

POLK STATE 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:

Linda Pilkington, Vice Chair to 8-25-13
Chair from 8-26-13
Daniel F. Dorrell, Vice Chair from 8-26-13 (1)
Mark G. Turner, Chair to 8-25-13
Ricardo Garcia
Gregory Littleton
Teresa V. Martinez (2)
Vacant (3)

Dr. Eileen Holden, President

Notes: (1) Board member served beyond the end of term, May 31, 2014.
(2) Board member served beyond the end of term, May 31, 2013.
(3) Position remained vacant from July 1, 2013, through June 30, 2014.

The audit team leader was Yuling Liu, CPA, and the audit was supervised by David A. Blanton, CPA. 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.

POLK STATE COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The College needed to enhance its textbook affordability policies and procedures to ensure that students can obtain textbooks and course materials for the lowest and best price within acceptable quality.

Finding No. 2: The College had not fully implemented an identity theft prevention program, contrary to Section 114 of the Fair and Accurate Credit Transaction Act of 2003.

Finding No. 3: The Board had not adopted written policies and procedures relating to electronic funds transfers.

STUDENT TUITION AND FEES

Finding No. 4: The College's controls over student accounts receivable needed improvement.

STUDENT ENROLLMENT

Finding No. 5: The College needed to improve its controls over reporting student enrollment for State funding purposes.

PERSONNEL AND PAYROLL

Finding No. 6: The College did not have procedures, such as reconciliations of insurance billings to retiree premium receipts, to ensure that payments to various insurance providers were only for eligible participants that had paid for post-retirement coverage.

Finding No. 7: The College had not established procedures to require verification of eligibility of all dependents covered by the College's health insurance plan.

Finding No. 8: The College's procedures for verifying newly hired employees' education and experience needed improvement.

Finding No. 9: The College needed to implement procedures to ensure documented supervisory review and approval of exempt employees' work time.

PURCHASING

Finding No. 10: The College needed to enhance its purchasing card procedures.

EXPENSES AND DISBURSEMENTS

Finding No. 11: College records did not evidence the necessity of holding a retreat, at a cost of \$11,091, at a local resort 24 miles from its main campus.

DIRECT-SUPPORT ORGANIZATION

Finding No. 12: The College paid its Foundation \$95,981 without obtaining evidence of the specific services received.

INFORMATION TECHNOLOGY

Finding No. 13: Some inappropriate or unnecessary information technology (IT) access privileges existed indicating a need for an improved review of access privileges.

Finding No. 14: The College did not timely deactivate network access privileges of some former employees.

Finding No. 15: The College's IT security awareness program needed improvement.

Finding No. 16: College IT security controls related to data loss prevention and logging and monitoring of system activity needed improvement.

BACKGROUND

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

The College has campuses in Lakeland and Winter Haven, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Polk County. The College reported enrollment of 7,905 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.

Although the College had procedures in place for posting textbooks on the College's bookstore Web site, our review of textbook information for courses offered during the 2013-14 fiscal year Fall and Spring semesters disclosed the following:

- The College had not established monitoring procedures to ensure that textbook information was posted on the College's bookstore Web site at least 30 days prior to the first day of classes. In response to our inquiry, College personnel indicated they rely on students or faculty to report textbook posting problems. 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 bookstore Web site. College records were maintained documenting the date that each faculty member forwarded the request for instructional materials to the College bookstore. Our review of this information disclosed the textbook information for 87 textbooks for the Fall 2013 term and 69 textbooks from the Spring 2014 term was not forwarded to the College bookstore

at least 30 days prior to the first day of class for each term, contrary to State law. These textbooks were forwarded to the College bookstore from 9 to 29 days late, including information for 29 textbooks for the Fall 2013 term and 22 textbooks for the Spring 2014 term, that were forwarded to the College bookstore from 6 to 8 days after the first day of class.

- The Workgroup suggested a course-wide adoption of textbooks for the same course to reduce textbook costs. The College has adopted the Workgroup’s recommendation on course-wide textbook adoption for 15 of 36 departments; however, for 10 departments faculty members were independently permitted to select textbooks for their courses and for another 11 departments it was left to the discretion of each respective campus. As a result, different sets of textbooks or instructional materials for the same course could be adopted for 21 of the 36 departments, including but not limited to, business, mathematics, english, science, and nursing. Our review of textbooks and instructional materials for 698 courses posted on the College Web site disclosed price differences for the same course, as follows:

Course	Cost of New			Cost of Used		
	Textbooks and Materials			Textbooks and Materials		
	High	Low	Difference	High	Low	Difference
College Algebra	\$ 235	\$ 124	\$ 111	\$ 176	\$ 93	\$ 83
College Composition	129	34	95	97	26	71
Intermediate Algebra	298	113	185	224	85	139

As noted above, the costs of new or used textbooks and course materials for students enrolled in these three courses may differ by as much as \$185 for new, and \$139 for used, depending upon the course section for which students were enrolled.

