

FLORIDA KEYS COMMUNITY COLLEGE

Operational Audit



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

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Ed Scales (1)

Dr. Lawrence Tyree, President

Note: (1) Board members served beyond
the end of term, May 31, 2011.

The audit team leader was James A. Bell, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, 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.

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FLORIDA KEYS COMMUNITY COLLEGE**SUMMARY**

Our operational audit disclosed the following:

CASH MANAGEMENT

Finding No. 1: The College's controls related to bank account reconciliations needed improvement.

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 FEES AND RECEIVABLES

Finding No. 3: College records did not always include a written analysis or other documentation to evidence the basis used for costs and market adjustment amounts included in the calculation of continuing workforce education course fees.

Finding No. 4: College records did not always include a written analysis or other documentation to evidence the basis used for costs and market adjustment amounts included in the calculation of recreation and leisure course fees.

Finding No. 5: The College needed to enhance procedures over fee deferments to ensure compliance with State Board of Education Rule 6A-14.054, Florida Administrative Code.

Finding No. 6: The College's controls over student accounts receivables needed improvement.

RESTRICTED CAPITAL OUTLAY FUNDS

Finding No. 7: The College's procedures for documenting salaries and benefits charged to Public Education Capital Outlay (PECO) funds needed improvement.

PERSONNEL AND PAYROLL

Finding No. 8: College procedures for ensuring that full-time faculty's work schedules are complete and accurate needed improvement.

PURCHASING

Finding No. 9: The College needed to enhance controls over its purchasing card program to ensure that purchases are adequately documented as serving an authorized College public purpose and being in accordance with State law, Board Rules, and College purchasing card procedures.

USE OF COLLEGE EQUIPMENT AND FACILITIES

Finding No. 10: The College needed to improve procedures to ensure that the reasonableness of rental charges is supported by a detailed methodology and cost analysis; that rental charges are collected prior to the use of equipment or facilities; and that vendors using the equipment or facilities provide proof of the necessary insurance coverage.

INFORMATION TECHNOLOGY

Finding No. 11: Some inappropriate and unnecessary information technology (IT) access privileges existed.

Finding No. 12: The College allowed current employees to use the IT access privileges assigned to former employees.

Finding No. 13: The College's IT risk assessment practices needed improvement.

Finding No. 14: Contrary to its Security Standards and Guidelines, the College did not provide off-campus storage of backup files. In addition, contrary to its Information Technology Emergency Plan, the College had not established an agreement with another college or other appropriate entity to provide an alternate processing site for the continuation of IT operations in the event of a disaster.

Finding No. 15: The College did not have a written security incident response plan.

Finding No. 16: IT security controls over user authentication and account management needed improvement.

BACKGROUND

Florida Keys 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 a main campus located in Key West, Florida. Additionally, credit and noncredit classes are offered in public schools and through virtual campuses in Monroe County. The College reported enrollment of 968 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

Cash Management

Finding No. 1: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger control accounts be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

The College utilized one depository account for banking transactions and an investment account, whereby balances of the depository account above \$250,000 were deposited and invested pursuant to a master repurchase agreement. At June 30, 2011, the general ledger cash balance for these two accounts totaled \$1,487,344.

Our review disclosed that the College’s bank account reconciliation procedures could be improved, as follows:

- Bank reconciliations for the period July 2010 through May 2011 were not initialed and dated by the preparer and there was no evidence of supervisory review and approval. According to College personnel, bank reconciliations for the months of July 2010 through December 2010 were not started until January 2011. Documenting the preparer of the reconciliation and the date performed would identify the employee responsible for preparing the bank reconciliation and provide documentation of the date completed.

Documenting supervisory review and approval would provide additional assurances of the accuracy and reliability of the bank reconciliation process.

- Bank reconciliations for the period July 2010 through May 2011 included unidentified differences between the cash balances on the bank statements and the cash balances recorded in the general ledger ranging from \$3,381 to \$536,036. In response to our inquiry, College personnel indicated that these differences were caused by a lack of sufficient understanding of the financial accounting system and the untimely recording of electronic funds transfers (EFTs) in the general ledger. For example, as noted in finding No. 6, our tests disclosed that payments received from the Veterans Administration (VA) by EFTs were not timely recorded in the general ledger. Also, our test of ten EFTs disclosed seven transfers, ranging from \$100 to \$321,000, from the depository account to various vendor bank accounts for payment of goods and services that were not recorded in the general ledger until 44 to 162 days after the transfer dates of these funds. The absence of adequate technical skills and training by supervisory personnel of employees preparing bank reconciliations increases the risk that bank account reconciliations may not be performed accurately and timely.

When bank accounts are not promptly and properly reconciled, and necessary adjustments made timely, College management have limited assurance as to the accuracy of financial information obtained from the general ledger to effectively monitor the College’s financial position, and there is increased risk that errors or fraud, should they occur, may not be detected in a timely manner.

Recommendation: The College should strengthen procedures to ensure that complete and accurate monthly bank account reconciliations are timely prepared; documentation is maintained evidencing the name of the employee preparing the reconciliation and appropriate supervisory review and approval; employees preparing bank account reconciliations have the necessary technical accounting skills and training; and differences between the general ledger cash account balance and the bank account cash balance are investigated and resolved, and correcting adjustments recorded in the general ledger in a timely manner.

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 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 activities, 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 not begun the process of developing a written

identity theft prevention program and 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. 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. College personnel informed us that a written identity theft prevention program will be prepared and presented to the Board for approval and the required training will be provided to employees who have access to accounts or personally identifiable information.

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

Student Fees and Receivables

Finding No. 3: Continuing Workforce Education Course Fees

Pursuant to Section 1009.22(3)(b), Florida Statutes, fees for continuing workforce education (CWE) must be locally determined by the college board of trustees, and expenditures for the College’s continuing workforce education program must be fully supported by fees. College Procedure No. 67.1 required the completion of a Course Fee Calculation Worksheet form to calculate fees for continuing workforce education courses to ensure that the fees being charged cover the expenses of the courses. The form provides that the fee calculation include actual instructor costs, other direct course costs, indirect costs, and a market adjustment. The market adjustment amount adjusts the total course costs to a level the College considers the students are willing to pay.

