

**STATE COLLEGE OF FLORIDA,  
MANATEE-SARASOTA**

---

**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>
Carlos M. Beruff, Chair	Manatee
Dr. Craig A. Trigueiro, Vice Chair	Manatee
Edward A. Bailey from 8-03-11 (1)	Manatee
Charles Fishman from 8-03-11 to 5-31-12 (1)(2)	Sarasota
Stephen L. Harner to 8-02-11 (3)	Sarasota
Joseph C. Miller, Jr.	Manatee
Ann Y. Moore	Sarasota
Lori A. Moran from 8-03-11	Sarasota
Charlene J. Neal	Manatee
Jennifer M. Saslaw	Sarasota

Dr. Lars Hafner, President

- Notes: (1) Position was vacant from July 1, 2011, to August 2, 2011.
- (2) Position was vacant from June 1, 2012, through June 30, 2012.
- (3) Board member served beyond the end of term, May 31, 2011.

The audit team leader was Dawn T. Meyers, CPA, and the audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Rebecca F. Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://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.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

SUMMARY

Our operational audit disclosed the following:

ADMINISTRATION MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures relating to electronic funds transfers.

Finding No. 2: The College needed to improve its identity theft prevention program to ensure compliance with the Fair and Accurate Credit Transaction Act of 2003.

PERSONNEL AND PAYROLL

Finding No. 3: Our audit disclosed 30 employees that were paid amounts in excess of that approved by the Board.

CONTRACT MONITORING

Finding No. 4: College controls over monitoring consultant payments needed improvement.

INFORMATION TECHNOLOGY

Finding No. 5: Some unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of access privileges.

Finding No. 6: College IT security controls related to user authentication needed improvement.

BACKGROUND

State College of Florida, Manatee-Sarasota (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 Bradenton and Venice, Florida, and a Center at Lakewood Ranch, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Manatee and Sarasota Counties. The College reported enrollment of 8,463 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.

---

**FINDINGS AND RECOMMENDATIONS**

---

**Administration Management and Board Policies**

---

**Finding No. 1: Electronic Funds Transfers**

---

Section 1010.11, Florida Statutes, requires each college board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between colleges and other entities.

According to College records, \$114 million in electronic funds transfers were made during the 2011-12 fiscal year. Board Rule 6Hx14-5.09, requires that transfers of funds by electronic, telephonic, or other medium be according to written Board policies, provide adequate internal controls, and be in writing and signed by the designee of the board. Additionally, Procedure 5.09.01 specifies procedures for handling deposits, receipts, withdrawals, and transfers of public funds and it states that written procedures for the transfer and disbursement of funds can be found in the accounting department. However, Procedure 5.09.01 and the written procedures maintained in the accounting department do not specifically address the accounting and control procedures for payments by electronic funds transfers or the need for, or use of, electronic signatures when conducting electronic transactions with other entities. While the College had established controls over electronic transactions, the lack of specific guidance adopted by the Board increases the risk that electronic transactions will not be executed in accordance with Board directives and provisions of Chapter 668, Florida Statutes.

---

**Recommendation:** The Board should enhance its written policies and procedures to address accounting and control procedures related to the use of electronic funds transfers, including the use of electronic signatures.

---

**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 Board to approve the initial written Program. The Program should be designed to detect, prevent, and mitigate identity theft through identification of warning signs, or "red flags" in day-to-day operations. Additionally, the Rule requires that the College train staff, as necessary, to effectively implement the Program. 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. An Identity Theft Prevention Procedure (Procedure) was approved by the President on October 29, 2009; however, the Procedure was not approved by the Board. College personnel indicated that Board Rule 6HX14-1.07 delegates to the President the authority to approve this Procedure instead of the Board. However, the Rule requires the Board to approve the initial written program and does not allow the Board to delegate this responsibility. Additionally, although the identity theft procedure along with a notice about on-line training was e-mailed to employees on December 13, 2011, 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.

The College’s Procedure requires third-party service providers to have policies, procedures, and programs that comply with the Rule; however, as of the time of our review, the College had not verified that the third-party service providers were in compliance with the Rule.

Subsequent to our inquiry, the College began training certain supervisory staff in June 2012, and College personnel indicated the process of verifying third-party service providers compliance with the Rule began in July 2012.

---



---

**Recommendation:** The College should continue its efforts to fully implement an identity theft prevention program and present the Program to the Board for its approval, as required by the Rule. The College should also continue its efforts to monitor the third-party service providers compliance with the College Procedure and the Rule.

