State appropriations to HCC. The BCAC was the party who selected and entered in to all contracts for the design and construction of The Regent, as well as handled the purchase of all equipment and furnishings. HCC was not a party to any of these contracts, and as such not included in the decision making process for expenditure of the funds. Without being a party to these contracts, HCC did not approve the specific expenditure of those funds. However, as outlined in our agreement with the BCAC, HCC could require an accounting of the expenditures and initiated this review upon project close. HCC did provide oversight throughout the design and construction process for the purpose of verifying that construction met the requirements of Florida Statutes and SREF.

Typically for an HCC construction project, all expenditures must be reviewed and approved by HCC after the design professional team recommends their payment. This expenditure review follows the State required procedures, as well as those established by HCC policies and procedures, to ensure that HCC is accounting for State funding. For an HCC new construction project, once the project reaches substantial completion, HCC requires the architect to ensure that all subcontractors and vendors have been paid, and that any corrections are made, so that HCC's final payment to the contractor as approved by HCC's Board verifies that all expenditures were made in accordance with the contracts. HCC could not follow these procedures with The Regent as BCAC directed the design and construction of this project. Once the BCAC completed their project closeout, HCC was only now in a position to require the expenditure review of The Regent construction project, at which time HCC selected an external auditing firm, LarsenAllen.

Without direction or guidance by the State on how appropriated funds were to be expended and for what purpose, HCC operated within limited authority and procedures to ensure that HCC provided the State with a review of this project's expenditures. HCC lacked the authority to follow legislative, DOE and SREF guidelines to track and approve expenditures during the design or construction, as would typically occur for an HCC-approved and PECO-funded new construction project. However, once HCC acquired title, and the BCAC was able to fully closeout the project in the Spring 2011, HCC was able to review expenditures.

This project was funded by three separate public fund sources, including a grant fund by the Florida Department of Emergency Management (DEM) with Federal Emergency Management Agency (FEMA) funding through a reimbursement grant. The FEMA funding as outlined in the grant agreement required it be used for construction. As a reimbursement grant, the BCAC had to fund the construction up front, complete the project and once FEMA certified that their funds have been properly expended, FEMA reimbursed the BCAC. In this case, the BCAC did not have funds to pay for the construction up front. The BCAC used HCC contributed funds for construction. Once FEMA reimbursed the BCAC for the full amount of federal funding of \$3,320,570 as outlined in their grant, \$366,803 of the HCC funding was returned to the HCC

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

contribution account. It would be extremely difficult for HCC to monitor expenditures in a reimbursement grant with another public entity coordinating construction. In this case, the final FEMA reimbursements of \$197,445 and \$14,092 for a total of \$ 211,537.06 were reimbursed to the BCAC on April 6, 2011. On April 20, 2011, HCC personnel determined that HCC should implement an accounting of the expenditure of HCC's contribution. Further in April, the BCAC also commenced an accounting of all three public fund sources for the project. On June 14, 2011, HCC representatives reviewed the initial report of the BCAC audit and learned that HCC's contribution account had funding left over due to the reimbursement by FEMA. At this meeting HCC personnel identified questionable expenditures by the BCAC in their audit, in particular the use of HCC funds for start-up related operational costs including some personnel related costs. HCC indicated these expenditures would need to be further reviewed and accounted for including the reimbursement to HCC.

In summary, HCC's lack of legal standing as a party to the construction-related contracts prevented HCC from using both the State and HCC required review and approval procedures for the expenditure of the \$750,000. There are no procedures available within these parameters to monitor expenditures to the same standards as a typical HCC-directed construction project. Further, the BCAC's use of HCC contributed funds for the construction in order to receive the reimbursement funds from FEMA, further hampered HCC's ability to monitor the expenditures.

**College Response to Lease Agreement:**

Under Article 6 of the Lease Agreement with the BCAC concerning furnishings, fixtures and equipment, HCC is responsible for providing "all furnishing and equipment for the Center and for all related repairs, maintenance and replacement costs, with the exception of furniture, fixtures and equipment in leased space." HCC has overall responsibility to maintain, repair, remodel and upgrade the Center as set forth in Article 7 as well as for capital and operational costs for the Regent. The intent of the BCAC repair and replacement fund, to be funded exclusively from BCAC rentals, is limited to items that HCC determined would not be appropriate for public funding. These include items such as mirrors, artwork and related fixtures and furnishings. The parties do not believe that these types of costs will be needed until a later date and as such, immediate establishment of this fund was not identified as a priority. However, at their recent Board meeting, the BCAC agreed to set up the fund, and establish a set amount to be contributed within a regular and specified time period, with identification of the limited purpose of the repair and replacement fund for items that in time may need to be replaced or repaired. These provisions will be set out in writing.

**Finding No. 2: Student Enrollment**—The College needed to strengthen its controls to ensure the accurate reporting of instructional contract hours for adult general education classes to the Florida Department of Education.