The College reported CWE student fees totaling approximately \$143,207 for the 2010-11 fiscal year. As similarly noted in prior audit reports, most recently in our report No. 2010-156, our test of student fees assessed for 11 CWE courses disclosed the following:

- For all 11 courses, College records did not include a written analysis or other documentation to evidence the basis for indirect costs ranging from approximately \$305 to \$6,296 per course. For 10 of the courses, the indirect cost rate was 100 percent of direct costs and for 1 course the indirect cost rate was \$2.62 per student contact hour.
- For 7 courses that included market adjustments to decrease course costs, College records did not include a written analysis or other documentation to evidence that after the market adjustments, the fees assessed for these courses were sufficient to cover the expenses of the courses. Adjustments made to decrease the costs of these courses ranged from approximately \$14 to \$698 per course.

Documentation supporting the actual costs used to calculate CWE course fees is necessary to ensure that fees are properly calculated and CWE program expenditures are fully supported by fees assessed.

Recommendation: The College should improve its procedures for calculating CWE course fees to provide documentation that fees are properly calculated and sufficient to fully support the costs of the CWE program.

Finding No. 4: Recreation and Leisure Course Fees

State Board of Education Rule 6A-14.054(4), Florida Administrative Code, provides that each college board of trustees shall establish fees for recreation and leisure time instruction that generate annual revenue at least equal to the full cost of instruction. College Procedure No. 67.1 required the completion of a Course Fee Calculation Worksheet

form to calculate fees for recreation and leisure courses to ensure that satisfactory fees are being charged to cover course expenses. The form provides that the fee calculation include actual instructor costs, other direct course costs, indirect costs, and a market adjustment. The market adjustment amount adjusts the total course costs to a level the College considers the students are willing to pay.

The College reported recreation and leisure fees totaling \$108,259 for the 2010-11 fiscal year. As similarly noted in prior audit reports, most recently in our report No. 2010-156, our test of student fees calculated for ten recreation and leisure courses disclosed that the fee calculations for these courses included indirect costs ranging from \$90 to \$7,774 per course, which were 100 percent of direct costs, and market adjustments that decreased the costs of these courses, ranging from \$3 to \$10,673 per course. College records did not include a written analysis or other documentation to evidence the basis for the indirect cost amounts used in the student fee calculations. Also, College records did not include a written analysis or other documentation to evidence that after the market adjustments, the fees assessed for these courses were sufficient to cover course expenses.

Documentation supporting the actual costs used to calculate recreation and leisure course fees is necessary to ensure that student fees assessed are properly calculated and at least equal to the full cost of instruction.

Recommendation: The College should improve its procedures for calculating recreation and leisure course fees to provide documentation that fees are properly calculated and at least equal to the full cost of instruction.

Finding No. 5: Student Fee Deferments

State Board of Education Rule 6A-14.054 (Rule), Florida Administrative Code, provides that each college board of trustees shall establish, publish, collect, and budget student fees, and shall establish dates for paying fees that are not later than the last day of the drop and add periods established by the boards. Additionally, the Rule provides, in part, that payment of registration fees may be deferred under certain conditions for veterans, for students awarded financial aid when such aid is delayed, or when the College has a written promise of payment from a business, industry, government, nonprofit, or civic organization. Pursuant to Section 1009.27(2), Florida Statutes, any veteran or other eligible student who receives benefits under Chapters 30, 31, 32, 33, 34, or 35 of Title 38, United States Code (USC), or Chapter 106 of Title 10, USC, is entitled to one deferment each academic year and an additional deferment each time there is a delay in the receipt of benefits. The Rule provides that upon request, such persons shall receive an additional deferment each time there is a delay in receipt of such benefits and the deferment shall be for 60 days, except not beyond the end of the term, whichever occurs first. Student fee information included in the 2010-11 College Catalog provides that no registration will be complete until all fees and prior financial obligations to the College have been paid in full and students may not attend classes until this is accomplished.

Our audit disclosed the following instances in which the College was not in compliance with the Rule or the College Catalog:

- The College established and published due dates during each academic term for the payment of registration fees and the dates of drop and add periods. However, for courses presented at dates that were different than the College's regular academic terms, such as certain criminal justice training courses, the College did not, of record, establish and publish dates for paying fees and drop and add periods. Upon inquiry, College personnel stated that the registration fees for those courses were due at the time of registration unless an authorized deferment had been granted. A similar finding was noted in our report No. 2010-156.
- Our review of College records supporting receivable balances of 25 students, as discussed in finding No. 6, included 14 students for which registration fees had been deferred because of the students' eligibility for

veterans' benefits. College records indicated that, contrary to the Rule and College Catalog, the veterans' fee deferments for 11 of the 14 students extended beyond 60 days and beyond the end of the term for which the students' original deferment was established, and the 11 students were allowed to re-enroll for subsequent terms although registration fees for the prior term or terms had not been fully paid. The College's deferment records show that the deferment expiration dates for 2 of the 11 students were November 1, 2088, and November 1, 2099, respectively, while expiration dates for the other 9 students ranged from 8.5 to 23 months after the deferment start dates. According to College personnel, the computer program used to account for such deferments defaults to an expiration date of 2099 when a specific expiration date is not entered. Also, when a student re-enrolls in a subsequent term and provides proof of eligibility for veterans' benefits, the deferment expiration date from the prior term is extended, even when registration fees for the prior term or terms have not been paid in full. As of June 30, 2011, the 11 students owed the College a total of \$38,715. As of December 8, 2011, 6 of the 11 students still owed the College a total of \$14,615.

Revenue from State sources received by the College for current operations is primarily from the College Program Fund (CPF) administered by the Florida Department of Education (FDOE) under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering several components, including full-time equivalent (FTE) students. Sections 1009.22(11) and 1009.23(9), Florida Statutes, provide that any college that reports enrollment for students who have not paid fees in an approved manner (actual payment or properly authorized fee deferment) in calculations of FTE enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. As such, the College's CPF funding may be subject to adjustment by FDOE for the value of the enrollment reported for the students noted above for which College records did not evidence the payment of fees or a fee deferment in the manner authorized by the Rule.

