

NORTH FLORIDA COMMUNITY COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	<u>County</u>
Michael R. Williams, Chair (1)	Madison
Ricky N. Lyons, Vice Chair (1)	Lafayette
Ann Sharon Benoit	Madison
Dr. William L. Brothers (2)	Suwannee
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David Howell from 5-20-14	Hamilton
William D. Washington (4)	Madison
Lloyd Gary Wright	Jefferson

Mr. John Grosskopf, President

- Notes: (1) Board member served beyond the end of term, May 31, 2013, until reappointment on February 11, 2014.
- (2) Board member served beyond the end of term, May 31, 2010.
- (3) Board member resigned on January 21, 2014, and the position remained vacant until replaced on May 20, 2014.
- (4) Board member served beyond the end of term, May 31, 2014.

The audit team leader was Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

NORTH FLORIDA COMMUNITY COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The College needed to enhance its monitoring procedures to ensure that instructors provide the required certifications that all required textbooks and other instructional items will be used in their courses.

Finding No. 2: The College needed to enhance its monitoring procedures over its auxiliary fund food service program to ensure that it is operated on a self-sustaining basis. The College also needed to ensure that all operating costs for its food service program are recorded in the auxiliary fund to ensure the proper recording of all costs for financial monitoring purposes.

INFORMATION TECHNOLOGY

Finding No. 3: Some unnecessary information technology access privileges existed, indicating a need for an improved review of access privileges.

BACKGROUND

North Florida 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 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 a campus in Madison, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Hamilton, Jefferson, Lafayette, Madison, Suwannee, and Taylor Counties. The College reported enrollment of 798 full-time equivalent students for the 2013-14 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2014, 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, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Textbook Affordability

Section 1004.085(3), Florida Statutes, requires that colleges post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) Rule 6A-14.092(3), Florida Administrative Code (FAC), requires colleges to collect and maintain, before each textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional

items ordered will be used, particularly each individual item sold as part of a bundled package, and to document the extent to which a new edition differs significantly and substantively from earlier versions, along with the value of changing to a new edition. The SBE created the Textbook Affordability Workgroup (Workgroup), which has issued recommendations for textbook affordability for students. The recommendations included a provision that each college develop and monitor policies and guidelines for textbook adoption.

The Board adopted Policy 2.05, Textbook Selection and Discontinuation, and the College had written procedures in the Faculty Handbook that stated textbook selection shall be the responsibility of faculty members and all recommendations must be submitted to the supervising department chair on the proper form. However our test of textbooks and other instructional materials as listed on the College’s Web site for 20 courses taught in the Fall 2014 Term disclosed that the required instructor certifications had not been obtained from faculty or department chairs. In response to our inquiry, the College developed a textbook certification form and obtained the required certifications from instructional personnel for the 20 courses tested. Failure to obtain and maintain the certifications from faculty or department chairs increases the risk that students may unnecessarily purchase textbooks or other instructional materials that are not going to be used for their courses.

Recommendation: The College should continue its efforts to enhance monitoring procedures to ensure that instructor certifications are obtained for required textbooks and other instructional materials used in their courses.

Finding No. 2: Auxiliary Enterprises

Auxiliary enterprises are established primarily to provide non-instructional services for sale to students, faculty, and staff and are intended to be self-supporting. Auxiliary enterprises of the College include the food service operations, a contracted online e-bookstore, an artist series community theater, and a fitness center. Our review of the operations of these various auxiliary enterprises disclosed that all are self-supporting with the exception of the food service operations. As noted in the following table, College food service operations were not self-sustaining in the current fiscal year and have historically operated at a loss.

**Food Service Auxiliary Fund
Revenues, Expenditures, and Changes in Fund Balance
For the 2010-11 Through 2013-14 Fiscal Years**

	Fiscal Year			
	2010-11	2011-12	2012-13	2013-14
Operating Revenues	\$ 77,758	\$ 78,548	\$ 63,080	\$ 54,777
Less, Operating Expenditures	135,163	137,780	83,146 (1)	69,369 (1)
Operating Loss	(57,405)	(59,232)	(20,066)	(14,592)
Beginning Fund Balance	(460,410)	(517,815)	(577,047)	(597,113)
Ending Fund Balance	<u>\$ (517,815)</u>	<u>\$ (577,047)</u>	<u>\$ (597,113)</u>	<u>\$ (611,705)</u>

(1) For the 2012-13 and 2013-14 fiscal years, the salary and benefit costs for the food service manager were not recorded in the food service auxiliary fund, but were recorded in the current unrestricted fund.

Source: Trial Balance Report

The trial balance for the College’s food service auxiliary fund disclosed a deficit fund balance of \$611,705 at June 30, 2014, which represents accumulated operating losses from prior years. Although, the College reported less operating losses for the 2012-13 and 2013-14 fiscal years, this was the result of recording the salary and benefit costs

for the food service manager in the current unrestricted fund rather than in the food service auxiliary fund. If the salary and benefit costs for the food service manager had been recorded in the food service auxiliary fund, as in previous years and in accordance with the Accounting Manual for Florida's College System, the College would have reported an operating loss of \$51,096 for the 2012-13 fiscal year and an operating loss of \$47,336 for the 2013-14 fiscal year, and as a result, the deficit fund balance of the food service auxiliary fund would have been \$675,479 at June 30, 2014, or \$63,774 more than reported by the College.

Although other auxiliary enterprises are operating with sufficient revenues to absorb the operating losses of the food service auxiliary fund, continued operating losses increase the risk that other auxiliary operations may be at risk of not having resources to meet their needs as separate auxiliary enterprises. Also, if the College's other auxiliary enterprises are unable to continue funding the operating losses of the food service operations, there is an increased risk that other College resources may be required to fund the food service operations. In addition, recording all costs of the food service operations in the food service auxiliary fund would ensure that management and the Board are provided accurate financial information on which to evaluate the financial position of the food service operations.

