

SEMINOLE STATE COLLEGE OF FLORIDA

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:

Scott D. Howat, Vice Chair to 8-22-10,
Chair from 8-23-10 (1)
Charles W. Gregg, Sr., Vice Chair from 8-23-10 (1)
Lisa M. Greer, Chair to 8-22-10 (2)
Cynthia L. Drago
Vacancy (3)

Dr. E. Ann McGee, President

Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2010.
(3) Position remained vacant from May 1, 2010, through June 30, 2011.

The audit team leader was Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the audit team leader was Shawn McCormick, 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 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.

SEMINOLE STATE COLLEGE OF FLORIDA

SUMMARY

Our operational audit disclosed the following:

STUDENT TUITION AND FEES

Finding No. 1: The College charged students a parking fee based on credit hours, rather than the student’s actual use of parking services, contrary to Section 1009.23(12), Florida Statutes.

CONSTRUCTION ADMINISTRATION

Finding No. 2: The College had not established procedures to verify subcontractors’ licensure status.

INFORMATION TECHNOLOGY

Finding No. 3: The College had not developed a written, comprehensive information technology (IT) risk assessment.

Finding No. 4: The College had not developed a written security incident response plan.

Finding No. 5: The College’s IT security controls related to user authentication and data loss prevention needed improvement.

BACKGROUND

Seminole State College of Florida (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 Sanford, Oviedo, Altamonte Springs, and Heathrow, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Seminole County. The College reported enrollment of 15,428 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

Student Tuition and Fees

Finding No. 1: Parking Fees

Section 1009.23(12), Florida Statutes, authorizes each college board of trustees to establish certain user fees, including parking fees, that shall not exceed the cost of the services provided and can only be charged to persons receiving the services. The College collected \$543,866 for parking fees during the 2010-11 fiscal year.

As similarly noted in our report No. 2010-046, the College assessed students a parking fee of \$1.60 per College credit hour and \$1.50 per credit hour equivalent for Post-Secondary Adult Vocational, Continuing Workforce Education, and Adult General Education students, including Distance Learning (online) students. During the 2010-11 fiscal year, the College discontinued charging the parking fee for Distance Learning (online) students. However, the College continued to charge all other students the parking fee whether or not the students used parking services. As a result, parking fees may have been assessed to students who did not use College parking services, contrary to Florida law.

Recommendation: The College should ensure that parking fees are charged only to those persons using parking services, as required by Florida law.

Construction Administration

Finding No. 2: Subcontractor Licensure

Chapter 489, Florida Statutes, establishes certain licensing requirements for specialty subcontractors such as electrical, air conditioning, plumbing, and roofing contractors. The College’s Facilities Planning Office is responsible for construction administration, which includes monitoring contractor activities, implementing construction related procedures, and ensuring compliance with applicable State laws.

In August 2010, the College entered into a \$6,096,644 guaranteed maximum price contract with a construction manager for the major renovation of Building L on the Sanford/Lake Mary Campus. Additionally, the College contracted with another firm to represent the College as its building code enforcement agency. Our review of the College’s administration of the project disclosed that College personnel had not, of record, verified that the project’s subcontractors were licensed in accordance with Chapter 489, Florida Statutes. In response to our inquiry, College personnel indicated that licensure verification for subcontractors was performed by the building code enforcement agency while obtaining construction-related permits for the College. Upon our request, the College obtained copies of the subcontractor licenses from the building code enforcement agency and forwarded to us for our review. Verification of subcontractor licensure by College personnel would provide the College additional assurance that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The College should establish procedures to monitor the verification of subcontractors’ licensure status prior to commencement of work on projects.

Information Technology

Finding No. 3: Risk Assessment

Management of information technology (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, helps support management’s decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the College had informally considered external and internal risks and identified security controls to mitigate these risks, it had not developed a written, comprehensive IT risk assessment. According to College personnel, the

Florida College System (comprised of 28 Florida colleges) and the College Center for Library Automation have contracted with a vendor to assist in the development of a best practices information security framework. The completed document, once approved, will include security risk management best practices that the College plans to use to conduct a formal risk analysis. 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.

Recommendation: The College should develop a written, comprehensive IT risk assessment to provide a documented basis for managing IT-related risks.

Finding No. 4: Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification to affected parties.

Although the College had identified some types of IT security incidents and methods to reduce their effects within its Disaster Recovery Plan, the College did not have a written security incident response plan. In addition, the College did not provide formal training to designated staff to provide for notification to affected parties. Should an event occur that involves the potential or actual compromise, loss, or destruction of College data or IT resources, the lack of a written security incident response plan could result in the College's failure to take appropriate and timely action to prevent further loss or damage to the College's data and IT resources.

Recommendation: The College should develop a written security incident response plan to provide reasonable assurance that the College will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

Finding No. 5: Security Controls – User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain College security controls related to user authentication and data loss prevention 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.

PRIOR AUDIT FOLLOW-UP

As discussed in finding No. 1, the College had not taken corrective action for the finding included in our report No. 2010-046.