---



---

<b>Personnel and Payroll</b>
------------------------------

**Finding No. 3: Salary Schedules**

Section 1001.64(18), Florida Statutes, provides that the board of trustees establish the personnel program for all employees, including employee compensation. Board Rule 6HX14-2.56, provides that the Board of Trustees adopt a salary schedule, or salary schedules, to be used as the basis for paying members of the instructional staff and other College employees. Compensation of members of the administrative and instructional staff and other College employees shall be paid on the basis of these schedules. Any compensation deviation from the approved schedules requires a separate approval by the Board of Trustees with the advice and recommendation of the President. The Board approved the 2011-12 fiscal year salary schedule on May 18, 2011. Language within the approved salary schedule stated that the President may authorize variations in hiring practices, travel reimbursements, leaves, compensatory time, overtime, special compensation, and pay in lieu of notice, based upon justification and appropriate recommendations of the Executive Director, Human Resources and executive staff.

The College reported \$29,130,053 for salary expenditures for the 2011-12 fiscal year. During the 2011-12 fiscal year, the pay rate for 30 employees exceeded the rate provided for their positions in the Board-approved salary schedule. Of the 30, 13 were salaried employees whose salary exceeded that provided for in the Board-approved salary schedule by amounts ranging from \$36 to \$11,759 for the 2011-12 fiscal year, and 17 were hourly employees whose hourly rate

exceeded the Board-approved salary schedule hourly rate by up to \$1.42 per hour, resulting in total pay up to \$2,100 in excess of that provided for in the Board-approved salary schedule for the 2011-12 fiscal year.

In response to our inquiry, College personnel provided us with a copy of a College Memorandum, dated April 3, 2003, which provided that “all new and existing employees who reach newly established maximums in his/her salary range will remain at the maximum level established with any salary adjustments provided as supplement and not applied to base salaries until such time as the maximum for the range is changed.” However, according to College personnel, this Memorandum had not been submitted to or approved by the Board. In addition the Director of Human Resources stated the pay of the questioned employees had been discussed with the President during the 2011-12 fiscal year budget preparation and that the President had been provided a list of the 30 employees. Although requested, we were not provided evidence of the President’s approval to pay these employees in excess of the amounts in the Board-approved salary schedule or that the additional pay had been presented for Board approval as required by Board Rule 6HX14-2.56. In these circumstances, College records did not evidence the authority for paying salaries exceeding the Board-approved salary schedule for these 30 employees.

---

---

**Recommendation:** The College should ensure that employees are paid in accordance with the Board-approved salary schedule and Board Rule 6HX14-2.56.

---

---

**Follow-up to Management’s Response**

*The College’s response indicates that the President approved these salary supplements for the 2011-12 fiscal year as part of the final budget, and that language in the salary schedule approved by the Board allows the President to approve changes outside the normal salary ranges. However, we were not provided documentation evidencing that the President specifically approved the pay for the 30 employees whose pay exceeded the salary schedule, nor were we provided documentation evidencing that the Board was aware that these 30 employees’ salaries exceeded the salary schedule approved by the Board at the May 18, 2011, board meeting. We remain of the opinion that College records should evidence the Board’s approval for paying salaries exceeding the Board-approved salary schedule for these 30 employees.*

Contract Monitoring

---

---

**Finding No. 4: Consultant Services**

---

---

The College enters into contracts with consultants for services that cover extended periods of time. In these instances, vendors may periodically bill for goods or services on an interim basis. Effective monitoring controls require that the contracts describe the services to be acquired in a way that services are measurable or quantifiable and that the services provided can be verified by College personnel. The periodic vendor billings should be in sufficient detail to ensure that amounts billed are verifiable and in accordance with contract terms.

The College paid \$1,652,736 for consultant services during the 2011-12 fiscal year. We selected two consultant contracts to test the College’s monitoring procedures. One of the College’s contracts was with a consultant to operate the College’s student financial aid assistance call center and Federal student financial aid verification procedures at negotiated rates for each contact and transaction, and the other contract was with another consultant to provide system support and data base administrative services for the College’s financial aid, student, finance, and human resource systems at hourly rates, plus reimbursement for reasonable travel expenses. College procedures for consultant’s services provide that travel expenses are to be negotiated in accordance with Board policies, and at rates authorized in Section 112.061, Florida Statutes.

Our review of the College’s controls over payments for these two consultant service contracts disclosed the following:

