

INDIAN RIVER STATE COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

	<u>County</u>
Werner Bols, Vice Chair to 4-23-12 Chair from 4-24-12 (1)	Martin
Linda T. Syfrett, Vice Chair from 4-24-12 (2)	Okeechobee
Tomas Rene Perez to 4-17-12, Chair (2)(3)	Indian River
Susan R. Caron from 4-18-12	St. Lucie
Jose L. Conrado from 4-18-12	Indian River
Vicki H. Davis	Martin
Mark Feurer from 4-18-12	Indian River
Cheryl L. Kirton to 4-17-12 (2)	Okeechobee
Samuel L. Patterson to 4-17-12 (1)	St. Lucie
Phoebe Raulerson from 4-18-12	Okeechobee
J. Hal Roberts, Jr. (2)	St. Lucie
Gerald T. Roden to 4-17-12 (1)	Indian River
Jane E. Rowley	St. Lucie

Dr. Edwin R. Massey, 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) Chair position was vacant from April 18, 2012, through April 23, 2012.

The audit team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

INDIAN RIVER STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The Board had not adopted written policies and procedures relating to electronic funds transfers.

BACKGROUND

Indian River State College (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Ft. Pierce, Okeechobee, Port St. Lucie, Stuart, and Vero Beach, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout St. Lucie, Indian River, Martin, and Okeechobee Counties. The College reported enrollment of 13,745 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, 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, 2012, will be presented in a separate report.

FINDING AND RECOMMENDATION

Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires that each board of trustees adopt written policies prescribing the accounting and control procedures under which any funds under their control are allowed to be moved by electronic transactions for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment.

According to the College’s records, approximately \$53 million of electronic funds transfers (EFT) were made during the 2011-12 fiscal year. The College had controls in place to monitor and control EFT transactions, such as separating the duties of initiation and authorization as well as independent review of each transaction, and had written procedures addressing these transactions. However, the College had not, as of June 30, 2012, sought Board approval of a policy ratifying the existing system of accounting, internal controls, and operational procedures for EFT transactions as required by law.

Recommendation: The Board should adopt policies and procedures related to electronic funds transfers.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for the finding included in our report No. 2011-014.

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 2012 to June 2012 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. 2011-014. 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 2011-12 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
Board and committee meetings.	Reviewed Board and committee minutes to determine compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College’s fraud policy and related procedures.
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.
Student loans.	Determined if the College had established procedures for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
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 and 1009.22, 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.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Laboratory and other user fees.	Reviewed the College’s procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees.
Continuing 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.
Textbook affordability.	Examined supporting documentation to determine whether the College’s policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.

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

Scope (Topic)	Methodology
Terminal pay.	Reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees compensation to determine whether compensation did not exceed limits provided in Florida law.
Compensation for Presidents.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed and that contract terms were adequately supported.
Expenditures from financial aid fees.	Determined the amount of financial aid fees assessed by the College and obtained a copy of the Financial Aid Fee Report filed with the Division of Florida Colleges. Tested awards made with financial aid fees to ensure that the fees collected were awarded in accordance with Section 1009.23(8)(c), Florida Statutes.
Florida College System Program Fund.	Tested expenditures from the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.
Construction administration.	For major construction project, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures, were expended in compliance with the restrictions imposed on the use of these resources.
Insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects to determine whether architects and engineers provided evidence of the required insurance.

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

Scope (Topic)	Methodology
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine if selected electronic payments were properly authorized and supported.
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.
Direct-support organizations – Conflicts of interest.	Determined whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who were doing business with the College and made donations to the College’s direct–support organizations.
Student activity and service fees.	Reviewed amount of the activity and service fee assessments to determine that the fees did not exceed 10 percent of the total tuition fee rates.
Student meal reimbursements.	Tested payments for student meal reimbursements to determine whether payments were adequately supported and all unused funds were promptly returned to the College.
Tangible personal property.	Tested property items to determine whether tangible personal property inventory was complete, being used consistently with requirements of controlling laws, and recorded in the subsidiary ledgers. Also, examined Board minutes related to approval of surplus property deletions and disposals, and reviewed control procedures with applicable College personnel.
Motor vehicle utilization.	Tested vehicle logs for completeness, supervisory review, and use of logs to schedule preventative maintenance.
Limitations on investment types.	Examined written policies and supporting documentation to determine compliance with Section 218.415, Florida Statutes.
Land acquisitions.	Examined land acquisitions for compliance with Section 1013.14, Florida Statutes.
Multi-use facilities.	Reviewed joint-use agreements to ensure that rental fees, maintenance, and operating costs were properly assessed.

EXHIBIT B
MANAGEMENT'S RESPONSE



INDIAN RIVER STATE COLLEGE
Office of the President

September 11, 2012

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

Dear Mr. Martin:

The following is our response to the one preliminary and tentative finding in the Operational Audit for Indian River State College for the Fiscal Year Ended June 30, 2012.

Finding: The College should adopt policies and procedures related to electronic funds transfers.

The College has Board Policy 6Hx11-2.21 in place addressing electronic funds transfers which delegates to the President to “establish and maintain written accounting and control procedures related to the electronic movement of funds”. Administrative Procedure AP-2.21 addresses every aspect of good internal control for the electronic transfer of funds. In fact, the Auditor acknowledges in the finding, “The College had controls in place to monitor and control EFT transactions, such as separating the duties of initiation and authorization as well as independent review of each transaction, and had written procedures addressing these transactions”. At issue is the amount of detail contained in the Administrative Procedure that should be included in the Board Policy.

While the College feels the existing combination of policy and procedure has us in compliance with the law and appropriately blends the policy making role of the Board and the operational responsibility of the administration, we will propose an amendment to the Board Policy 6Hx11-2.21 adding language to more specifically direct administration on requirements that should be contained in the electronic transfer of funds procedures.

Sincerely,

A handwritten signature in cursive script that reads "Edwin R. Massey".

Edwin R. Massey, Ph.D.
President

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Fort Pierce ▪ Okeechobee ▪ Port St. Lucie ▪ Stuart ▪ Vero Beach