Recommendation: College management should thoroughly evaluate the food service operations and determine the cause for the operating losses and determine if corrective measures are available to mitigate or eliminate the losses. Additionally, the College should ensure that all costs of the food service operations are recorded in the food service auxiliary fund.

Information Technology

Finding No. 3: 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.

Our tests of selected access privileges to the College's network disclosed the existence of some unnecessary access privileges. Specifically, the Coordinator of Databases and Reports and a Database Systems Analyst had privileges associated with the domain administrator group that were used to administer the College's network and were unnecessary for their assigned application support and database administration responsibilities. Domain 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. In response to our inquiry, College management removed the two IT employee's domain administrator privileges.

When complete network access privileges are unnecessarily granted, the risk is increased that unauthorized or unintentional hardware, software, or configuration changes may occur and not be timely detected. A similar finding was noted in our report No. 2013-043.

Recommendation: The College should limit assignment of network administrative access to users or accounts with documented responsibilities for managing or accessing College network resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2013-043, except that finding No. 3 was also noted in prior audit report No. 2013-043 as finding No. 6.

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 April 2014 to September 2014 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 safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in our report No. 2013-043.
- 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 records and transactions occurring during the 2013-14 fiscal year, and selected actions through

September 2014. Unless otherwise indicated in this report, these records and transactions 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.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the College’s Enterprise Resource Planning finance and human resources applications and network 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.
IT security incident response.	Reviewed the College’s written policies and procedures, plans, and forms related to security incident response and reporting.
IT authentication controls.	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.
IT disaster recovery plan.	Determined whether a comprehensive IT disaster recovery plan was in place and had been recently tested.
IT logging and monitoring controls.	Reviewed the College’s procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
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).
Fund equity controls.	Determined whether the unencumbered balance in the unrestricted current fund of the College Board of Trustees’ approved operating budget was below five percent of the total available fund balance at June 30, 2014, and if so, whether the College notified the Florida Department of Education, as required by Section 1011.84(3)(e), Florida Statutes. Performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.
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.
Direct-support organization.	Tested payments, transfers, and loans between the College and its direct-support organization to determine the legal authority of such payments, transfers, and loans.
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.
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.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Student activity and service fees.	Determined whether activity and service fees were limited to no more than 10 percent of the total tuition fee as provided in Section 1009.23(7), Florida Statutes.
Technology fees.	Determined whether technology fees were used to enhance instructional technology resources as provided in Section 1009.23(10), Florida Statutes.
Dual enrollment program.	Reviewed College policies and procedures related to the dual enrollment program. Determined, on a test basis, whether revenues collected for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Auxiliary operations.	Reviewed auxiliary operations to determine whether the College was monitoring operations to ensure that auxiliary operations were self-supporting.
Personnel and payroll.	For selected employees, determined the accuracy of the rate of pay, validity of employment contracts, adequacy of qualifications, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports.
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.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Background screenings.	Reviewed the College’s policies and procedures for obtaining background screenings for personnel. Determined whether employees in sensitive positions, such as positions in direct contact with minors, had undergone the appropriate background screenings.
Eligibility for health insurance benefits.	Reviewed College policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the College had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions.
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 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 that they were properly awarded and executed, and that contract terms were adequately supported.
Earmarked capital outlay resources.	Determined, on a test basis, whether Public Education Capital Outlay (PECO) and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of those resources. Determined if PECO funds were properly encumbered by the required reversion date.
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.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid College purposes. Also, determined whether such payments were for employees doing business with the College, contrary to Section 112.313, Florida Statutes.
Related-party transactions.	Reviewed College policies and procedures related to identifying potential conflicts of interest. For selected College officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and College records to identify any potential relationships that represent a conflict of interest with vendors used by the College.

EXHIBIT B
MANAGEMENT'S RESPONSE



Office of the President

October 23, 2014

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

Dear Mr. Martin:

This letter is in response to our receipt of the list of preliminary and tentative findings and recommendations made to North Florida Community College as a result of the operational audit for the fiscal year ended June 30, 2014. There were three findings in this report.

Finding No. 1 – Textbook Affordability

The College needed to enhance its monitoring procedures to ensure that instructors provide the required certifications that all required textbooks and other instructional items will be used in their courses.

The referenced certifications have been added to all course syllabi and department chair monitoring and documentation procedures have been upgraded to ensure compliance for Fall, 2014 as well as in future terms.

Finding No. 2 – Auxiliary Enterprises

The College needed to enhance its monitoring procedures over its auxiliary fund food service program to ensure that it is operated on a self-sustaining basis. The College also needed to ensure that all operating costs for its food service program are recorded in the auxiliary fund to ensure the proper recording of all costs for financial monitoring purposes.

College management will evaluate the food service operations and determine the cause for all operating losses. Any available corrective measures will be taken and all costs of the food service operations will be recorded in the food service auxiliary fund for financial monitoring purposes.

Finding No. 3 – Access Privileges

Some unnecessary information technology access privileges existed, indicating a need for an improved review of access privileges.

All access privileges in the area of network administration have been removed for all users or accounts without documented responsibilities for managing or accessing the network resources. Enhanced monitoring procedures will ensure that unnecessary access is not assigned in the future.

As always, we appreciate the professional manner in which the audit was conducted. We look forward to continued growth in accountability based on the recommendations, and will continue to work to ensure compliance with all generally accepted accounting principles as well as state statutes and rules.

Sincerely,


John Grosskopf,
President

Cc: Cathy L. Bandy, Audit Supervisor

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