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 November 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. 2010-046. 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 authentication.	Reviewed selected operating system, database, network, portal, 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 employees' job responsibilities and adequacy with regard to enforcing the separation of incompatible duties.
IT termination of employee access.	Reviewed procedures to remove former employees' access to electronic data files. Tested access privileges of former employees to determine whether their access privileges had been timely removed.
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 related to security incident response and reporting.
IT risk management and assessment.	Determined whether a written, comprehensive IT risk assessment had been developed to document 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 for items of interest necessitating further review.
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.
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.
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.
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.
Personnel and payroll.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, accuracy of leave records, and certifications by supervisory personnel of employee time reports.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments. Performed analytical review of overtime payments to determine materiality and detect any unusual occurrences pertaining to them.
Purchasing card transactions.	Tested transactions and purchase card holders to determine whether purchasing cards were administered in accordance with College policies and procedures.
Construction administration.	For selected major construction project, reviewed 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.
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 contact hours in accordance with Florida Department of Education requirements.

**EXHIBIT B
MANAGEMENT'S RESPONSE**



100 Weldon Boulevard | Sanford, FL 32773-6199 | 407.708.2010 | seminolestate.edu

E. Ann McGee, President

December 19, 2011

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

Dear Mr. Martin:

Subject: Seminole State College Operational Audit
Preliminary and Tentative Findings for the Fiscal Year ended June 30, 2011

We have reviewed the referenced document and recognize that Seminole State College has received five findings.

Seminole State College's response to these findings is as follows:

FINDING 1: Parking Fees

In compliance with Florida Statute 1009.23(12) Seminole State College charges a parking fee. Per statute, these fees shall not exceed the cost of the services provided and shall only be charged to persons receiving the service. This Statute does not preclude the College from charging the fee per credit hour and as such the College believes we are in compliance with the statute. In order to ensure the fee is charged to only those students that use the parking services at the college, Seminole does not charge this fee to students taking a 100% online course. The College takes the position that the most equitable way to ensure those that use the parking services are charged based upon the amount of courses they take at the college. Since the College charges the fee per credit hour, students are charged proportionately to their usage of the parking areas, and roadways leading to parking areas. Parking areas and roadways are used by students during registration, orientations, testing, counseling/advising sessions, as well as during class attendance times. To ensure compliance with Florida Statute 1009.23 relative to the way the College assesses this fee, we will seek additional guidance from the Florida Division of State Colleges.

FINDING 2: Subcontractor Licensure

This finding recommends, "Verification of subcontractor licensure by College personnel would provide the College additional assurance that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged."

The 2008 Facility Plan Review, Building Permit and Construction Management Guide was prepared by the College's building code enforcement agent, in collaboration with College facilities staff. This process manual provided for verification of subcontractors licensure by the **District Board of Trustees**

Scott D. Howat, Chairman | Cynthia L. Drago, Vice-Chair | Jeffrey M. Bauer | Wendy H. Brandon | Alex Setzer | E. Ann McGee, President

Altamonte Springs | Geneva | Heathrow | Oviedo | Sanford/Lake Mary

A Diverse Learning Community | An Equal Access/Equal Opportunity College

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

agent by stating, "The contractor shall list all subcontractors with the application and provide a copy of subcontractor's license and insurance."

In order to further ensure that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged, the agent and College staff revised the 2008 Facility Plan Review, Building Permit and Construction Management Guide. The 2011 revised Guide includes the following additional requirement : "The College shall be provided a copy of the Permit Application, the Building Permit and all appropriate contractor and subcontractor licenses."

FINDING 3: IT Risk Assessment

The Florida College System (FCS), comprised of 28 Florida Colleges and the College Center for Library Automation (CCLA), has a history of IT security audit issues that have been identified by the State of Florida Auditor General's Office, most recently in the report released in December of 2009 (Report No. 2010-062).

It is the desire of the FCS to first establish a roadmap, or strategic vision, to remediate the identified issues. The FCS also desires to establish a governance document, similar in nature to Section 17 – Internal Control Guidelines – of the State of Florida Accounting Manual, against which future audits will be measured. This governance document should have a basis rooted in recognized standards and provide a credible and supportable framework and methodology to base the immediate and ongoing roadmap on. For this reason, FCS engaged IBM to develop the roadmap and governance document, using the IBM Information Security Framework (ISF) v1.0, based on the ISO 27002 (17799:2005) standard *Information technology - Security techniques - Code of practice for information security management*.

Seminole State College will be assigning a dedicated resource in the coming months to review and implement the security framework developed by the FCS and IBM.

FINDING 4: Security Incident Response Plan

Seminole State College will be assigning a dedicated resource in the coming months to review and implement the security framework developed by the FCS and IBM. The development of the Security Incident Response Plan will be added to the responsibilities of individual assigned to implement the IBM/FCS Security Framework.

FINDING 5: IT Security Controls

The College has created a policy and procedure that is currently being reviewed to address the concerns expressed by the Auditors. In addition, we have a team working on identifying processes that need improvement and creating any procedures needed to address the concerns discussed. However, due to the nature of the database structure where Campus Solutions and Human Resources exist as one entity, we will not be able to implement some of the recommendations discussed until these two systems reside in separate spaces. We expect the separation to be implemented by spring 2013.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Please contact Mr. Joseph A. Sarnovsky, Executive Vice President/CFO (407 708-2001) if you need additional information. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Ann McGee". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

E. Ann McGee
President