

NEW COLLEGE OF FLORIDA

Operational Audit



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Notes: (1) Faculty senate chair.
(2) Student body president.

The audit team leader was Svetlana V. Izmailova, CPA, and the audit was supervised by Karen J. Collington, 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.

NEW COLLEGE OF FLORIDA

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT

Finding No. 1: The College needed to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

PERSONNEL AND PAYROLL

Finding No. 2: Certain employment agreements included severance pay provisions that were contrary to Section 215.425, Florida Statutes. Consequently, the College made severance payments that exceeded the limitations provided by Section 215.425, Florida Statutes.

INFORMATION TECHNOLOGY

Finding No. 3: Some inappropriate information technology access privileges existed.

BACKGROUND

New College of Florida (College) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting College policies, which provide governance in accordance with State law and Board of Governors’ Regulations. The College President is selected by the Trustees and confirmed by the Board of Governors. The College President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the College.

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

Finding No. 1: Textbook Affordability

Section 1004.085(3), Florida Statutes, requires that universities post on their Web sites, as early as feasible, but not less than 30 days prior to the first day of class for each term, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, Board of Governors (BOG) Regulation No. 8.003, *Textbook Adoption*, provides that each university board of trustees adopt a regulation that establishes textbook adoption procedures to minimize the costs of textbooks for students and document the intent of the course instructors to use

all items ordered, including the extent to which a new edition differs significantly and substantively from earlier versions and the value of changing to a new edition. The posted list must include the International Standard Book Number (ISBN) for each required textbook or other identifying information, which must include, at a minimum, all of the following: the title, all authors listed, publishers, edition number, copyright date, published date, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

The College had established the BOG required textbook adoption regulation and procedures; however, the College did not have monitoring procedures in place to ensure the posting of textbook lists 30 days before the first day of class. The College contracted with a vendor to manage and operate the College's bookstore, as well as compile and post lists of adopted textbooks on the College's Web site. According to College bookstore personnel, textbooks are supposed to be published on the College's Web site within 24 hours after the adopted textbooks are recorded in the vendor's system.

Our review disclosed that the College adopted 271 textbooks for the Fall 2013 term and 363 textbooks for the Spring 2014 term, which included the required ISBN or other identifying information. However, information for 47 textbooks for the Fall 2013 term and 91 textbooks for the Spring 2014 term was not posted on the College's Web site at least 30 days prior to the first day of class for each term, contrary to State law. These textbooks were posted from 3 to 46 days late, including 1 textbook for the Fall 2013 term and 13 textbooks from the Spring 2014 term, that were posted to the College's Web site from 2 to 16 days after the first day of class. College bookstore personnel provided explanations for the late posting, such as late notification by professors of their textbook requirements; instructors being appointed later than originally planned and the textbook orders could not be placed until the instructors were appointed; and instructors anticipated using a textbook that would not be published until after the class started but before the textbook would be used in the class.

Effective monitoring procedures would help ensure that textbooks are listed on the College's Web site in accordance with State law and BOG Regulations. Timely posting of textbook information is necessary to improve textbook affordability for students.

Recommendation: The College should enhance its monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

Personnel and Payroll

Finding No. 2: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that 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 must include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Our review of severance payments made during the 2013-14 fiscal year disclosed the following:

- On June 3, 2012, the Board of Trustees approved an employment agreement with the new College President for an employment period of June 3, 2012, through June 30, 2017. Section 3.b. of the employment agreement provides that if the President is terminated without cause the President shall be paid a severance payment of one year of base salary. In addition, Section 3.e. provides that if the College breaches the agreement and that breach is not cured within 30 calendar days, the President may terminate the agreement and be paid severance pay of one year of base salary. These provisions are contrary to Section 215.425(4)(a), Florida Statutes, in that they allow for the President to receive severance pay that exceeds 20 weeks of salary.

- Three administrative and professional (A&P) employees were placed on 26 weeks of administrative leave and paid salary and benefits totaling \$109,676, of which \$83,825 was paid during the 2013-14 fiscal year, pursuant to a buyout provision included in these employees’ employment agreements. The buyout provision for these employees allowed for an amount equal to six months’ salary for employees with one or more years of College A&P service, if the College elected to cancel the contract without cause. Payments to these three employees exceeded the 20 weeks of compensation limitation prescribed by Section 215.425(4)(a), Florida Statutes. As a result, \$25,569 of salary and benefits was paid to these employees in excess of the amount authorized by law. The College placed the employees on administrative leave rather than immediately terminating them and making a severance payment and, as a result, the employees earned annual and sick leave during the 26-week period and were paid \$5,212 for 23 days of leave accrued during the period the employees were on administrative leave. College records did not evidence the public purpose served by allowing these employees to accrue leave while on administrative leave rather than immediately terminating them.

Recommendation: The College should ensure that future employment agreements contain provisions for severance pay that are in accordance with Section 215.425(4), Florida Statutes. The College should also take appropriate action to amend the President’s employment agreement and the Administrative and Professional Employee employment agreements to be consistent with Section 215.425(4)(a), Florida Statutes.

