

# HILLSBOROUGH COMMUNITY COLLEGE

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## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Andrew V. Pittman, Chair from 5-30-13,  
Vice Chair from 8-22-12 to 5-29-13 (1)  
Randall H. Reid, Chair to 8-21-12  
Nancy H. Watkins, Chair from 8-22-12 to 5-29-13,  
Vice Chair to 8-21-12  
MarDee H. Buchman  
James T. Burt II

Dr. Kenneth H. Atwater, President

(1) Vice Chair position remained vacant from May 30, 2013,  
through June 30, 2013.

The audit team leader was Debi Park, CPA, and the audit was supervised by Janice Priolo, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**HILLSBOROUGH COMMUNITY COLLEGE**

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**EXECUTIVE SUMMARY**

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Our operational audit disclosed the following:

**ADMINISTRATIVE MANAGEMENT**

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

**PERSONNEL AND PAYROLL**

**Finding No. 2:** The College President's employment contract included severance pay provisions that did not appear consistent with Section 215.425(4)(a), Florida Statutes.

**STUDENT 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.

**INFORMATION TECHNOLOGY**

**Finding No. 4:** Certain College information technology (IT) policies and procedures were in development or existed only in draft form and had not been approved by management.

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

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**BACKGROUND**

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Hillsborough 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 campuses in Brandon, Plant City, Ruskin, Tampa, and Ybor City, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hillsborough County. The College reported enrollment of 20,472 full-time equivalent students for the 2012-13 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2013, 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, 2013, will be presented in a separate report.

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## FINDINGS AND RECOMMENDATIONS

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**Administrative Management**

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### **Finding No. 1: Identity Theft Prevention Program**

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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 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. 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 October 31, 2009, the College had an identity theft prevention program in place and has provided continuing training to individuals that have access to student records, account records, and those who have any identifiable records that could be at risk. However, contrary to the Rule, the Board had not approved the identity theft prevention program. As such, there is an increased risk that the identity theft prevention program may not be administered in accordance with the Board's intent, and noncompliance with the Rule could result in monetary penalties from the FTC.

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**Recommendation:**     **The College should obtain Board approval of its written identity theft prevention program.**

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**Personnel and Payroll**

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### **Finding No. 2: President's Compensation**

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Section 215.425(4)(a), Florida Statutes, provides that on or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an officer, agent, employee, or contractor must include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Additionally, Section 215.425(4)(a)2., Florida Statutes, requires that the contract or employment agreement contain a provision that prohibits severance pay when the officer, agent, employee, or contractor has been fired for misconduct.

On May 25, 2010, the Board approved an employment contract with the President that contained a provision for severance pay. Subsequent to the approval of this contract, the Board amended the contract on August 24, 2011, to increase the President's salary. The terms of the amended contract provided that all other terms and conditions of the May 25, 2010, contract shall remain in full force and effect. Paragraph (7) of the President's contract provided that if the President received both a negative evaluation and a vote not to be retained by every member of the Board, the President shall be dismissed, the agreement terminated, and the President shall be entitled to an amount equal to one year of base salary. This provision did not appear consistent with Section 215.425(4)(a), Florida Statutes, in that it allowed for severance pay that exceeds 20 weeks of salary. In addition, the contract allowed for the President to receive severance pay should he be fired for misconduct, contrary to Section 215.425(4)(a)2., Florida Statutes.

Subsequent to our inquiry, the Board renegotiated the President's employment contract effective July 1, 2013, and revised the severance pay provisions to comply with Section 215.425(4)(a), Florida Statutes.

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**Recommendation:** The College should ensure that future employment agreements contain severance pay provisions that comply with Section 215.425(4)(a), Florida Statutes.

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

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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 2012-118, Laws of Florida, Specific Appropriate 108, required that each college shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

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. FDOE procedures also provided that a student may be reported only for the instructional contact hours that are scheduled for attendance with a maximum of two hours of testing for placement being counted towards fundable contact hours.