- According to College personnel, required instructor certifications, attesting that all required textbooks and other instructional items ordered would be used, were not prepared. College personnel indicated they rely on the textbook adoptions transmitted by faculty to the bookstore for each course offered. As noted above, the College has established three different textbook selection methods established at the departmental level. Given that instructional material selection is not up to the instructor for 26 of the 36 departments, such certifications are necessary to ensure the selected instructional materials will be used. Failure to obtain required certifications from instructors increases the risk that students may unnecessarily purchase textbooks or other instructional materials that are not going to be used for their courses.

Establishing policies and procedures, reflecting compliance with Section 1004.085, Florida Statutes, SBE Rule 6A-14.092(3) FAC, and the Workgroup recommendations would assist the College in improving textbook affordability for its students.

Recommendation: The College should develop and implement textbook affordability policies and procedures to ensure textbooks and other required instructional materials are available to its students at the lowest and best prices within acceptable quality. The College should also ensure that textbook information is timely posted to its Web site, and required certifications are obtained from instructors.

Finding No. 2: Identity Theft Prevention Program

In response to increasingly pervasive risks associated with the custodianship of sensitive information, Section 114 of the Fair and Accurate Credit Transactions Act of 2003 (Act) expanded on the Federal Trade Commission’s (FTC) Fair Credit Reporting Act of 1970 to provide clear guidance to businesses and other organizations that process certain personal information that places them at high risk for identity theft. The Act was implemented by the Red Flags Rule (Rule), which went into effect November 1, 2008, and enforcement of the Rule began on January 1, 2011. The Rule requires financial institutions and creditors that hold consumer accounts designed to permit multiple payments or

transactions or any other account for which there is a reasonable foreseeable risk of identity theft to develop and implement 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. The College established an Identification Theft Task Force, which drafted a Red Flag Policy in February 2014; however, contrary to the Rule, the Board had not approved the identity theft prevention program as of November 2014. Further, although College personnel indicated that required training was provided to College employees who have access to student records, account records, and those who have any identifiable records that could be at risk, College records did not evidence that training specifically addressing identity theft prevention was provided to College personnel. A similar finding was noted in our report No. 2013-038.

Recommendation: The College should continue its efforts to implement an identity theft prevention program as required by the Red Flags Rule.

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each Florida College System institution board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between colleges and other entities.

According to the College’s records, approximately \$67 million of electronic funds transfers were made during the 2013-14 fiscal year for transactions such as transfers and payments to employees and vendors. In response to our inquiry, College personnel stated that the Board had not established formal written policies and procedures addressing the use of electronic funds transfers. While the College had established controls over electronic funds transfers, the lack of specific guidance in the form of Board-approved written policies and procedures increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes. A similar finding was noted in our report No. 2013-038.

Recommendation: The Board should adopt written policies and procedures related to electronic funds transfers.

Student Tuition and Fees

Finding No. 4: Student Receivables

Section 1010.03, Florida Statutes, provides that a Florida College System institution board of trustees shall exert every effort to collect all delinquent accounts and may employ the services of a collection agency when deemed advisable in collecting delinquent accounts. The Statute further states the board of trustees may adopt rules to implement provisions of this section, including setoff procedures, and restrictions on release of transcripts, awarding diplomas, and access to other College resources and services. College Procedure No. 5007, Delinquent Accounts, provides that the creation of an invoice automatically places a hold on the records of students with outstanding receivable balances to prevent them from future registration or receiving official College transcripts. College collection procedures included referring delinquent accounts to a collection agency. College Rule No. 5.13, Delinquent Student Accounts, provides that delinquent accounts of \$10 or less may be written off by the Board after the account has been delinquent for one year. College intra-departmental procedures provide that an allowance for doubtful accounts is to be calculated based on varying percentages for each age class of receivable. For instance, receivables less than 90 days old are deemed 5 percent uncollectable, receivables from 91 to 365 days old are deemed 35 percent uncollectable, and receivables over 365 days old are deemed 70 percent uncollectable.

At June 30, 2014, the College reported net accounts receivable, totaling \$2.9 million, which included student receivables totaling \$2.7 million. The student receivable balance represents a 35 percent increase from the 2011-12 fiscal year, even with receivable write-offs totaling \$1.9 million over the past three fiscal years. Our review disclosed that the College could improve its process for recording student receivables, monitoring delinquent accounts, and reporting student receivables, as follows:

