

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

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Dr. Craig A. Trigueiro, Vice Chair to 9-9-13, Chair from 9-10-13 (1)	Manatee
Edward A. Bailey, Vice Chair from 9-10-13	Manatee
Carlos M. Beruff, Chair to 9-9-13	Manatee
Marlen J. Hager	Manatee
Ann Y. Moore (1)	Sarasota
Lori A. Moran	Sarasota
Charlene J. Neal	Manatee
Eric Robinson	Sarasota
Robert A. Wyatt from 3-24-14 (2)	Sarasota

Dr. Carol Probstfeld, President

- Notes: (1) Board member served beyond the end of term, May 31, 2014.
(2) Position remained vacant from July 1, 2013, through March 23, 2014.

The audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us 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.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

INFORMATION TECHNOLOGY

Finding No. 1: Some inappropriate and unnecessary information technology access privileges existed, indicating a need for an improved review of access privileges.

BACKGROUND

State College of Florida, Manatee-Sarasota (College) is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education rules. A board of trustees (Board) governs and operates the College. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has campuses in Bradenton, Lakewood Ranch, and Venice, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Manatee and Sarasota Counties. The College reported enrollment of 7,634 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.

FINDING AND RECOMMENDATION

Information Technology

Finding No. 1: 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 and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors 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 were unnecessary or that permitted certain College employees or contractors to perform incompatible duties. Specifically:

- The ERP-delivered security account used for assigning access privileges within the finance and HR applications was assigned ERP-delivered security classes that provided the ability to update all critical transactions within both applications. In addition, an ERP-delivered finance application account was assigned an ERP-delivered security class that provided the ability to update all critical transactions within the finance application. Only one College employee acting in the database administrator role had the ability to utilize the access privileges granted by these accounts; however, it was unnecessary for these accounts to be

assigned an ERP-delivered security class providing such extensive privileges. In response to our inquiry, College management removed the ERP-delivered security classes from these accounts.

- The Director of IT Administrative Services, the Manager of Application Support, and two contractors had the ability to update all critical HR transactions. An additional contractor had the ability to update all critical finance and HR transactions. These access privileges were granted through the same ERP-delivered security classes noted above and included the ability to, among other things, update vendor information, input a purchase order and a change order, receive goods, select invoices for payment, and initiate vendor payments within the finance application and add a new employee, create a new employee position, input time, adjust rate of pay, enter direct deposit information, and initiate payroll processing within the HR application. The access privileges granted were contrary to an appropriate separation of IT employee- and contractor-assigned responsibilities for the technical support of the College's ERP application and end-user duties. In response to our inquiry, the College removed the access for two of the contractors and disabled the Manager of Application Support's account.
- Seven employees within the HR department, the Associate Vice-President of Finance, a Senior Accountant, and the Executive Assistant to the President had the ability to update critical transactions within the HR application, including adding a new employee, creating a new employee position, changing employee information, inputting time, adjusting rate of pay, and entering direct deposit information. This access was granted through a combination of College-developed security classes and was contrary to an appropriate separation of duties.

The existence of these unnecessary and inappropriate access privileges increases the risk of unauthorized disclosure, modification, or destruction of College data and IT resources. A similar finding was noted in our report No. 2013-064.

Recommendation: The College should ensure that access privileges assigned are necessary and enforce an appropriate separation of duties.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2013-064, except that finding No. 1 was also noted in prior audit report No. 2013-064, 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. 2013-064.
- 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, weaknesses 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.	Tested selected access privileges over the network and to the College's Enterprise Resource Planning finance and human resources applications to determine the necessity and appropriateness based on employee and contractor job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT logging and monitoring controls.	Reviewed 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.
Identity theft prevention program (Red Flags Rule).	Reviewed the College's identity theft prevention program, training of employees, and monitoring of third-party service providers' compliance with the College's identity theft prevention program.
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.
Direct-support organization.	Reviewed College payments to its direct-support organization to determine the legal authority of such payments.
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.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Dual enrollment programs.	Reviewed College policies and procedures related to dual enrollment programs. 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 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.
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.
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.
Personnel and payroll.	Tested payroll transactions to determine whether rate of pay was approved by the Board.
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.
President’s compensation.	Determined whether the President’s compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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, that contract terms were adequately supported, and that vendors carried adequate insurance.
Construction administration.	For a major construction project, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules.
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 whether 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



STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

OFFICE OF THE PRESIDENT
Carol F. Probstfeld, Ed.D.

November 6, 2014

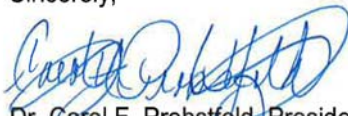
Mr. David W. Martin
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

In response to your letter dated October 13, 2014 regarding the operational audit for the fiscal year ended June 30, 2014, please find attached a written statement of explanation and the actual or proposed corrective actions to the Preliminary and Tentative Audit Finding.

Please let me know if you have questions or need additional information.

Sincerely,



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

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

**RESPONSE TO THE PRELIMINARY AND TENTATIVE AUDIT FINDING
AND RECOMMENDATION
STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA**

**OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is the State College of Florida, Manatee-Sarasota response to the finding identified in the State Auditor General's Operational Audit Report for the Fiscal Year Ended June 30, 2014.

RESPONSE TO FINDING AND RECOMMENDATION

Finding No. 1: Access Privileges.

Recommendation: The College should ensure that access privileges assigned are necessary and enforce an appropriate separation of duties.

College Response:

The College has taken steps to reassign access privileges to necessary parties only and in strict recognition of departmental duties. The reassignment results in removal of access completely for three of the seven identified employees and reduction of access for others. Where there remains high level risk access, we have implemented compensating controls that will mitigate the potential of any unauthorized transactions.