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 review of selected access privileges to the College’s Enterprise Resource Planning (ERP) system, including finance and human resources (HR) applications, disclosed some access privileges that permitted employees to perform incompatible functions. Specifically, the Assistant Director for HR and an HR Coordinator had the ability to update critical transactions within the HR application, including creating a new employee, creating a new employee position, adding an employee to a position, changing employee information, inputting time, adjusting rate of pay, entering direct deposit information, and initiating payroll processing. This access was granted through a combination of ERP application-delivered security classes that resulted in an inappropriate separation of duties.

In response to our inquiry, the College modified the access granted to the two employees by removing their ability to create a new employee, create a new employee position, adjust the rate of pay, and entering direct deposit information. The existence of these inappropriate access privileges increased the risk of unauthorized disclosure, modification, or destruction of College data and IT resources. A similar finding was noted in our report No. 2012-012.

Recommendation: The College should strengthen controls to ensure access privileges assigned to employees enforce an appropriate separation of duties.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2012-012, except that finding No. 3 was also noted in prior audit report No. 2012-012, 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 March 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. 2012-012.
- 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. 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 College 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 to determine the appropriateness and necessity based on the employees’ job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees’ access to electronic data files. Reviewed access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT logging and monitoring.	Reviewed 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.
IT authentication controls.	Reviewed supporting documentation 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).
Textbook affordability.	Examined supporting documentation to determine whether the College’s procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
Identity theft prevention program (Red Flags Rule).	Reviewed College policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission’s Red Flags Rule.
Fund equity controls.	Determined whether the unencumbered available balance in the education and general 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 Board of Governors (BOG), as required by Section 1011.40(2), Florida Statutes, and BOG Regulation 9.007(3)(a)2. 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 unencumbered available balance in the education and general fund.
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, documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectable 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, 1009.24, and 1009.286(2), Florida Statutes, and BOG Regulation 7.005.
Tuition differential fees.	Reviewed payments from tuition differential fees collected to determine whether the College assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Auxiliary operations contract compliance.	Examined selected auxiliary operations contracts to determine whether the College was properly monitoring compliance with the contract terms regarding fees, insurance, and other provisions. Also, performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
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.
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.
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, BOG Regulations, and College policy.
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 children, had undergone the appropriate background screenings.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), 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.
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 in compliance with laws and regulations, and were reasonable, adequately supported, and for a valid College purpose.
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.
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.
Earmarked capital project 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 these resources. Determined if PECO funds were properly encumbered by the required reversion date.
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 A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Direct-support organizations.	Tested payments between the College and its direct-support organization to determine the legal authority of such payments.

EXHIBIT B
MANAGEMENT'S RESPONSE



*Office of the Vice President
Finance & Administration*

October 21, 2014

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

Dear Mr. Martin:

Enclosed is our response to your preliminary and tentative findings and recommendations associated with New College of Florida's Operational Audit for the fiscal year ending June 30, 2014.

We appreciate the thoroughness and professionalism of your staff in completing this audit and helping the College maintain and improve operations and accountability. Should you have any questions or need additional information, please do not hesitate to contact me via email at jmartin@ncf.edu or via phone at 941-487-4445.

Sincerely,

A handwritten signature in blue ink that reads 'John Martin' with a stylized flourish at the end.

John Martin
Vice President for Finance and Administration and CFO

Enclosure

cc: Mr. Keith Monda, Chair, Board of Trustees
Ms. Mary Ruiz, Chair, Audit Committee
Dr. Donal O'Shea, President
Dr. Steve Miles, Provost and Vice President for Academic Affairs
Dr. Robert Zamsky, Dean of Studies
Ms. YeVette Thornton, Director of Human Resources

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

NEW COLLEGE OF FLORIDA

Response to Preliminary and Tentative Operational Audit Findings
For the Fiscal Year Ended June 30, 2014

Administrative Management

Finding No. 1: The College needed to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

Recommendation: The College should enhance its monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

Management's Response: The College concurs with the finding and recommendation. The College will work more closely with our campus bookstore to track progress of book adoptions and will strengthen its monitoring procedures in coordinating adoptions with academic units to identify and post textbooks timely on the College's web site.

Responsible Auditee: Dr. Robert Zamsky, Dean of Studies

Personnel and Payroll

Finding No. 2: Certain employment agreements included severance pay provisions that were contrary to Section 215.425, Florida Statutes. Consequently, the College made severance payments that exceeded the limitations provided by Section 215.425, Florida Statutes.

Recommendation: The College should ensure that future employment agreements contain provisions for severance pay that are in accordance with Section 215.425(4), Florida Statutes. The College should also take appropriate action to amend the President's employment agreement and the Administrative and Professional Employee employment agreements to be consistent with Section 215.425(4)(a), Florida Statutes.

Management's Response: The College concurs with the finding and recommendation. The College will take appropriate actions to amend present and future employment agreements to be consistent with current State law.

Responsible Auditee: Ms. YeVette Thornton, Director of Human Resources

Information Technology

Finding No. 3: Some inappropriate information technology access privileges existed.

Recommendation: The College should strengthen controls to ensure access privileges assigned to employees enforce an appropriate separation of duties.

Management's Response: The College concurs with the finding and recommendation. As noted in your report, the College has already modified the access granted to the two employees. We will review employee access privileges to ensure compatibility with employee job responsibilities while maintaining an appropriate separation of duties.

Responsible Auditee: Ms YeVette Thornton, Director of Human Resources