- Our test of 34 delinquent student receivables totaling \$27,609 disclosed the College had not placed a hold on the student accounts to preclude the student from registering in a subsequent term or accessing additional College services. We noted that 18 of the students' receivable balances tested were related to delinquent registration fees, 3 of which were for students who enrolled and incurred additional delinquent tuition and fees for subsequent terms.
- Our additional review of 12 tuition-related returned checks totaling \$14,836 disclosed 4 instances totaling \$10,404 where the College did not cancel the student's registration, and 1 of the 4 students was allowed to enroll in a subsequent term. Also, the College had not established procedures for the referral of bad checks to the State Attorney's Office as a part of its collection efforts.
- On May 19, 2014, the Board approved the write-off of \$683 thousand in student receivables that were at least two years old, and deemed uncollectible. Our review disclosed student receivables, totaling \$1.6 million, that were over 365 days old, including \$970 thousand of receivables that were over two years old, which should have been, but were not, considered for write-off or inclusion in the allowance for doubtful accounts. Some of these receivables were dated as early as the 2005-06 fiscal year. According to College personnel, these amounts were not subject to be written-off or included in the allowance for doubtful accounts as they were classified primarily as financial aid due from Federal, State, and other third parties and deemed fully collectible. However, College personnel also indicated that the accounts should have been reclassified as student accounts receivable once the accounts were delinquent or it was known that the guarantying party would not be responsible for the account.

Subsequent to our inquiry, College personnel indicated that beginning in September 2014, the College started placing a hold on the records of students with outstanding balances to prevent them from future registration or receiving official transcripts before the outstanding accounts are satisfied. In addition, in November 2014, the College engaged a consultant to review its accounts receivable and ensure all receivables are properly classified.

Without adequate control procedures over student receivables, there is an increased risk that errors or fraud, should they occur, may not be detected in a timely manner. In addition, when established collection procedures are not followed, there is an increased risk that the College may not be able to collect amounts due from students.

Recommendation: The College should continue its efforts to ensure that academic holds are placed on the records of students with outstanding balances to limit future registrations. The College should also consider referring bad checks to the State Attorney’s Office as a part of its collection efforts. Additionally, the College should enhance controls to ensure student receivable accounts that are deemed uncollectible are being written-off and removed from the subsidiary records timely and that the allowance for doubtful accounts is properly calculated.

Student Enrollment

Finding No. 5: Reporting Full-Time Equivalent Students

Section 1011.84(1)(a), Florida Statutes, requires that the Florida Department of Education (FDOE) determine the State financial support and the annual apportionment to each college district through the Florida College System Program Fund (FCSPF) considering several components, including full-time equivalent (FTE) students. Sections 1009.22(11) and 1009.23(9), Florida Statutes, provide that any college that reports students who have not paid fees in an approved manner in calculations of the FTE enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. Such penalty shall be charged against the following year’s allocation from the FCSPF and shall revert to the General Revenue Fund.

Section 1009.23(13), Florida Statutes, requires that the SBE shall specify, as necessary, by rule, approved methods of student fee payment. Such methods shall include, but not be limited to, student fee payment; payment through Federal, State, or institutional financial aid; and employer fee payments. SBE Rule 6A-14.054 FAC (Rule), provides that each college board of trustees shall establish, publish, collect, and budget student fees, and shall establish dates for paying fees that are not later than the last day of the drop and add periods established by the boards. Additionally, the Rule provides, in part, that payment of registration fees may be deferred under certain conditions for veterans; for students awarded financial aid when such aid is delayed; or when a college has a written promise of payment from a business, industry, government, nonprofit, or civic organization.

The College reported 7,828 and 7,905 fundable FTE students for the 2012-13 and 2013-14 fiscal years, respectively. The College’s aged account receivable report, as of June 2014, included 2,662 student receivables totaling \$2.7 million. We tested 34 of these delinquent student receivables totaling \$27,609. Twelve of the 34 student receivables were for unpaid tuition fees related to the 2012-13 and 2013-14 academic years. Ten of the 12 students, for which College records did not evidence the payment of fees or a fee deferment in the manner authorized by the Rule, were incorrectly reported for State funding purposes, contrary to Florida Statutes. Although requested, College personnel did not provide supporting documentation evidencing that the tuition and fees for these 10 students was deferred on the last date to add or drop enrollment in compliance with the SBE Rule. As such, the College’s FCSPF funding may be subject to adjustment by the FDOE for two times the value of the enrollment reported for these students.

Recommendation: The College should enhance procedures to ensure that enrollment is reported only for students who have paid tuition and fees in an approved manner. The College should also review the FTE students reported to the FDOE to ensure only students that had paid fees in an approved manner were included. Additionally, the College should consult with the FDOE to determine the corrective actions necessary for the FTE reported for students that had not paid fees in an approved manner.

Personnel and Payroll

Finding No. 6: Retiree Insurance

Pursuant to Section 112.0801, Florida Statutes, the College allows former employees and their dependents to participate in various insurance plans offered by the College, including group health, life, and dental. College Procedure 6053, Employee Benefits, Enrollment, and Claims, provides that coverage for the various insurance plans may continue for retirees with the payment of the appropriate premium by the retiree.

Our review disclosed that the College's monitoring procedures, such as reconciliations of insurance billings to retiree premium receipts, did not ensure that payments from retirees were received for the insurance coverage provided. In response to our inquiry, the College compared retiree insurance premium receipts to participating retirees for the month of June 2014. Based on this comparison, the College paid premiums totaling \$55 thousand for coverage for four retirees receiving healthcare insurance, five retirees receiving life insurance, and six retirees receiving dental insurance although the retirees, as of the time of the College's comparison in June 2014, had not remitted the appropriate premium to the College, which was from 4 to 74 months after the insurance coverage was provided. Included within the non-paying retirees were three persons for which the College paid premiums totaling \$780 from 4 to 25 months after the employees' death.