**Recommendation: The College should enhance its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to FDOE. In addition, the College should contact the FDOE to determine what corrective actions are necessary regarding the over- and under-reported hours.**

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

**College Response:** In responding to this recommendation, it is important to first clarify the relationship between the section hours that are reported to the Florida Department of Education (FDOE) each term and the classroom attendance hours collected each day. The reporting procedures provided by FDOE are based on section hours which are defined as those scheduled hours that occur between the date of a student's enrollment in a class and his/her withdrawal date or end-of-class date, whichever is sooner. In this regard, HCC currently has programmatic controls in place to ensure that accurate section hour data is reported to the FDOE.

Meanwhile, classroom attendance hours are documented daily and reflect direct instructional contact. Under existing FDOE guidelines, a student may have multiple classroom absences but a withdrawal date for that student cannot be assigned in the reporting system unless and until s/he reaches six consecutive absences. Consequently, there will be instances where individual contact hours and the number of section hours reported to FDOE will not directly align. In short, classroom hours are based on attendance. Reporting hours are based on sections, not individual daily attendance, with the assignment of a withdrawal date being the mechanism that triggers the reporting system to recalculate the section hours.

Having clarified the relationship between section hours and contact hours the College recognizes that steps can be taken to strengthen the processes used to document student attendance and record withdrawal dates in the reporting system. Therefore, the following new procedures will be implemented:

1. Daily classroom attendance will be recorded and maintained by the instructors.
2. Instructors will report to the Student Records Manager the names of those students who have reached six consecutive absences so that a withdrawal date can be immediately assigned.
3. A mid-term report of section hours to date will be generated for review by the Adult Basic Education staff in order to verify the accuracy of student information.

Finally, the College is in communication with the FDOE regarding the matters outlined herein.

**Finding No. 3: Information Technology—Certain College information technology (IT) policies and procedures were in development or existed only in draft form and had not been approved by management.**

**Recommendation: The College should continue to develop, approve and implement IT policies and procedures.**

**College Response:** As the College evolves to integrate emerging technologies, HCC's Office of Information Technology (OIT) regularly reviews policies for inclusion, applicability, and accuracy. Since the last operational audit period, Office of Informational Technology staff have finalized more than eight of its policies, including 4002-Logical Access Control Policy, 4000-Physical Access Control Policy, and 1001-Password Policy. These policies are posted on the departmental website.

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

**Finding No. 4: Information Technology—Some inappropriate or unnecessary IT access privileges existed.**

**Recommendation: The College should develop a process for reviewing the appropriateness of application access privileges, including those granted to process accounts, and timely remove or adjust any inappropriate or unnecessary access detected.**

**College Response:** The College is undergoing fundamental changes as business processes are evaluated and inspected. Additionally, IT service delivery, as well as IT governance, will play a guiding role in this process. During this change, current process as it relates to IT security and Risk Management will be incorporated in the final outcome and implemented appropriately.

In researching the specific incidents referenced in this audit, we have made immediate corrections where applicable. In reference to other discrepancies, we will need to research the most appropriate way to implement the corrections without impacting individuals' appropriate access to other areas. We will have this completed by March 2012.

**Finding No. 5: Information Technology—The College had not developed a written, comprehensive IT risk assessment.**

**Recommendation: The College should develop a written, comprehensive IT risk assessment to provide a documented basis for determining how IT-related risks are managed.**

**College Response:** HCC's Office of Information Technology is coordinating with the College's Risk Management department to conduct an IT Risk Assessment. Undoubtedly, this will involve input and participation from various departments within the College. Due to the nature and unknown cost of this assessment, an exact completion date cannot be forecast but the Office of Information Technology will gather cost estimates and petition for funding within the next fiscal year. The College will work toward completion of the risk assessment by Q4 2013.

**Finding No. 6: Information Technology—The College's security controls related to user authentication and data loss prevention needed improvement.**

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

**College Response:** The College's Office of Information Technology continues to develop and improve procedures to improve security controls related to user authentication and data loss prevention to ensure appropriate access to systems while maintaining confidentiality and integrity of College data and IT resources. Specific system improvements were discussed with the auditors and are expected to be in place by Q4, 2012.

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

**Finding No. 7: Information Technology—The College's security awareness and training program lacked a feature for the tracking of users' acknowledgment of security responsibilities.**

**Recommendation: The College should continue its efforts to fully implement a security awareness and training program for all users of IT resources by tracking users' acknowledgement of security responsibilities.**

**College Response:** In 2010, HCC's Office of Information Technology developed several modules in a Security Awareness and Training program. These initial modules included a presentation and two videos outlining safe computing best practices. This initial deployment was to provide a custom-built solution with the goal to make the Security Awareness curriculum readily available to end users. However, it did not provide for the tracking of user participation in the program.

In conjunction with College's Institute for Corporate and Continuing Education (ICCE), OIT will develop an audit capability for the College's security awareness training program. This will allow the college to track user participation as well as completion rate and scoring. The goal is to have this audit capability by Q4 2013.