

# MIAMI DADE COLLEGE

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## 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:

Helen Aguirre Ferré, Chair  
Armando J. Bucelo, Jr., Vice Chair from 9-23-11 (1)  
Peter W. Roulhac, Vice Chair to 7-31-11 (2)  
Mariana L. Cancio from 8-01-11  
Mikki P. Canton to 7-31-11 (3)  
Robert H. Fernández to 2-15-12 (2)  
Jose K. Fuentes from 8-01-11  
Benjamín León, III  
Armando J. Olivera from 2-16-12  
Marielena A. Villamil

Dr. Eduardo J. Padrón, President

Notes: (1) Vice Chair position remained vacant from August 1, 2011, through September 22, 2011  
(2) Board member served beyond the end of term, May 31, 2011.  
(3) Board member served beyond the end of term, May 31, 2010.

The audit team leader was Hector J. Quevedo, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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**MIAMI DADE COLLEGE**

**SUMMARY**

**Our operational audit disclosed the following:**

**ADMINISTRATIVE MANAGEMENT**

**Finding No. 1:** The College had not implemented an identity theft prevention program, contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

**PURCHASING CARD PROGRAM**

**Finding No. 2:** The College needed to enhance its monitoring procedures over its purchasing card program to ensure compliance with the College’s purchasing card manual.

**STUDENT FEES AND ENROLLMENT**

**Finding No. 3:** The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

**BACKGROUND**

Miami Dade 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 seven 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 Doral, Hialeah, Homestead, and Miami, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Miami-Dade County. The College reported enrollment of 59,702 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**

**Administrative Management**

**Finding No. 1: 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 Transactions 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 and 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. 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 activity, 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, 2012, the College did not have an identity theft prevention policy approved by the Board of Trustees. Additionally, the College had not provided the required training to employees who have access to accounts or personally identifiable information. 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 indicated that an identity theft prevention program pursuant to the Rule was not implemented during the 2011-12 fiscal year because it was their understanding that the College did not meet the definition of a creditor.

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**Recommendation:**     **The College should implement an identity theft prevention program as required by the Red Flags Rule.**

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<b>Purchasing Card Program</b>
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**Finding No. 2: Purchasing Cards**

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The College administers a Purchasing Card (P-card) program, which gives employees the convenience of purchasing goods and services without using the standard purchase order process. The College uses P-cards to expedite low dollar purchases of goods and services. P-cards are subject to the same rules and regulations that apply to regular College purchases. College Procedure No. 6520, *Miami Dade College Purchasing Card Program* and the College's Purchasing Card Program Manual (Manual) provides users with additional guidance on how to properly use the P-cards. The College issued 387 P-cards, and incurred charges totaling approximately \$3.1 million during the 2011-12 fiscal year.

Our test of the College P-card program disclosed that improvements in controls were needed, as follows:

**P-Card Transactions**

The College's Manual provides certain restrictions on the use of P-cards. For example, the College restricts the use of P-cards with certain businesses to ensure that P-card usage is limited to a valid purpose. To provide these restrictions, the College requested that the P-card issuer block access using the Merchant Category Code (MCC) through the P-card system. The Manual does not prohibit the purchase of gift cards for public purposes. Our test of 39 P-card program transactions, totaling \$22,873, disclosed the following:

- Seven P-card purchases totaling \$2,855 were made from businesses that were listed as restricted in the Manual, including purchases from motion picture theaters, government services, bowling alleys, or candy/nut/confection stores. The Manual provides that the cardholder should contact the P-card

Administrator for assistance when the cardholder is blocked from making a purchase from a restricted business and wants to continue with the purchase. Although requested, we were not provided with documentation to evidence the approval and justification for removing the restrictions on these purchases. While our review disclosed these purchases served a public purpose, without sufficient documentation to evidence the approval and justification of purchases from restricted businesses, there is increased risk of unauthorized charges without timely detection.

- Three P-card purchases totaling \$501 included gift cards that were given out as prizes at various student functions occurring at the College. For two gift cards purchased, totaling \$358, the documentation of the students given the gift card consisted of unsigned lists of students that were awarded the gift cards. For the remaining gift cards purchased, totaling \$143, College personnel indicated that the cards were given away randomly to students attending the student function. Written procedures were not in place to control the purchase, custody, and distribution of gift cards. In these circumstances, the College’s control over the purchase of gift cards was limited, increasing the risk that the gift cards may not be used as intended.

**Controls over P-Cards**

The Manual requires each P-card authorized approver to request that the P-card Administrator cancel a cardholder’s card for termination of employment, departmental transfer, or loss of P-card card. Our test of 17 P-card accounts that were cancelled between July 2011 and February 2012 disclosed 5 purchasing card accounts that were not timely cancelled. These 5 accounts were cancelled from 7 to 182 days after the employees’ termination date. We examined the purchasing card activity for these 5 accounts and our test disclosed that no charges were made with the P-cards after the employees terminated employment.

Subsequent to our inquiries, College personnel indicated that automated procedures were implemented in Spring 2012 to ensure that P-card accounts of terminated employees are timely cancelled. The untimely cancellation of procurement card accounts of former employees increases the risk of unauthorized P-card usage. A similar finding was noted in our report No. 2011-063.

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**Recommendation:** The College should enhance its monitoring procedures over its P-card program to ensure that P-cards are used in accordance with the Manual. The College should also continue its efforts to ensure that P-card accounts of former employees are timely cancelled.

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<b>Student Fees and Enrollment</b>
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**Finding No. 3: Adult General Education**

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The College received State funding for adult general education, and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 99, required that each college report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. In addition, scheduled hours must be consistent with expected hours of attendance and reported lab hours must be supported by attendance records or work data.