In the absence of proper reconciliations of retiree premium receipts to College remittances to its insurance provider for retiree benefits, the College is limited in its ability to ensure that it had received payments from retirees for the insurance provided.

Recommendation: The College should establish procedures to ensure that payments from retirees for post-employment retirement insurance benefits are received prior to providing insurance coverage. The College should also determine the amounts owed by retirees for the insurance benefits provided and attempt to recover unpaid premiums from the retirees.

Finding No. 7: Healthcare Benefits

Pursuant to Board Policy No. 6053, insurance coverage is provided for eligible employees, including: health, dental, life/accidental death and dismemberment insurance, and long-term disability. For health insurance coverage, the College pays the premium for full-time employees. Employees may also elect to purchase health insurance coverage for eligible dependents and domestic partners through payroll deduction. Eligible dependents are defined as a spouse recognized by the State of Florida, domestic partner meeting criteria under the plan provisions; and child (employee's child, step-child, or child of domestic partner) through the calendar year in which the dependent reaches age 26, or children age 26 to 30 if they are dependent upon the parent for support, a Florida resident or student out-of-state, unmarried, and have no children of their own. Employees are eligible to enroll in health insurance coverage upon hire date or during the annual open enrollment period. Changes to health insurance plans can only be made during the open enrollment period unless the plan changes meet the Internal Revenue Service's qualifying events (marriage, divorce, Medicare eligibility, birth, spouse obtaining gainful employment with benefits, adoption, and death).

The College did not require employees to provide documentation to verify the eligibility of dependents participating in the College's health insurance plans. Although employees making health insurance coverage changes are required to complete and sign a medical enrollment form containing language regarding fraud, misrepresentations, omissions, concealment of facts, and incorrect statements, without verifying the eligibility of all dependents covered through the

College's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Employees are required to pay health insurance premiums for dependent coverage; however, future premium rates for the College's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the College for employees' healthcare coverage.

Recommendation: The College should establish procedures to require verification of eligibility of all dependents covered by the College's health insurance plan.

Finding No. 8: New Hires

Effective controls over hiring new employees include verifying employment history and education of job applicants. College Procedure No. 6014, Recruiting/Employment Processes, provides that all hiring managers or screening committees must recommend the most qualified candidate for employment and that criteria for selection must be based on valid job requirements. The Board has developed job descriptions for employee positions, which include job title, general descriptions of the job, examples of duties performed, and qualifications.

Although the College had procedures for determining whether applicants met job requirements, these procedures did not specifically address verification of the educational requirements for the position. In May 2014, a Professor of Business Administration at the College was arrested and charged with grand theft for \$258 thousand in salary paid by the College because the former employee had falsified educational qualifications required for the position. In this case, the College had relied on falsified transcript copies, rather than original transcripts, to verify the employee's educational qualifications. As a result, subsequent to May 2014, in addition to obtaining original transcripts for College personnel files, the College began using an independent clearinghouse or an applicant screening provider to confirm the educational experience of prospective employees.

Our review of 15 employees hired during the period July 15, 2013, through July 7, 2014, disclosed 5 instances in which the employee's personnel file did not contain adequate evidence of the verification of educational requirements. For instance, original transcripts were not on file to evidence the verification of two employees requiring bachelor's degrees, two employees requiring master's degrees, and one employee requiring a high school diploma. Subsequent to our inquiries, College personnel obtained original transcripts supporting three of the employees' qualifications and did not obtain the transcripts for one employee since the employee was no longer employed with the College. For the remaining employee hired July 7, 2014, for which the educational requirement for the position was a master's degree, College personnel indicated that the employee's qualifications were verified by an independent clearinghouse. However, College personnel did not obtain original transcripts supporting this employee's educational qualifications until December 2014. Absent proper verification of required job qualifications, the College cannot be assured that individuals employed meet the established educational requirements for the position.

Recommendation: The College should enhance its procedures to provide for the proper verification of compliance with educational requirements for each job applicant prior to offering employment.

Finding No. 9: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The College pays employees classified as

“exempt” (Technical, Executive, Administrative, and Faculty) on a payroll by exception basis (i.e., the employee is paid the same salary each pay period unless there is an exception). When a payroll exception exists, and leave is taken, exempt employees file a leave form with their supervisor who in turn approves the form and provides the approved form to the payroll department. The payroll department then enters the leave into the College’s payroll system and ensures that supervisory approval is obtained in the payroll system, prior to processing payroll, for all exceptions recorded. However, the payroll by exception process did not require supervisory personnel to review and approve time reports of exempt employees to certify the time worked by exempt employees. We were advised that supervisory personnel monitored exempt employees’ work efforts; however, without time reports prepared by employees, or payroll certifications of time worked by exempt employees by appropriate supervisory personnel, College records did not document such monitoring efforts. Under these conditions, there is an increased risk that exempt employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The College should implement procedures to document supervisory review and approval of exempt employees’ work time.