Recommendation: The College should formally establish and publish dates for the payment of fees and for drop and add periods for courses presented at dates that are different than the College's regular academic terms. In addition, the College should enhance procedures to ensure that veterans' deferments are granted to eligible students for the time limits authorized by State Board of Education Rule 6A-14.054, Florida Administrative Code and that enrollment is reported only for students who have paid registration fees in an approved manner. The College should also contact FDOE to determine the corrective actions necessary for the FTE reported for students that had not paid their fees in an approved manner.

Finding No. 6: Student Accounts Receivable

Effective internal controls over accounts receivable require that the functions of accounts receivable record keeping and cash collections be separated, unless adequate compensating controls have been established. Such compensating controls may include, but are not limited to, the timely recording of collections to the accounts receivable general ledger control accounts and subsidiary ledgers (detailed listing), reconciliation of the subsidiary ledgers to the control accounts, and the preparation of bank reconciliations by persons independent of the accounts receivable and collection functions. The accuracy of these reconciliations should be reviewed and approved by supervisory personnel.

The College reported accounts receivable of \$335,138 at June 30, 2011, which included amounts receivable from students totaling \$288,844. Our tests of records supporting the receivable balances for 25 student accounts disclosed that the same employee who maintained accounts receivable records performed the incompatible duty of cash collections. Our tests disclosed that compensating control procedures were not functioning to mitigate this internal control weakness, as discussed below:

- Collections of student accounts receivable were not always timely posted to the general ledger control account and subsidiary ledger. Our test of student receivables included 14 students for which registration fees had been deferred because of the students' eligibility for veterans' benefits. For 7 of these students, we noted that payments received from the Veterans Administration (VA) by electronic funds transfers were posted to the general ledger and subsidiary ledgers of accounts receivable between 15 and 313 days after the date of receipt. We also noted that funds, totaling approximately \$37,170, received from the VA on various dates in June 2011 were not posted to the general ledger and subsidiary ledger of accounts receivable until August 4, 2011.
- Our review of transactions posted to the student receivables general ledger account disclosed an \$83,912 credit entry that was posted February 10, 2011, with a corresponding \$83,912 debit to Cash. The entry was posted to the general ledger by the cashier using the cashing function of the accounting system, and the description shown in the accounting system for the transaction was "Refunds." The Cashier Detail Report for that date did not show the transaction and the corresponding cash report folder did not contain any supporting documentation for the entry. Upon inquiry, College personnel stated that the transaction was to record refunds of student fees; however, although requested, we were not provided with supporting documentation for the entry.
- College records did not demonstrate that the subsidiary ledgers (detailed listing) of accounts receivable had been reconciled to general ledger control accounts or periodically reviewed during the 2010-11 fiscal year. College procedure Number 21.46, *Monthly Receivable Reconciliations*, provides that accounts receivable accounts must be reconciled monthly for accuracy verification and that the "Monthly Aging Report" must match the general ledger receivable accounts.
- The subsidiary ledger of student receivable balances as of June 30, 2011, was \$103,789 more than the balance of the general ledger control account. College records did not identify the specific individual amounts and transactions that caused this difference. Prior to the June 30, 2011, closing entries, a journal entry was made to adjust the general ledger control account to the amount shown on the subsidiary ledger. The adjustment increased (debited) the general ledger control account by the \$103,789 difference, and reduced (credited) the general ledger cash account by the same amount. College personnel explained that the cash account was credited for the \$103,789 difference because of unidentified cash differences noted when reconciling the June 30, 2011, bank account (see finding No. 1 regarding the College's bank account reconciliations).
- College procedures provide that academic holds were to be placed on the records of students with overdue outstanding receivable balances to prevent them from graduating or receiving an official College transcript, or re-enrolling at the College until amounts due are paid. Our review disclosed that academic holds were placed on, or removed from, the records of students by employees of the College's Business Office, Office of Enrollment Services, Library, and the Financial Aid Office, without the requirement for any documentation of review or approval. Upon inquiry, we were informed by College personnel that the computer program used to apply such holds on student records showed only the status of current holds, and did not provide a historical record of all holds placed on or removed from a students' file, limiting the College's ability to identify unauthorized activity in the student's records.
- College Procedure No. 25.0, *Indebtedness*, establishes accounts receivable collection procedures. Such procedures include the mailing of periodic billing invoices, referral to a collection agency after the third billing invoice for balances over \$10, and the placement of academic holds on records of students with overdue accounts. Our test of student receivables included 13 that were past due 91 days or more as of the date of our test. Our review of these 13 student receivables disclosed that College records did not demonstrate that collection efforts (including billing invoices and referral to a collection agency) had been made to collect the amounts. The receivable balances at June 30, 2011, for the 13 student receivables ranged from \$330 to \$7,143, totaling \$47,768.

Without adequate control procedures over student accounts receivable, there is an increased risk that errors or fraud, should they occur, may not be detected in a timely manner. In addition, the lack of collection efforts increases the risk that the College may not be able to collect amounts due from students.

Recommendation: The College should ensure that adequate separation of duties exists between the functions of accounts receivable and cash collections or otherwise provide for compensating controls. Also, the College should ensure that accounts receivable collections are recorded timely, that the general ledger and subsidiary accounts receivable records are reconciled and unidentified differences resolved timely, and that established collection procedures are followed for past due accounts. Additionally, the adjustment made for the unidentified difference of \$103,789 should be investigated to determine if the amount represents valid amounts due to the College. Further, the College should ensure that the placing and removing of academic holds on student records are adequately documented and approved and that College records include a historical record of all academic holds placed and removed.

Restricted Capital Outlay Funds

Finding No. 7: Public Education Capital Outlay Expenditures

The State allocates Public Education Capital Outlay (PECO) moneys to the College on an annual basis. The allocation consists of specific State defined-project categories and appropriation amounts, each of which has its own restrictions governing use. Section 1013.64(1)(c), Florida Statutes, provides that PECO allocations used for remodeling, renovation, maintenance, repair, or site improvement projects must be used to expand or upgrade current educational plants to prolong the useful life of the plant.