- Our review of three payments totaling \$138,682 to the consultant operating the student financial aid call center and performing verification of Federal student financial aid, disclosed that College personnel approved the invoices for payment. These invoices were for 20,475 call center contacts and 2,111 verifications of student financial aid at the contract rate of \$6 for each contact and \$7.50 for each verification. However, the invoices provided for our review did not include documentation to support the number of call center contacts or verifications performed for the benefit of the College as included in the invoices, nor did College records evidence that College personnel had verified the reasonableness of this information. College personnel indicated that a periodic review of online logs of these transactions was made but their review was not documented.
- Our review of three payments totaling \$114,075 to the consultant providing system support and data base administrative services disclosed that College personnel approved invoices for 684.25 billable hours at the contract rate of \$150 per hour, totaling \$102,638, and travel reimbursements for \$11,437. Our test of the payments to this consultant disclosed the following:
  - Timesheets supporting the hours billed by the consultant were not included with the invoices to allow College personnel to verify the hours billed. Subsequent to our inquiry, College personnel obtained copies of timesheets supporting the hours billed. However, College records did not evidence that College personnel with direct knowledge of the work performed verified that services were received for the hours billed on each invoice. Although College personnel indicated the invoices were reviewed for reasonableness prior to payment, in the absence of timesheets supporting the hours billed on the invoice and verification that the related services were received, it is not clear what information College personnel used to verify the reasonableness of the amounts invoiced prior to payment of these invoices.
  - Travel expenses included on three payments totaling \$1,535 were not adequately documented or were not in accordance with Section 112.061, Florida Statutes. Travel reimbursements for mileage totaling \$642 were not supported by detailed information to support the mileage claimed; miscellaneous travel costs totaling \$497 were not supported by invoices supporting the actual expenses paid by the consultant; and meal reimbursements were not based on rates authorized in Florida law, which resulted in an overpayment of \$396 for meals.

Absent adequate procedures for monitoring invoices from consultants, there is an increased risk that the College may pay for services not received or pay incorrect amounts.

---

**Recommendation:** The College should enhance its procedures for monitoring consultant payments to ensure that payments are adequately documented and in accordance with terms of the consultant agreement, and travel reimbursements are adequately supported and in accordance with Florida law. The College should also require the system support and data administrative services consultant to provide adequate documentation supporting all travel reimbursements, review such documentation, and recover from the consultant the \$396 overpayment and any other overpayments disclosed by such review.

---

<b>Information Technology</b>
-------------------------------

**Finding No. 5: 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 IT access privileges promotes good internal control and is necessary to ensure that employees cannot access or modify IT resources inconsistent with their assigned job responsibilities.

The College had not developed written procedures for the periodic review of access privileges. Although the College had performed a review of users' network access privileges, with emphasis on adjunct faculty accounts, our test of selected access privileges to the College's network indicated a need for improved review of network access privileges. Specifically, two service accounts within the administrators and domain administrators groups were no longer used by the College. In addition, another service account had domain administrator privileges that were unnecessary for the intended purpose of the account. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. When inactive network administration accounts are not timely removed or when complete network access privileges are unnecessarily granted, the risk is increased that unauthorized or unintentional network hardware, software, or configuration changes may occur and not be timely detected. In response to our inquiry, College management removed the two service accounts no longer being used and removed the domain administrator access privileges from the third service account.

---

**Recommendation:** The College should develop written procedures for the periodic review of IT access privileges. In addition, the College should improve its review of IT network access privileges and timely remove any unnecessary access detected.

---



---

#### **Finding No. 6: Security Controls - User Authentication**

---

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain College security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised. A similar finding was noted in our report No. 2011-007.

---

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

---



---

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

---

The College had taken corrective actions for findings included in our report No. 2011-007, except that finding No. 6 was also noted in prior audit report No. 2011-007, as finding No. 5.

---

#### **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 August 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:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management’s control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2011-007.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management’s internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring during the 2011-12 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

**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 selected access privileges over the finance and human resources applications to determine the appropriateness and necessity based on employees’ job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties.  Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
Deactivation of IT employee access.	Reviewed procedures to prohibit former employees’ access to electronic data files.
IT data loss prevention.	Reviewed written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Determined whether the College had developed an adequate written security incident response plan.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT logging and monitoring controls.	Reviewed supporting documentation to determine whether logging and monitoring controls were in place in accordance with IT best practices.
Board meetings.	Reviewed Board minutes for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
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 whether 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 as required by Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Distance learning on-line registration process for transient students.	Determined whether the on-line registration process for transient students was in compliance with Section 1004.091(2)(b), Florida Statutes.

**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 other user 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.
Terminal pay.	Reviewed the College’s rules and procedures for terminal pay to ensure consistency with Florida law. Additionally, reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Personnel and payroll.	Tested payroll transactions to determine whether rate of pay was approved by the Board.
Administrative employees’ compensation.	Reviewed administrative employees compensation to determine whether compensation did not exceed limits provided in Florida law.
President’s compensation.	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 executive out-of-state and in-state 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 payments were in agreement with contract terms and were adequately supported.

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

Scope (Topic)	Methodology
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules. Also, for construction management contracts, determined whether the College monitored the selection process of architects and engineers, construction management entities, and subcontractors by the construction management entity.
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.
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine whether selected electronic payments were properly authorized and supported.
Procurement of goods and services.	Tested disbursements to determine whether purchase orders were issued prior to the College incurring an obligation for the goods or services.
Purchase of software applications.	Determined whether the College evaluated the effectiveness and suitability of the software application prior to purchase and whether the purchase was performed through the competitive vendor selection process. Also, determined whether the deliverables met the terms and conditions of the contract.
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.