Purchasing

Finding No. 10: Purchasing Card Program

The College administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process and expedites low dollar purchases of goods and services. P-cards are subject to the same rules and regulations that apply to regular College purchases. The College issued a total of 105 P-cards, of which 70 P-cards were directly assigned to employees, 6 P-cards were issued to departments, and 29 P-cards were available at the request of College employees not issued a P-card (non-assigned).

The College’s Purchasing Manual (Manual) provides users with guidance on the use of P-cards and in January 2014, the College developed flowcharts of the P-card process and some additional guidance in a question and answer format. However, the Manual and the additional P-card guidance did not address use of the P-card for travel or the review and approval of P-card purchases. Beginning in February 2014, the College developed a Visa Documentation of Receipts Form (VDoR) and established guidelines for non-assigned cardholders that provided for budget heads to approve the VDoR. However, the VDoR Form only requires the signature of the cardholder and the business office accountant, but not supervisory personnel of the employee making the purchase. Prior to development of the VDoR Form, the College relied solely on a supervisory authorization of P-card use for specified purposes prior to the actual use of the P-card, but did not require supervisory review and approval of actual charges incurred on the P-card.

During the 2013-14 fiscal year, charges totaling \$1.1 million were incurred on the 105 College P-cards. Our review of 50 P-card transactions totaling \$67 thousand disclosed that the College’s controls over P-card usage needed improvement, as follows:

- For 34 assigned P-card transactions, totaling \$33 thousand, College records did not evidence appropriate supervisory level approval of the purchases. Although such assigned cardholders included directors, vice presidents, associate vice presidents, provosts, professors, district deans, and academic deans, such charges should be subject to an appropriate supervisory review and approval to ensure that P-card charges are for authorized purposes.
- Two of the P-card transactions were related to expenses incurred by two College employees and five students who traveled out-of-state for a conference. The College provided a non-assigned P-card to one of the

travelers that was approved to be used for vehicle rental, gas, lodging, and parking for the seven travelers. Our review of the P-card charges for these travelers for the out-of-state conference disclosed the following:

- Although the P-card was not authorized for meals, we noted a restaurant charge for nine guests totaling \$239 incurred on the P-card. However, there were only seven College approved travelers and supporting documentation did not indicate if the two additional guests were College employees or students. Further, this purchase was not reviewed or approved, of record by supervisory personnel.
 - The College had provided the travelers with a \$753 travel advance for meals. As such, it was not apparent why the College incurred the \$239 P-card charge relating to a dinner for the travelers. Further, pursuant to Section 112.061, Florida Statutes, each traveler was authorized a dinner per diem rate of \$19, or a total of \$133 for the seven travelers. However, the \$239 restaurant charge exceeded this amount by \$106.
- Three of the P-card transactions were related to expenses incurred by two College employees and 15 Polk State High School Collegiate students who traveled out-of-country for a conference. Our review of the P-card charges for these 17 travelers for the out-of-country conference disclosed the following:
- A \$9,798 P-card charge for lodging was supported by a receipt; however, the receipt did not indicate the number of rooms or the number of days the rooms were occupied. Absent a detailed receipt, the propriety of the charges was not evident.
 - Restaurant charges, totaling \$375, were incurred on the P-card although the travelers were also provided travel advances for meals. Although a receipt was provided, the receipt did not indicate the number of meals purchased for one of the restaurant charges totaling \$203. Absent a detailed receipt, the propriety of the charges was not evident.
 - The charges for meals and lodging totaling \$10,173 were not reviewed or approved, of record, by independent supervisory personnel.

The College’s controls over P-card charges should include an appropriate level of supervisory approval and sufficient pre-audit procedures to determine that P-card charges are for authorized charges and comply with State law and College procedures.

Recommendation: The College should enhance its P-card procedures to ensure that P-card expenses are approved by appropriate supervisory personnel, are adequately documented, and comply with State law and College procedures.

Expenses and Disbursements

Finding No. 11: Travel Expenses

College Procedure No. 6049 provides that the most economical use of a hotel is required and that travelers should be prepared to justify situations where hotel costs appear to be excessive. In addition, the Procedure requires that travel provide for the greatest possible economy and the avoidance of unnecessary travel.

The College held a three-day retreat from July 30, 2014, to August 1, 2014, at a local resort 24 miles from its main campus. The agenda for the retreat indicated that it was for an annual strategic planning process for the Lakeland Collegiate High School, a charter school operated by the College. Expenses associated with the retreat totaled \$11,091, which included charges for overnight lodging for 15 employees (\$8,347), reception banquet (\$620), audio visual equipment rental (\$397), and employee meal and mileage reimbursements (\$1,727).