During the 2010-11 fiscal year, the College expended PECO funds totaling \$326,552 for remodeling, renovation, maintenance, repair, or site improvement projects. Our review of capital outlay expenditures disclosed that the College paid salaries and benefits, totaling \$115,279, of five employees from the College's PECO allocations for remodeling, renovation, maintenance, repairs, and site improvement. The employees worked in the Facilities and Plant Operations Department. Our review of the job duties of some of these employees disclosed that in addition to performing routine and preventative maintenance and repairs on campus facilities, some job duties were related to other College operations, such as: shipping and receiving, delivering bank deposits, assembling and moving furniture, preparing for on-campus events, landscaping upkeep, and campus security. The payment of salaries and benefits for employees performing job duties related to these other College operations are not an allowed use of PECO funds.

Facilities and Plant Operations Department personnel maintained daily work logs, on an hourly basis, showing the job duties performed. The logs were used to differentiate between time and effort spent on maintenance and repairs and time and effort spent on other College operations. In addition, the employees certified the amount of time spent on PECO related duties and regular duties on their bi-weekly payroll certifications. Our review of College records to verify the propriety of using PECO funds to pay salaries and benefits of the five employees disclosed the following:

- For selected pay periods for the five employees, we compared the number of hours for PECO activities shown on the daily work logs to the number of hours paid from PECO accounts shown on the bi-weekly payroll certifications. For four of the employees, we noted differences in the number of hours spent daily on PECO activities, ranging from 1 to 7.5 more hours per the payroll certifications than were reported on the daily work logs. College records did not evidence supervisory review and resolution of these differences.
- One of the five employees was the Director of Facilities and Project Management (Director) whose salary was 50 percent funded from PECO accounts; however, the Director's time and effort was not supported by daily work logs. Although a bi-weekly payroll certification was on file, that record did not indicate the rationale for allocating 50 percent of the Director's salary and benefits to PECO projects.

To the extent that charges to PECO accounts for employees' salaries and benefits are not adequately supported by College records, such charges represent questioned costs. A similar finding was noted in our report No. 2010-156.

Recommendation: The College should enhance its procedures to ensure that adequate records of time and effort are maintained for employees working in the Facilities and Plant Operations Department to support the appropriateness of those employees' salaries and benefits charged to PECO accounts. In addition, College records should document supervisory review and timely resolution of any differences noted between the payroll certifications and daily work logs. Further, the College should ensure that its records fully support salaries and benefits charged to PECO accounts and, to the extent such charges are not supported, should restore such amounts to the PECO accounts.

Personnel and Payroll

Finding No. 8: Full-Time Faculty Work Schedule

Board Rule No. 6.410 and the College's 2010-11 fiscal year salary schedule required that full-time nine, ten, and eleven-month instructional faculty spend a minimum of 37.5 hours per week in activities directly related to their assigned responsibilities. Faculty must schedule a minimum of 25 hours per week on campus, consisting of 15 teaching contact hours and 10 student advising and office hours, during which time faculty are available to students, plus an additional 12.5 hours of on-campus discretionary hours. The salary schedule provides that other duties may be assigned in the event that full-time faculty do not meet the required 15 teaching contact hours. When courses assigned to an instructor exceed the required classroom contact hours, the excess load credit is considered an overload. The overload compensation is calculated on the additional hours dependent upon the specific contract specifications.

The College used a Schedule of Faculty Form (Form) to document required activities during the 37.5 hours per week full-time faculty are required to work. The Form provided for a detailed listing of assigned responsibilities, including classroom contact hours, office hours, campus hours, and other hours, Monday through Sunday from 8:00 a.m. to 10:00 p.m. The Form was to be prepared and maintained by the instructor and reviewed and approved by the instructor's supervisor. Our tests of employee compensation, which included 15 full-time instructional faculty, disclosed 5 instructors for which the hours on the Form did not reflect the minimum total weekly hours stipulated by their contracts, as shown below:

- For one instructor, the hours on the Form only reflected 9 hours of student advising and office hours and 11.5 hours of on-campus discretionary hours rather than the minimum requirement of 10 hours and 12.5 hours, respectively.
- For one instructor, the student advising and office hours shown on the Form totaled 8.5 hours rather than the minimum requirement of 10 hours.
- For one instructor, the Form did not show the starting and ending times for on-campus discretionary hours. The Form only reflected the total number of on-campus discretionary hours worked each day.
- For one instructor, the hours on the Form indicated a schedule conflict when the instructor temporarily taught a supplemental course from November 6, 2010, through November 14, 2010, at times that conflicted for 2.5 hours with another scheduled class. There was no indication on the form that the instructor's regular class hours were rescheduled during that time period.
- For one instructor, the hours on the Form showed a total of 5 student advising and office hours, rather than the minimum requirement of 10 hours. No on-campus discretionary hours were shown on the Form, although a minimum of 12.5 were required to be scheduled.

The above instances indicate a lack of adequate supervisory review of the Forms. Under these conditions, there is an increased risk of noncompliance with Board Rule No. 6.410, conflicting work assignments, or salary overpayments. A similar finding was noted in prior audit reports, most recently in our report No. 2010-156.

Recommendation: The College should continue to enhance its procedures to ensure that the Forms accurately reflect all responsibilities assigned to full-time faculty.

Purchasing

Finding No. 9: Purchasing Cards (P-card)

The College administers a P-card program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College appointed the Purchasing Director as the P-card administrator. Control procedures over the use of P-cards are addressed in College Procedure No. 23.4, *Purchasing Card Procedures*. These procedures include preparing monthly reconciliation reports, showing a reconciliation of charge receipts to the charges on the monthly P-card statement, and maintaining P-card receipts. In addition, Section 112.061, Florida Statutes, Board Rule No. 2.120, *Travel and Per Diem*, and College Procedure No. 29.1, *Travel Reconciliation* provide requirements for travel expenses.

During the 2010-11 fiscal year, P-card charges totaled \$313,000 and were made by 25 College employees with individual transaction credit limits ranging from \$5 to \$25,000. In November 2010, employees were required to turn in their P-cards, and the cards were then issued on an as-needed basis for approved travel or when needed for specific purchases. Credit limits, above the \$5 minimum amount established to maintain the cards in an active status, were set at the time of issue to an estimated amount needed to cover the planned use and the cards were required to be returned after purchases were completed.