EXHIBIT B  
MANAGEMENT'S RESPONSE



December 11, 2012

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

Dear Mr. Martin:

1. Transmitted herewith are the written statements of explanation and the actual or proposed corrective actions to the Preliminary and Tentative Audit Finding and Recommendations which may be included in a report on the audit of the:

State College of Florida, Manatee-Sarasota  
Operational Audit  
For the Fiscal Year Ended June 30, 2012

If my office can be of further assistance concerning the resolution of these findings, please do not hesitate to contact my staff or me.

Sincerely,

Carol F. Probstfeld, Interim President  
State College of Florida, Manatee-Sarasota

CFP/sm

Enclosure: as stated

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

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

Operational Audit  
For the Fiscal Year Ended June 30, 2012

December 11, 2012

The following are the State College of Florida, Manatee-Sarasota, responses to the findings identified in the State Auditor General's Operational Audit Report for the Fiscal Year Ended June 30, 2012.

RESPONSE TO FINDINGS AND RECOMMENDATIONS

**Finding No. 1: Electronic Funds Transfers**

**Response:** The College will amend Procedure 5.09.01 to include the accounting and control procedures for payments by electronic funds transfers and the need for, or use of, electronic signatures when conducting electronic transactions with other entities in compliance with the provisions of Chapter 668, Florida Statutes.

**Finding No. 2: Identity Theft Prevention Program**

**Response:** The College has completed the following toward full implementation of the SCF identity theft prevention program:

1. Conducted a college wide identity theft prevention assessment and training program;
2. Identified key areas for improvement to further strengthen the security of confidential and sensitive information (CSI);
3. Established an identity theft core team under the leadership of the Vice President of Business and Administrative Services;
4. Developed an identity theft prevention online training program to train the College employees how to protect CSI and report any data loss should such incident occur;
5. Required third-party service providers to be in compliance by providing the identity theft certificate.
6. Scheduled to present the SCF identity theft prevention program to the Board of Trustees in early 2013 for the Board's review and approval.

**Finding No. 3: Salary Schedules**

**Response:** A memorandum was approved by the President and the Vice President's council in 2003, authorizing the payment for those who reached the maximum of their pay range equivalent to the increase recommended and approved by the Board, but not to be included in base pay.

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

Page Two  
State College of Florida, Manatee- Sarasota

December 11, 2012  
Response to State Auditor's Operational Audit

The language of this memo follows:

*"For all other employees, new and existing, reaching newly established maximums in his/her salary range will remain at the maximum level established, with any salary adjustments provided as supplement and not applied to base salaries until such time as the maximum for the range is changed."*

The President approved these supplements for 2011-12 as part of the final budget.

Language in the Salary Schedule, approved annually by the Board of Trustees, provides the President authority to approve changes outside of the normal salary ranges as stated in the second paragraph on page one:

*"The President may authorize variations in hiring practices, travel reimbursements, leaves, compensatory time, overtime, special compensation and pay in lieu of notice based upon justification and appropriate recommendations of the Executive Director, Human Resources and executive staff."*

This language has been included in salary schedules since prior to 2003, when the above noted memorandum to pay employees over the maximum for their range as a supplement was approved.

For the year currently being audited, 2011-12, the Salary Schedule was approved at the May Board of Trustees meeting held on May 18, 2011.

SCF will document as part of the annual budget process the President's approval of employees whose pay exceeds the maximum for their range.

SCF will include the language as stated in the 2003 memorandum in the salary schedule going forward until such time as this policy is recommended for change.

**Finding No. 4: Consultant Services**

**Response:** The call center service has been interfaced with the College's administrative software and provides comments for all calls to/from existing students and documentary comments for non-students. This provides SCF with the documentation to verify the reasonableness of call volume for payment purposes.

The contract for system support and data base administrative services has been amended to exclude meals and to ensure compliance with Section 112.061, Florida Statutes. In addition, procedures have been enhanced to obtain sufficient documentation for all expenses claimed in monthly invoices, including an estimate of the hours worked by each consultant, verified and approved by college personnel with direct knowledge of the work performed. The College has opted to address this finding prospectively.

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

Page Three  
State College of Florida, Manatee- Sarasota

December 11, 2012  
Response to State Auditor's Operational Audit

**Finding No. 5: Access Privileges**

**Response:** A written procedure has been developed to establish a process to periodically review the IT access privileges and remove any unnecessary access in a timely manner.

**Finding No. 6: Security Controls - User Authentication**

**Response:** Corrective measures have been taken to strengthen user authentication security controls.

Respectfully submitted,



Carol F. Probstfeld, Interim President  
State College of Florida, Manatee-Sarasota