College records did not evidence the necessity of holding the retreat at the local resort, and incurring the associated travel expenses, given that the College has extensive classroom and meeting facilities at its Polk County campuses.

College records also did not evidence that College personnel explored the option of holding the retreat on the College campus to avoid unnecessary travel costs. Although the objectives of the retreat may well have been appropriate to the proper management of the College, it was not apparent from College records how holding the retreat at a local resort rather than at a College campus complied with College Procedure No. 6049.

Recommendation: The College should enhance its procedures to ensure documented evidence that travel costs are reasonable and necessary.

Direct-Support Organization

Finding No. 12: Payments for Goods and Services

Section 1004.70(1)(a)2., Florida Statutes, provides that a direct-support organization is organized and operated exclusively to receive, hold, and invest and administer property and make expenditures to and for the benefit of a Florida College System institution. The Polk State College Foundation, Inc. (Foundation), is a College direct-support organization, as defined by Section 1004.70, Florida Statutes.

During the 2013-14 fiscal year, the College made payments totaling \$95,981 to its Foundation. Our review of invoices supporting these payments disclosed that College records did not evidence the specific services received by the College. In response to our inquiry, College personnel stated that the payments made to the Foundation related to the services of an information technology consultant performing duties for the College. However, documentation such as work activity logs were not maintained to support the work performed by the consultant for the College. Absent such documentation, the College has limited assurance that the payments were for a valid public purpose and benefited the College.

Recommendation: The College should document the public purpose served and the benefits provided for these payments or seek reimbursement from the Foundation.

Information Technology

Finding No. 13: 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 inconsistent with their area of responsibility. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only the responsible end-users can originate or correct transactions and initiate changes to data files and IT employees and contractors are restricted from performing end-user functions. Periodic reviews of IT access privileges are necessary to ensure that employees and contractors can only access IT resources that are necessary to perform their assigned job responsibilities and that the assigned access privileges enforce an appropriate separation of incompatible responsibilities.

Our tests of selected access privileges to the College’s Higher Education Technology Group (Consortium) developed Enterprise Resource Planning (ERP) system, including finance and human resources (HR) modules, disclosed some access privileges that permitted certain College employees, contractors, and Consortium employees to perform

incompatible functions. Specifically, we noted that the College had established access for 18 different users to an ERP group having update access privileges to functions including adding, modifying, and deleting vendors and vendor information, purchase orders, and journal entries; creating vendor payments; and adding, modifying, and deleting employee information. Included within this ERP group was a College database administrator (DBA) and five IT employees, one DBA and six programming and system consultants under contract with the College, one DBA and one analyst employed by the Consortium, and one generic account used to transfer data between the College's ERP system and the bookstore server. The access privileges are contrary to an appropriate separation of end user duties and the employees' assigned IT duties related to the technical support of the College's ERP system.

In addition, the College had not developed written procedures for the periodic review of access privileges. In response to our inquiry, College personnel indicated, and records evidenced, that various controls compensated, in part, for the deficiencies noted above. For example, College procedures include supervisory review and approval of employee work activities; timely, independent bank account reconciliations; supervisory review and approval of transactions such as journal entries and electronic funds transfers; and restricted access to unused checks. However, while our tests did not disclose any errors or fraud resulting from these unnecessary or inappropriate access privileges, the existence of the such access privileges described above indicated a need for the College to review employee and contractor access privileges and increased the risk of unauthorized disclosure, modification, or destruction of College data and IT resources.

Recommendation: The College should continue its efforts to implement procedures for the periodic review of access privileges and remove any inappropriate or unnecessary access privileges detected.

Finding No. 14: Timely Deactivation of Access Privileges

Effective management of system access privileges includes the timely deactivation of employee IT access privileges when employment terminations occur. Prompt action is necessary to ensure that IT access privileges are not misused by former employees or others to compromise data or IT resources.

Our review of College records for 21 employees who terminated during the 2013-14 fiscal year disclosed that the network access privileges for 14 of the former employees remained active from 12 to 302 days after the employees' termination dates, including 5 that had not been removed at the time of our review in July 2014. Certain critical application systems and confidential and sensitive information stored within individual users' documents are accessible through the District's network. In response to our inquiry, College personnel indicated that the College did not have procedures in place to ensure employee's termination status was properly and timely communicated between the Human Resources Department and IT Department. Subsequent to our inquiry, the College terminated access for the remaining 5 former employees.

When access privileges of former employees are not timely deactivated, there is an increased risk of unauthorized use, modification, or destruction of College data and IT resources by the former employees or others.

Recommendation: The College should ensure that access privileges of former employees are timely deactivated.

Finding No. 15: Security Awareness Training Program

A comprehensive IT security awareness training program apprises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g. student record information and other records that contain sensitive information) are included in the data maintained by the College's IT systems.