For the 2012 Fall semester, the College reported to the FDOE 14,632 instructional contact hours for 134 student enrolled in adult general education classes. Our review of 534 hours reported for 5 students enrolled in 15 adult general education classes disclosed that contact hours were over reported by 71 hours for all 5 students because the wrong class start date was recorded. For all 5 students tested, the enrollment date was entered into the system as August 20, 2012; however, adult general education classes did not start for the 2012 Fall semester until August 21, 2012, September 4, 2012, September 18, 2012, or September 19, 2012.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that such data be reported correctly. A similar finding was noted in our report No. 2012-069.

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**Recommendation:** The College should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The College should also contact the FDOE to determine what corrective actions are necessary regarding the reporting of contact hours for adult general education classes for the 2012-13 fiscal year.

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**Information Technology**

**Finding No. 4: Written Policies and Procedures**

Each information technology (IT) function needs complete, well documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

As similarly noted in our report No. 2012-069, written IT policies and procedures relating to retention of log files had been drafted by College management but were not finalized or subsequently submitted to the President’s cabinet for approval. Although these draft policies and procedures were used by the College, the absence of final approved written policies and procedures related to retention of log files increases the risk that IT controls will not be consistently applied as intended by management to detect and investigate the compromise of College data and IT resources should it occur.

**Recommendation:** The College should finalize, and submit to the President’s cabinet for approval, written IT policies and procedures relating to retention of log files.

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

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain College security controls related to user authentication and data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls related to user authentication and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised. Similar findings were communicated to College management in connection with our report No. 2012-069.

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

**PRIOR AUDIT FOLLOW-UP**

The following table provides information on recurring audit findings for the College:

Current Fiscal Year Finding Numbers	Preceding Fiscal Year Audit Report and Finding Numbers	Second Preceding Fiscal Year Audit Report and Finding Numbers
3	2012-069, Finding No. 2	NA
4	2012-069, Finding No. 3	2010-047, Finding No. 5
5	2012-069, Finding No. 6	NA

NA – Not Applicable

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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 March 2013 to August 2013 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, safeguarding of assets, and identifying weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2012-069.
- 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 transactions and records occurring during the 2012-13 fiscal year, and selected actions taken prior thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of 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 database and 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.
IT data loss prevention.	Reviewed written security policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security awareness and training.	Determined whether a comprehensive IT security awareness and training program was in place.
IT risk management and assessment.	Determined whether a written, comprehensive IT risk assessment had been developed to document the College’s risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT logical access controls and user authentication.	Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Board and committee meetings.	Reviewed Board and committee 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 maintenance of 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.
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.
Electronic funds transfers and payments.	Reviewed College policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.

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

Scope (Topic)	Methodology
Student receivables.	Determined whether student receivables were properly authorized, adequately documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectible accounts written-off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.
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.
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.
Terminal pay.	Reviewed the College's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.
Severance pay.	Reviewed severance pay provisions in selected contracts 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.
Presidents' compensation.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
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 expenses were reasonable, adequately supported, for a valid College purposes, and limited to amounts allowed by Florida law.
Contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure whether they were properly awarded and executed, that contract terms were adequately supported, and that vendors carried adequate insurance.
Purchasing agreements/State contracts	Determined whether the Board adopted policies to ensure compliance with Section 1001.64, Florida Statutes, requiring the use of purchasing agreements and State term contracts pursuant to Section 287.056, Florida Statutes, or entered into consortia and cooperative agreements to maximize purchasing power for goods and services.

**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 managers, and subcontractors by the construction manager.
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 organization – 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 organization.

EXHIBIT B  
MANAGEMENT'S RESPONSE



[www.hccfl.edu](http://www.hccfl.edu)

# Hillsborough Community College

Office of the President  
Dr. Ken Atwater

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October 29, 2013

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

**RE: HCC OPERATIONAL AUDIT, 6-30-2013**

Dear Mr. Martin:

Enclosed are Hillsborough Community College's responses to the preliminary and tentative findings from the operational audit for the fiscal year ended June 30, 2013.