We tested 146 P-card transactions totaling \$27,000 from 16 monthly reconciliation reports. As similarly noted in our report No. 2010-156, our test disclosed that improvements were needed in the controls over the P-card program, as discussed below:

- Four P-card transactions totaling \$2,312 were for the purchase of 300 gallons of diesel fuel and 5 gallons of gasoline (\$1,037), equipment and supplies (\$244), and repairs (\$1,031) for the research vessel R/V Dante Fascell, which was on loan to the College from the Florida Department of Environmental Protection (FDEP). Pursuant to a loan agreement, the vessel was to be used for research and educational projects. The agreement provided that FDEP was responsible for determining needed maintenance and repairs to the vessel, and fuel usage, and the College was responsible for replacing fuel consumed during its use of the vessel. FDEP was to determine fuel usage immediately after use. A vessel usage schedule was to be mutually prepared by FDEP and College, and agreed to on a quarterly basis. Although requested, we were not provided with vessel usage schedules and FDEP's determinations of needed maintenance and repairs, and fuel usage. As such, the College's records did not evidence that the \$2,312 of purchases served an authorized public purpose and were reasonable.
- Four P-card transactions totaling \$1,354 were for gasoline purchases, ranging from \$155 to \$428, for College-owned boats. Although requested, we were not provided with documentation showing which boats the gasoline was purchased for or the basis for the amounts purchased. We requested, but were not provided, usage logs for the boats. Three of the purchases were made after November 1, 2010, the effective date of College Procedure No. 36.1, *Use of College Vessels*, which provides that a Request for Use of College Research Vessel form is to be completed by personnel requesting use of College-owned boats. The form provides information such as, the name of the person requesting the use, dates and times of use, destination, designated captain, purpose of use, crew list, and an account number, if a gasoline credit card is requested. Absent boat usage logs or Request for Use of College Research Vessel forms, College records did not evidence that the purchases of gasoline served a valid public purpose and were reasonable.

- A total of 13 P-card transactions totaling \$5,961 for travel expenses were not supported by travel vouchers or other College records evidencing that such travel expenses were for an authorized public purpose and in accordance with Section 112.061(6), Florida Statutes.

We performed a separate test of 25 travel expenses and a separate test of 15 expenditures for promotion, public relations, and hospitality for the 2010-11 fiscal year. These tests disclosed an additional 8 P-card transactions for travel expenses totaling \$3,293 that were not supported by travel vouchers or other College records evidencing that such expenses were for an authorized public purpose and in accordance with Section 112.061(6), Florida Statutes.

A P-card program is useful for expediting the payment of small purchases and travel costs in an efficient manner with a significant reduction in overhead. However, without effective monitoring and control procedures to ensure that purchases are reasonable and serve a valid public purpose, such a program may place the College at a greater risk that purchases will be for unauthorized purposes. Adequate documentation, including travel vouchers for all travel expenses, should be maintained to evidence that P-card purchases are valid expenses of the College, serve a valid public purpose, and are made in accordance with State law, Board Rules, and College procedures.

Recommendation: The College should enhance controls over its P-card program to ensure that all purchases are adequately documented to evidence that such expenses serve an authorized College public purpose, and are made in accordance with State law, Board Rules, and College procedures.

Use of College Equipment and Facilities
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Finding No. 10: Rental Agreements

Board Rule No. 1.258, *Contractual Agreements Between Board Members*, establishes the Board as the contracting agency for the College, and Board Rule No. 3.320, *Use of College of Facilities, Property, and Equipment*, provides that the Vice President of Financial and Administrative Affairs is authorized to approve contracts related to the use of College facilities, property, and equipment. College Procedure No. 32.2 allows for contracting with noncollege groups that utilize College facilities and requires that noncollege groups have a fully executed *Contract for Use of College Facilities* form and pay rental charges prior to the scheduled use of the facilities.

During the 2010-11 fiscal year, facility rental fee income totaled \$112,492. The College entered into two separate rental contracts with one vendor for the use of College equipment and facilities to provide diver training courses to United States Army Corps of Engineer students, with rental fees totaling \$79,440, as follows:

Date of Contract	Date of Use	Fees Collected
July 22, 2010 (1)	September 7, 2010, to September 24, 2010	\$ 31,320
July 22, 2010 (1)	December 6, 2010, to December 17, 2010	22,847
September 17, 2010	March 6, 2011, to March 19, 2011	25,273
Total		\$ 79,440
Note: (1) Same contract.		

As similarly noted in our report No. 2010-156, our review disclosed the following instances in which written College procedures or good business practices were not followed regarding the use of College equipment and facilities for these diver training courses:

- The contracts required fees of \$9,734 per week, plus \$87 per student. College records did not evidence the methodology or cost analysis used to support the reasonableness of the amount of the fees charged to the vendor. Upon inquiry, we were informed by College personnel that the fees were calculated by the Program Director for Diving, based on his knowledge of the facility and equipment. Under these circumstances, the College had limited assurance that the revenue generated from the rental fees was sufficient to cover the costs of maintaining the equipment and facilities.
- Contrary to College Procedure No. 32.2, which requires the payment of rental charges prior to scheduled use of facilities, the contracts for the September 2010, December 2010, and March 2011 courses required that payment be made within 31 days after the completion of course. When payments are not received prior to use of the facilities, there is an increased risk that the College may not receive all rental revenue to which it is entitled.
- The contracts required the vendor to maintain certain liability insurance coverage to help limit the College’s exposure to various risks of possible loss due to personal injury during the use of the College’s equipment and facilities, and to provide the College with a certificate of insurance evidencing such coverage. A copy of a certificate of insurance included in the College’s contract files indicated a policy expiration date of March 3, 2011, which was three days prior to the beginning of the March 2011 course. Without a current certificate of insurance, the College has no assurance that the vendor is maintaining the required insurance coverage, resulting in an increased risk to the College of possible loss should a personal injury occur.

Recommendation: The College should improve its procedures to ensure that rental fees are supported by a detailed methodology and cost analysis and collected prior to the use of equipment or facilities. In addition, the College should ensure that proof of insurance coverage is provided to the College by vendors prior to the use of equipment or facilities.

Information Technology

Finding No. 11: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing and monitoring IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access or modify IT resources inconsistent with their assigned job responsibilities.