Although the College posted security awareness information on its intranet and encouraged employees to review such information, the College had not implemented a comprehensive security awareness program or performed ongoing IT security awareness training for all College employees. The College did offer such training during a professional development day held for College employees; however, records documenting the employees attending the optional training was not maintained. In addition, although the College had designed an annual acknowledgement form related to IT security awareness, employees were not required to sign the form acknowledging that they had read, understood, and accepted College security awareness policies. Further, in our review of new hires for the 2013-14 fiscal year, College records did not evidence an IT security awareness acknowledgement form for any of the 15 new hires tested.

A comprehensive IT security awareness training program would decrease the risk that College data or IT resources may be unintentionally compromised by employees while performing their assigned duties.

Recommendation: The College should continue its efforts to promote IT security awareness through a comprehensive IT security awareness training program.

Finding No. 16: Security Controls – Data Loss Prevention, and Logging and Monitoring of System Activity

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 data loss prevention and logging and monitoring of system activity 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 data loss prevention and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised.

Recommendation: The College should improve IT security controls related to data loss prevention and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2013-038, except that finding Nos. 2 and 3 were also noted in prior audit report No. 2013-038 as finding Nos. 1 and 2.

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 May 2014 to November 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. 2013-038.
- 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 primarily occurring during the 2013-14 fiscal year, and selected actions taken prior and subsequent thereto. 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) access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. 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.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT data loss prevention.	Reviewed the College's written security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
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.
IT security awareness and training.	Determined whether a comprehensive IT security awareness and training program was in place.
IT logging and monitoring.	Determined whether the College had procedures and reports in place 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).
Fraud policy and related procedures.	Determined whether the College had developed a fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.	Tested payments between the College and 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. Determined whether students who had not paid fees in an approved manner were included in calculations of full-time equivalent enrollments for State funding purposes. Determined whether the allowance for doubtful accounts was properly calculated.
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.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
President’s compensation.	Determined whether the President’s compensation was in accordance with Florida law, rules, and Board policies.
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.
New hires.	Performed a test of new hires during the audit period. Determined whether personnel records contained evidence that the employee had the necessary qualifications, degrees, experience, etc., for the position based on the written position description.
Eligibility for insurance benefits.	Reviewed College policies and procedures to ensure that 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 insurance costs to employee, retiree, and Board-approved contributions.
Mandatory and nonmandatory transfers.	Tested transfers made between funds to determine propriety of transfers of restricted moneys between funds.
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, that contract terms were adequately supported.

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.
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.
Insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. For selected construction projects, determined whether architects and engineers provided evidence of the required insurance.
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**



January 15, 2015

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

Dear Mr. Martin,

Attached please find our responses to the preliminary and tentative findings which may be included in a report to be prepared on your operational audit of

Polk State College
For the Fiscal Year Ended June 30, 2014

delivered to us electronically on December 15, 2014. Please feel free to contact us if we can provide further information.

Yours truly,

A handwritten signature in black ink that reads 'Eileen Holden'.

Dr. Eileen Holden, President
Polk State College

Office of the President | 999 Avenue H, N.E.
Winter Haven, FL
33881-4299
863.297.1098
polk.edu

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding: The College needed to enhance its textbook affordability policies and procedures to ensure that students can obtain textbooks and course materials for the lowest and best price within acceptable quality.

Recommendation: The College should develop and implement textbook affordability policy and procedures to ensure textbooks and other required instructional materials are available to its students at the lowest and best prices within acceptable quality. The College should also ensure that textbook information is timely posted to its Web site, and required certifications are obtained from instructors.

Response: The College changed bookstore vendors effective July 1, 2014. The new vendor, Barnes & Noble, provides reports of book offerings and dates this information becomes available to students. The College's Vice President for Academic Affairs will monitor these reports and work closely with the bookstore to ensure, document and prove the timely posting of required information. The College's book selection process will be enhanced to ensure student cost savings. The College will modify book selection forms to include appropriate required certifications.

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

Recommendation: The College should continue its efforts to implement an identity theft prevention program as required by the Red Flags Rule.

Response: The College's Red Flags Rule Program will be presented for Board approval in January, 2015. The College will enhance and document ongoing training efforts related to the Program. The Chief Information Officer will document program activity and report annually to President's Staff and the District Board of Trustees.

Finding: The Board had not adopted written policies and procedures relating to electronic funds transfers.

Recommendation: The Board should adopt written policies and procedures related to electronic funds transfers.

Response: College Board Rule 5.10 was amended and approved by the Board in August 2014 to authorize electronic funds transactions. Written processes have been created to document existing workflow and controls over electronic transactions in accordance with Section 1010.11, Florida Statutes. These processes are available electronically to appropriate Business Services staff.

Finding: The College's controls over student accounts receivable needed improvement.

Recommendation: The College should continue its efforts to ensure that academic holds are placed on the records of students with outstanding balance to limit future registrations. The College should also

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

consider referring bad checks to the State Attorney's Office as part of its collection efforts. Additionally, the College should enhance controls to ensure student receivable accounts that are deemed uncollectible are being written-off and removed from the subsidiary records timely and that the allowance for doubtful accounts is properly calculated.