For the 2011-12 fiscal year, the College reported to the FDOE 2,265,906 instructional contact hours for adult general education classes provided to 8,947 students. Our review of 3,000 instructional hours reported for 10 students enrolled in 43 adult general education classes, disclosed the following:

- Instructional contact hours for one student enrolled in 12 classes (three classes per term) for the Fall terms A and B and Spring terms A and B were over reported a total of 363.5 contact hours. These classes occupied the same Monday through Thursday time slot during each term, but were reported separately for contact hour purposes. For example, for eight weeks in the Fall A term (August 29 through October 20, 2011) the student attended three classes Monday through Thursday from 6:00 PM to 9:00 PM. The approximate total expected hours of attendance for this term, based on 3 hours per day four days per week, would be 96 hours. However, the College reported a total of 200 contact hours for this student during this term, resulting in an over reporting of 104 hours for the Fall A term.
- For three students enrolled in five classes totaling 360 contact hours, College records did not document the attendance dates or times for these classes to support the reported contact hours.
- For four students, enrolled in four classes, the College reported lab hours totaling 58.5 contact hours. However, in these instances the College did not maintain attendance records to support the reported contact hours.

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

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

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#### PRIOR AUDIT FOLLOW-UP

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The College had taken corrective actions for findings included in our report No. 2011-063, except that finding No. 2 was also noted in prior audit report No. 2011-63, as finding No. 2.

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#### OBJECTIVES, SCOPE, AND METHODOLOGY

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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 January 2012 to November 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. 2011-063.

- 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
Board meetings.	Reviewed Board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, and maintain minutes).
Risk assessment procedures.	Determined whether management had established procedures to assessed control risks over College operations and whether the College had designed controls to address the identified risk.
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.
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.
Student loans.	Determined whether the College had established procedures for students that transferred from other institutions of higher education, to verify whether the student was not in default on student loans or was not past due on a student receivable.
Donation, acquisition, or construction of capital assets involving outside entities.	Reviewed College records to determine whether donations, acquisitions, or construction of capital assets involving outside entities occurred and, if applicable, determined whether such transactions and agreements were appropriate.
Cash collection procedures at Pre-School Lab.	Tested collections at the North Campus Pre-School Lab to determine whether the collection procedures were adequate.
Auxiliary operations.	Reviewed College records to determine whether auxiliary operations were operating efficiently.
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.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Laboratory and other user fees.	Reviewed the College’s procedures and determined whether user fees 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. Determined whether user fees exceeded amounts allowed by Florida Statutes.

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

Scope (Topic)	Methodology
Florida College System Program Fund.	Reviewed expenditures from the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.
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.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
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.
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.
Terminal pay.	Reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Sections 215.425(4)(a) and (b), 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.
Bonuses.	Reviewed College records to determine whether employees were paid bonuses, and if so, whether the bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Direct-support organizations – conflicts of interest.	Determined whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who also made donations to the College's direct-support organization.
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 foreign and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
Contractual agreements.	Determined whether contractual services were significant, and if so, whether these services were supported by Board-approved contracts. Also, examined and tested contracts to ensure that they were properly awarded and executed, that contract terms were adequately supported, and that vendors carried adequate insurance.

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

Scope (Topic)	Methodology
Construction administration.	For selected major construction projects, reviewed 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 managers, and subcontractors by the construction manager.
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.
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional contact hours in accordance with Florida Department of Education requirements.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**

Office of the College President  
300 N.E. Second Avenue  
Miami, Florida 33132-2297



**Eduardo J. Padrón**  
*College President*  
(305) 237-3404 / FAX: (305) 237-3109  
email: epadron@mdc.edu

December 19, 2012

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

Dear Mr. Martin:

Please find the attached College response to the Preliminary and Tentative Findings for the Miami Dade College Operational Audit for the Fiscal Year Ended June 30, 2012. Should you have any questions, please contact Mr. E.H. Levering at (305) 237-2389.

Sincerely,

A handwritten signature in blue ink, appearing to read 'EJP', with a large flourish at the end.

Eduardo J. Padrón

Attachment

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

**Miami Dade College**  
**RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS**  
**2011-12 Operational Audit**

**Finding #1 – Administrative Management**

The College had not implemented an identity theft prevention program, contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

**AG Recommendation**

The College should implement an identity theft prevention program as required by the Red Flags Rule.

**College Response**

The College is taking actions required to address the issues raised in the finding, including the adoption of a Policy regarding the Red Flags Rule.

**Finding #2 – Purchasing Card Program**

The College needed to enhance its monitoring procedures over its purchasing card program to ensure compliance with the College's purchasing card manual.

**AG Recommendation**

The College should enhance its monitoring procedures over its P-card program to ensure that P-cards are used in accordance with the Manual. The College should also continue its efforts to ensure that P-card accounts of former employees are timely cancelled.

**College Response**

Compensating controls exist to minimize potentially unauthorized charges or loss from purchasing card transactions, such as the College's intentional restriction on purchases made from certain businesses. Such restrictions allow purchases to be stopped and reviewed for a valid business purpose by the Purchasing Card Administrator on a transactional case-by-case basis. All noted transactions were appropriately reviewed and approved by the authorized approver for the department. However, the College is taking actions required to address the issues raised regarding purchasing card use.

Effective Spring 2012, the College implemented automated procedures to more effectively identify terminated employees who have been issued purchasing cards so that they can be cancelled timely.

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

**RESPONSE TO PRELIMINARY AND TENTATIVE FINDINGS**

**2011-12 Operational Audit**

**Page 2**

**Finding #3 – Adult General Education**

The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

**AG Recommendation**

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

**College Response**

The College is taking actions required to address the issues raised in the finding.