Our audit test of selected access privileges to the finance, human resources, and financial aid modules (applications), and to the supporting operating system and database, disclosed various employees whose access privileges either permitted the employees to perform incompatible duties or were not necessary for their job duties. Specifically:

- An employee within the College’s Financial Aid department had been granted system-delivered classes (grouping of access privileges) allowing update access to most transactions within the finance and human resources modules. The assignment of these classes resulted in unnecessary and excessive access privileges for this employee.
- An employee within the Provost and Academic Affairs’ Office had been granted update access to most transactions within the human resources module through a system-delivered class, resulting in the ability to perform incompatible duties.
- An employee within Administrative Services had application access rights within the finance, human resources, and financial aid modules and was also assigned database, system, and network administration access privileges. This combination of access privileges was unnecessary for the employee’s job duties and

contrary to an appropriate separation of duties. Further, the College did not monitor the system activity of this employee.

- Three Human Resources department employees and two Business Office employees had been granted update access to most transactions within the human resources module through a system-delivered class resulting in the ability to perform incompatible duties.
- An employee in the Advising department had been granted update access privileges to employee job information that was unnecessary for the performance of the employee's job duties.
- The President, Vice President of Business Services, and the Controller had been granted system-delivered classes allowing update access to most transactions within the finance and human resources modules which resulted in the existence of unnecessary and excessive access privileges. The President terminated employment from the College in July 2010 and the Vice President of Business Services and Controller terminated employment from the College in February 2011.
- Three IT Department staff had application access rights within the finance and human resources modules in addition to access assigned for technical support of the application environment including system, database, and network administration. Further, the College did not monitor the system activity of these employees.

Although the College performed limited reviews of employee access privileges as necessary, these inappropriate and unnecessary access privileges indicated a need for improved College review of access privileges. Without a periodic, comprehensive review, inappropriate or unnecessary 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.

Recommendation: The College should enhance its process for reviewing the appropriateness of IT application, operating system, and database access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job duties. The College should also implement procedures for monitoring system activity of those employees who retain elevated access privileges, or combinations of access privileges, that are contrary to an appropriate separation of incompatible duties.

Finding No. 12: Access Privileges – Former Employees

Effective management of access privileges includes providing specific user credentials to allow employee access privileges for the performance of their job duties. Providing user credentials allows management to limit access to those authorized to use computer resources and provides for monitoring user access within the system.

Our audit test of 44 employees who terminated employment from the College during the period July 1, 2010, through February 28, 2011, disclosed the College inappropriately allowed the use of some former employees' access privileges. Specifically, access privileges for three former employees were enabled by the College for the purpose of allowing current employees to log on using existing access profiles, as follows:

- One former employee's network access was enabled 153 days following termination of employment on September 15, 2010, and remained active as of March 3, 2011.
- One former employee's network access was enabled 21 days following termination of employment on May 14, 2010, and remained active as of March 3, 2011.
- Another former employee's application access was enabled 31 days following termination of employment on July 14, 2010, and remained active as of January 31, 2011. This employee's access privileges included unrestricted update capability to all critical functions within the finance and human resources modules.

In response to our inquiry, College personnel indicated that this practice was used to allow current employees to have the same access profiles as the former employees. Allowing current employees to use the access privileges of former employees may limit the ability of management to assign responsibility for system actions taken with the former employees' access credentials and may limit the College's ability to take disciplinary action should it be necessary.

Recommendation: The College should discontinue the practice of allowing current employees to use the access privileges of former employees.

Finding No. 13: Risk Assessment and Security Standards

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, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Our review of the College's IT risk assessment document and practices disclosed that the assessment had not been updated since 2002 and recommendations made in the 2002 risk assessment had not been addressed. For example, the IT risk assessment disclosed that the College did not have a process in place for implementing new security standards and maintaining existing security standards, and security standards had not been established based on the results of the 2002 risk assessment activities. The absence of a current 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 had been made regarding which risks to accept and which risks to mitigate through security controls.

Recommendation: The College should update the IT risk assessment and ensure implementation of security standards intended to manage the identified IT-related risks.

Finding No. 14: Disaster Recovery Plan

Disaster recovery planning is an element of IT controls established to manage the availability of valuable data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as provisions for secured off-site storage of critical backups and alternate site processing arrangements.

Although the College's *Security Standards and Guidelines* provided for an additional backup copy of all data and programs to be periodically created and stored in an off-campus location, the College had not sent backups of data and programs off-campus. In addition, although the College's *Information Technology Emergency Plan* provided for critical processing operations to be resumed for a limited time and on a limited basis at another college facility, an agreement had not been entered into with another college or other appropriate entity to serve as an alternate processing site.

Without provision for appropriate off-site backup storage and alternate site processing, there is an increased risk that, in the event of a disaster, prompt and effective continuation of College IT operations may not occur.

Recommendation: The College should provide for off-campus storage of its critical backups of data and programs and should also enter into a formal agreement with another college or appropriate entity to serve as an alternate processing site for critical operations.

Finding No. 15: 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, provisions for designated staff to be trained in incident response, and notification to affected parties.

The College did not have a written security incident response plan. 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 actions in a timely manner 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. 16: Security Controls – User Authentication and Account Management

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 account management 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 account management, 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 account management to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2010-156.