Response: The College agrees that academic holds will continue to be placed on student accounts with outstanding balances. Bad checks are a very small percentage of the College's outstanding receivables. We will continue to turn these receivables over to our collection agency, but choose not to use the State Attorney's Office due to the student personal information requirements. The College is working to enhance controls over the calculation of allowance for doubtful accounts to ensure that all outstanding receivables are taken into account.

Finding: The College needed to improve its controls over reporting student enrollment for State funding purposes.

Recommendation: The College should enhance procedures to ensure that enrollment is reported for students who have paid tuition and fees in an approved manner. The College should also review the FTE students reported to the FDOE to ensure only students that had paid fees in an approved manner were included. Additionally, the College should consult with the FDOE to determine the corrective actions necessary for the FTE reported for student that had not paid fees in an approved manner.

Response: The College will seek guidance from FDOE regarding FTE reporting.

Finding: The College did not have procedures, such as reconciliations of insurance billings to retiree premium receipts, to ensure that payments to various insurance providers were for eligible participants that had paid for post-retirement coverage.

Recommendation: The College should establish procedures to ensure that payments from retirees for post-employment retirement insurance benefits are received prior to providing insurance coverage. The College should also determine the amounts owed by retirees for the insurance benefits provided and attempt to recover unpaid premiums from the retirees.

Response: The College has reconciled the agency account to agree with insurance provider and human resource records and will enhance its processes to include this reconciliation on a regular basis. The College will determine the amounts owed by retirees for benefits provided and attempt to recover unpaid premiums.

Finding: The College had not established procedures to require verification of eligibility of all dependents covered by the College's health insurance plan.

Recommendation: The College should establish procedures to require verification of eligibility of all dependents covered by the College's health insurance plan.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response: The College will work with the Florida College System Risk Management Consortium to determine the best method for ensuring that all dependents who are enrolled in our health insurance plan are eligible. The College has developed and implemented processes for dependency verification for new dependent health coverage effective January 1, 2015.

Finding: The College's procedures for verifying newly hired employees' education and experience needed improvement.

Recommendation: The College should enhance its procedures to provide for the proper verification of compliance with educational requirements for each job applicant prior to offering employment.

Response: The College enhanced its processes in May 2014 to provide for third-party verification of education requirements prior to the hiring of new employees. Additionally, the College is currently conducting education verification for all existing employees.

Finding: The College needed to implement procedures to ensure documented supervisory review and approval of exempt employees' work time.

Recommendation: The College should implement procedures to document supervisory review and approval of exempt employee's work time.

Response: The College has existing internal controls to ensure proper payment to employees and requires that exempt employees properly document leave through supervisory approval certificates of absence. We are confident that our current practices meet all legal requirements and are consistent with best practices in Human Resources.

Finding: The College needed to enhance its purchasing card procedures.

Recommendation: The College should enhance its P-card procedures to ensure that P-card expenses are approved by appropriate supervisory personnel, are adequately documented, and comply with State law and College procedures.

Response: The College has updated its purchasing manual and enhanced its written processes to include a requirement for supervisory approval of all charges, documentation and compliance as part of the monthly cardholder reconciliation of charges.

Finding: College records did not evidence the necessity of holding a retreat, at a cost of \$11,091, at a local resort 24 miles from its main campus.

Recommendation: The College should enhance its procedures to ensure documented evidence that travel costs are reasonable and necessary.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response: The College will ensure that all future travel is documented to provide evidence of need and reasonableness in accordance with state law and college procedures.

Finding: The College paid its Foundation \$95,981 without obtaining evidence of the specific services received.

Recommendation: The College should document the public purpose served and the benefits provided for these payments or seek reimbursement from the Foundation.

Response: The College will properly document the public purposes served and benefits provided for these and future payments to the Foundation.

Finding: Some inappropriate or unnecessary information technology (IT) access privileges existed indicating a need for improved review of access privileges.

Recommendation: The College should continue its efforts to implement processes for the periodic review of access privileges and remove any inappropriate or unnecessary access privileges detected.

Response: Access privileges for those with access to incompatible responsibilities is unavoidable in certain situations. As a compensating control, the College will enhance processes to provide for monitoring of the work logs for employees and contracted personnel with such access.

Finding: The College did not timely deactivate network access privileges of some former employees.

Recommendation: The College should ensure that access privileges of former employees are timely deactivated.

Response: The College has implemented an electronic onboarding/offboarding tool that automates the departmental notification process when an employee is removed from active employment status. IT is notified through this process and will remove access as appropriate. Further, a monthly reconciliation of changes in personnel is completed between the HR and IT departments.

Finding: The College's IT security awareness program needed improvement.

Recommendation: The College should continue its efforts to promote IT security awareness through a comprehensive IT security awareness training program.

Response: The College will promote security awareness through documented employee communication and training.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding: College IT security controls related to data loss prevention and logging and monitoring of system activity needed improvement.

Recommendation: The College should improve IT security controls related to data loss prevention and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response: The College will improve security controls by creating and monitoring work activity reports.