Please feel free to contact Dr. Barbara Larson, Vice President for Administration and CFO, with any questions at 813.253.7015 or at [blarson2@hccfl.edu](mailto:blarson2@hccfl.edu).

Thank you for the opportunity provided by your office to continue our review and improvement of College operations.

Sincerely,

A handwritten signature in blue ink that reads 'Ken Atwater'.

Dr. Ken Atwater  
President

cc: District Board of Trustees  
Barbara A. Larson, Ed. D.

Enclosure

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

October 29, 2013

**HILLSBOROUGH COMMUNITY COLLEGE**  
**RESPONSES TO PRELIMINARY AND TENTATIVE OPERATIONAL AUDIT FOR**  
**THE FISCAL YEAR ENDED JUNE 30, 2013**

**Finding No. 1: Identity Theft Program**—The Board had not approved the College's identity theft program, contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

**Recommendation: The College should obtain Board approval of its written identity theft prevention program.**

**College Response:** The College has an identity theft program. An identity theft rule has been drafted and will be taken to the Board for approval. This will be accomplished no later than January 2014.

**Finding No. 2: President's Compensation**—The College President's employment contract included severance pay provisions that did not appear consistent with Section 215.425(4)(a), Florida Statutes.

**Recommendation: The College should ensure that future employment agreements contain severance pay provisions that comply with Section 215.425(4)(a), Florida Statutes.**

**College Response:** Per the finding, the College is already in compliance with Section 215.425 (4) (a), and was in compliance during the year that was the subject of this audit. The Board of Trustees amended the President's contract on May 30, 2013, following the Board of Trustees meeting on May 25, 2013. The President's contract does not provide for severance pay that exceeds 20 weeks of salary, nor for severance pay should he be fired for misconduct.

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

**Recommendation: The College should strengthen its controls to ensure accurate reporting of instructional contact hours for adult education classes to the FDOE. The College should also contact the FDOE to determine what corrective actions are necessary regarding the reporting of contact hours for adult general classes for the 2012-13 fiscal year.**

**College Response:** Since 2011, the College has implemented measures designed to monitor and effectively report instructional contact hours for adult general education classes including: 1) the daily recording of class attendance, 2) the immediate identification and withdrawal of students who reach six consecutive absences, and 3) improved reports to monitor section hours. HCC recently implemented additional measures to include conducting orientation sessions separately from calculated instructional hours to ensure that only instructional contact hours are captured and reported. Finally, HCC staff and administrators have communicated with the Florida

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

*October 2013*

*Hillsborough Community College*

Department of Education regarding the reporting of instructional contact hours for adult general education classes.

**Finding No. 4: Written Policies and Procedures**—Certain College information technology (IT) policies and procedures were in development or existed only in draft form and had not been approved by management.

**Recommendation: The College should finalize, and submit to the President's cabinet for approval, written IT policies and procedures relating to retention of log files.**

**College Response:** HCC is currently in the pilot stage of log aggregation and analysis software. The pilot will be completed by the end of October 2013 and the full implementation will be completed by the end of March 2014. The full implementation will include acquiring appropriate licensing and hardware, setting up servers for log aggregation and an approved procedure by the president's cabinet for log monitoring and retention.

**Finding No. 5: Security Controls—User Authentication and Data Loss Prevention**-The College's IT security controls related to user authentication and data loss prevention needed improvement.

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

**College Response:** In March 2013, the College began a detailed review of the security access for the Colleague ERP system and has started implementing updated security controls. After careful review of the Colleague ERP authentication system, in July 2013 the College began to implement changes to the authentication system that requires a more complex User ID/password.

The College is developing a Data Classification policy. This policy will be approved before the end of March 2014.