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 December 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. 2010-156. 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) policies and procedures.	Reviewed the College's written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Tested application access privileges to determine whether access granted to sensitive Finance, Human Resources, and Financial Aid modules promoted an appropriate separation of duties. Also, tested administrator accounts to determine whether the accounts were assigned to current users.
IT termination of employee access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely removed.
IT disaster recovery planning.	Determined whether a written disaster recovery plan was in place and had been recently tested.
IT data loss prevention.	Determined whether there were current written security standards in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Determined whether there were written policies and procedures related to security incident response and reporting.
IT risk management assessment.	Determined whether a written, comprehensive IT risk assessment had been developed.
IT user authentication and account management.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
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).
Financial reporting.	Determined whether the Board was provided with interim financial reports presenting comparisons of financial results to budget estimates, cash flows projections, and other relevant financial information.
Budgetary controls.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable laws and State Board of Education rules.
Fund equity controls.	Determined whether the unencumbered balance in the unrestricted current fund of the Board approved operating budget was below five percent at June 30, 2011, and if so, whether the College notified the Florida Department of Education, as required by Section 1011.84(3)(e), Florida Statutes.
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.
Cash management.	Reviewed bank reconciliations from July 2010 through June 2011 to determine whether they were properly and timely prepared. Also, determined whether reconciling items were promptly resolved.
Student receivables.	Tested student receivables to determine whether the receivable was properly authorized, documented, and within established limits. Determined adequacy of collection and write-off procedures, and whether accounts written-off were properly approved.
Student fee deferments.	Tested students receiving deferments to determine whether the fees were paid and whether students who failed to pay their fees in an approved manner were not reported for funding purposes.
Tangible personal property.	Conducted a physical observation of property items included in the property records and verified that the items were properly tagged and that records adequately described the asset. Tested property items observed at the College's site and traced back to the property records to determine the completeness of the inventory records. Determined the adequacy of property records and whether an annual inventory of tangible personal property was made. Examined Board minutes related to approval of surplus property deletions and disposal, tested property deletions, and reviewed control procedures with applicable College personnel.
Rental of property.	Determined whether College procedures governing the use of College facilities and equipment by groups, organizations, private enterprises, and individuals are being followed.
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.
Recreational and leisure course fees.	Reviewed the College's procedures regarding the assessment of recreational and leisure course fees. Tested recreational and leisure course fees and examined supporting documentation to determine whether the College properly calculated these fees.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Workforce education course fees.	Reviewed the College's procedures regarding the assessment of continuing workforce education course fees. Tested continuing workforce education course fees and examined supporting documentation to determine whether the College properly calculated these fees.
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.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Termination pay.	Tested the appropriateness of termination pay to determine whether payments for unused sick and vacation leave were in accordance with Section 1012.865, Florida Statutes, and Board policy.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures.
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.
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.
Expenditures from non-Federal grants and appropriations.	Determined whether the College received money from non-Federal grants and appropriations, identified the fees collected from these sources, and tested the related expenditures to ensure compliance with grantor restrictions applicable to the specific grants.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Use 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.
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.
Wireless communication devices.	Reviewed policies and procedures to determine whether the College limited the use of, and documented the level of service for, communication devices.

EXHIBIT B
MANAGEMENT'S RESPONSE



January 17, 2012

Via Email to flaudgen_audrpt_cc_univ_fefp@aud.state.fl.us

Mr. David W. Martin
Auditor General
State of Florida
C74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

We have included our response to the findings in Florida Keys Community College's Operational Audit for the Fiscal Year Ended June 30, 2011.

Please feel free to contact us should you have any questions regarding our response.

Sincerely,

A handwritten signature in blue ink that reads "Lawrence W. Tyree".

Dr. Lawrence W. Tyree,
President, Florida Keys Community College

Island Living, Island Learning

Main Campus: 5901 College Road, Key West, FL 33040 • www.fkcc.edu

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 1: Bank Account Reconciliations

Recommendation: The College should strengthen procedures to ensure that complete and accurate monthly bank account reconciliations are timely prepared; documentation is maintained evidencing the name of the employee preparing the reconciliations and appropriate supervisory review and approval; employees preparing bank account reconciliations have the necessary technical accounting skills and training; and differences between the general ledger cash account balance and the bank account cash balance are investigated and resolved, and correcting adjustments recorded in the general ledger in a timely manner.

Response:

The College concurs with the finding and agrees that bank reconciliations are a very important financial and operational control. The college is in the process of refining monthly processes to assist in the timely preparation of the bank reconciliations. These refinements include the timely recording of incoming and outgoing wire transfers into the bank account, tighter control regarding Veteran's deposits and review of operating accounts to flag potential issues.

The College understands the importance of completing and reviewing the bank statements in a timely manner. During the audited time period, many individuals were involved in preparing and reviewing bank reconciliations. This resulted in multiple copies and not all were initialed as reviewed. The college will ensure all bank reconciliations are reviewed and signed by the reviewer.

Finding No. 2: Identify Theft Prevention Program

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

The College concurs with the finding. The college has prepared an Identity Theft Prevention Program as required by the Red Flags Rule along with a policy which will be presented for approval at the District Board of Trustees meeting on January 23, 2012.

Finding No 3: Continuing Workforce Education Course Fees

Recommendation: The College should improve procedures for calculating CWE course fees to provide documentation that fees are properly calculated and sufficient to fully support the costs of the CWE program.

The College concurs with the finding. The College has reviewed, updated, and documented the indirect cost rate for CWE courses. In addition, the College has updated the procedure to include guidelines for application of a market adjustment. This includes appropriate documentation per course to ensure all CWE fees are sufficient to fully support the costs of the CWE program.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: Recreation and Leisure Course Fees

Recommendation: The College should improve its procedures for calculating recreation and leisure course fees to provide documentation that fees are properly calculated and at least equal to the full cost of instruction.

The College concurs with the finding. The College has created a new procedure in accordance with State Board of Education Rule 6A-14.054(4). Procedure 67.3 Recreation and Leisure course Fees requires appropriate documentation to ensure fees are properly calculated and at least equal to the full cost of instruction.

Finding No. 5: Student Fee Deferments

Recommendation: The College should formally establish and publish dates for payment of fees and for drop and add periods for courses presented at dates that are different from the College's regular academic terms. In addition, the College should enhance procedures to ensure that veteran's deferments are granted to eligible students for the time limits authorized by State Board of Education Rule 6A-14.054, Florida Administrative Code and that enrollment is reported only for students who have paid registration fees in an approved manner. The College should also contact FDOE to determine the corrective actions necessary for the FTE reported for students that had not paid their fees in an approved manner.

Response:

The College concurs with the finding. The College has notified students in the criminal justice training courses that fees are due by a certain date for those courses which may have different starting dates than regular classes. The College will formalize the process for future classes to satisfy the findings as stated. The college is reviewing the procedure on veteran's deferments and will implement changes as needed.

The College will contact the FDOE to determine what corrective action is necessary for the FTE reported for students that had not paid their fees in the approved manner.

Finding No. 6: Student Accounts Receivable

Recommendation: The College should ensure that adequate separation of duties exist between the functions of accounts receivable and cash collections or otherwise provide compensating controls. Also, the College should ensure that accounts receivable collections are recorded timely, that the general ledger and subsidiary accounts receivable records are reconciled and unidentified differences resolved timely, and that established collection procedures are followed for past due accounts. Additionally, the adjustment made for the unidentified difference of \$103,789 should be investigated to determine if the amount represents valid amounts due to the College. Further, the College should ensure that the placing and removing of holds on student records are adequately documented and approved and that College records include a historical record of all academic holds placed and removed.

The College agrees that the timely recording and reconciliation of accounts receivable balances is very important to internal controls over financial records. The College has changed personnel in charge of

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

the Accounts Receivable function and has spent much of the past few months in researching and reconciling student account balances. The College feels adequate controls have been restored by the review of accounting transactions and reconciliations to mitigate any internal control weaknesses.

The College has returned to recording bank transactions on a timely basis, usually daily unless additional research is required. All accounting transactions for the month are recorded before financial statements are produced for the monthly District Board of Trustees meetings.

The detailed support for the \$83,912 was sent to the Office of the Auditor General for review. The college maintains this was a proper recording of activity via a mass student refund transaction as opposed to a student by student refund process.

The College is continuing to work on reconciling account receivable balances to the general ledger. The change to an annual assessment of student fees instead of the previous assessment by term has complicated the use of the "Monthly Aging Report" as future balances (not due at the time of registration but before the beginning of the associated term) start "aging" when assessed. This has created more work in reconciling accounts since each term must be separately researched to determine what is current or past due. The Accounts Receivable staff person has spent a lot of time analyzing student accounts and has made substantial progress in reconciling individual balances. These efforts will continue and reconciliations will be completed prior to the end of the current fiscal year. The annual assessment of fees will be discontinued after the current spring term.

The placing of academic holds has been revised so that holds will expire by date which will allow a history of the holds to be retained by the system. Business Office holds will no longer be able to be removed by anyone except the Business Office staff to ensure tighter control.

The Accounts Receivable staff person places holds on any students with outstanding balances at the end of the add/drop period. Students with balances are contacted three times, those unpaid are being placed in collections.

The difference of \$103,789 comprises many different accounts and will be resolved as each student and contract account is reconciled.

Finding No.7: Public Education Capital Outlay Expenditures

Recommendation: The College should enhance its procedures to ensure that adequate records of time and effort are maintained for employees working in the Facilities and Plant Operations Department to support the appropriateness of those employee's salaries and benefits charged to PECO accounts. In addition, College records should document supervisory review and timely resolution of any differences noted between the payroll certifications and daily work logs. Further, the College should ensure that its records fully support salaries and benefits charged to PECO accounts and, to the extent such charges are not supported, should restore such amounts to the PECO accounts.

The College concurs with the finding. The College has enhanced controls over the recording of time to PECO projects with time and effort reports being used to complete bi-weekly timesheets. The College will review records to ascertain if any time was charged inappropriately in the past.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 8: Full-Time Faculty Work Schedule

Recommendation: The College should continue to enhance its procedures to ensure that the Forms accurately reflect all responsibilities assigned to full-time faculty.

The College concurs with the finding. The College has updated the 2011-12 Salary Schedule to improve the Faculty Duty Day requirements. In addition, the Schedule of Faculty Form has been modified to improve functionality. The aforementioned has resulted in improved clarity regarding the policy and procedure.

Finding No. 9: Purchasing Cards (P-card)

Recommendation: The College should enhance controls over its P-Card program to ensure that all purchases are adequately documented to evidence that such expenses serve an authorized College public purpose, and are made in accordance with State law, Board Rules and College Procedures.

The P-cards for the college were recovered from employees in February 2011. Since that time, P cards have either been issued for specific purposes or have been used exclusively by certain individuals authorized by the College. Any travel expenses paid by P-card must be accompanied by the appropriate leave forms approving any travel expense in advance.

Finding No. 10: Rental Agreements

Recommendation: The College should improve its procedures to ensure that rental fees are supported by a detailed methodology and cost analysis and collected prior to the use of equipment or facilities. In addition, the College should ensure that proof of insurance coverage is provided to the College by vendors prior to use of equipment or facilities.

The College concurs with the finding. The College has worked to develop a methodology for rental fees charged to all organizations using space at the College. The College will enhance its efforts to collect rental fees when due and collect insurance information prior to rental of facilities.

Finding No. 11: Access Privileges

Recommendation: The College should enhance its process for reviewing the appropriateness of IT applications, opening system, and database access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job duties. The College should also implement procedures for monitoring system activity of those employees who retain elevated access privileges, or combinations of access privileges, that are contrary to an appropriate separation of incompatible duties.

The College concurs with this finding and has corrected access privileges indicated in finding and has performed an initial audit of all access privileges and made any necessary adjustments to augment internal controls. Furthermore, the College has adopted a procedure wherein the IT Director performs a monthly audit of access privileges and the VP, Business and Administrative Services performs a monthly audit of IT staff access privileges. Additionally, the procedure further provisions that any special access

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

privileges will be approved by the appropriate vice president or dean, including the duration of the special access.

Finding No. 12 Access Privileges-Former Employees

Recommendation: The College should discontinue the practice of allowing current employees to use the access privileges of former employees.

The College concurs with this finding and has discontinued the practice of allowing current employees to use the access privileges of former employees

Finding No. 13: Risk Assessment and Security Standards

Recommendation: The College should update the IT risk assessment and ensure implementation of security standards intended to manage the identified IT-related risks.

The College concurs with this finding and is in the process of updating its risk assessment document. Additionally, the College has representation on the State of Florida Information Technology Standards Workgroup to ensure that it follows guidelines consistent with State mandated standards.

Finding No. 14: Disaster Recovery Plan

Recommendation: The College should provide for off-campus storage of its critical backup of data and programs and should also enter into a formal agreement with another college or appropriate entity to serve as an alternate processing site for critical operations.

The College concurs with this finding and has made provisions for off-campus storage of data and programs, and has contracted with The TelX Group, a noted colocation vendor, as the alternate site for data storage and processing for critical operations

Finding No. 15: Security Incident Response Plan

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.

The College concurs with the finding and is in the process of developing a security incident response plan according to industry standards and guidelines.

Finding No. 16: The College should improve security controls related to user authentication and account management to ensure the continued confidentiality, integrity and availability of College data and IT resources.

The College concurs with this finding and has improved security access control as suggested in finding.