

Report No. 2016-061
December 2015

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

PENSACOLA STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Charles E. Meadows served as President and the following individuals served as members of the Board of Trustees:

	<u>County</u>
Herbert Woll, Chair	Santa Rosa
Marjorie T. Moore, Vice Chair ^a	Escambia
Carol H. Carlan	Escambia
Patrick R. Dawson from 3-31-15	Santa Rosa
Monsignor Luke Hunt ^a	Santa Rosa
Kevin Robert Lacz from 3-31-15	Santa Rosa
Harold Edward Moore ^a	Escambia
John L. O'Connor to 3-30-15 ^b	Santa Rosa
Chip W. Simmons	Escambia
Frank White	Escambia
Stephania Stanley Wilson to 3-30-15 ^c	Santa Rosa

Notes: ^a Board member served beyond the end of term, May 31, 2015.

^b Board member served beyond the end of term, May 31, 2013.

^c Board member served beyond the end of term, May 31, 2014.

The audit was coordinated by Kenneth C. Danley, CPA. For the information technology portion of this audit, the team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Jaime Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

www.myflorida.com/audgen

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

PENSACOLA STATE COLLEGE

SUMMARY

This operational audit of the Pensacola State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-036. Our audit disclosed the following:

Finding 1: The College did not always perform background screenings for applicable individuals in positions of special trust and responsibility and, contrary to Board policy, did not always timely perform and review the results of background screenings.

Finding 2: The College needs to establish a mechanism for exempt employees to report time worked and procedures requiring supervisors to document the review and approval of such time.

Finding 3: College information technology (IT) access controls needs improvement.

Finding 4: The College did not timely deactivate the student records or finance applications' access privileges of some former employees.

Finding 5: College IT security controls related to user authentication and logging and monitoring of system activity needs improvement.

BACKGROUND

Pensacola 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 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 Milton, Pensacola, and Warrington, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Escambia and Santa Rosa Counties. The College reported enrollment of 7,621 full-time equivalent students for the 2014-15 fiscal year.

This operational audit focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-036. The results of our financial audit of the College for the fiscal year ended June 30, 2015, 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, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Background Screenings

Although not specific to colleges, State law¹ provides for background screenings for employees in positions of special trust and responsibility. For example, a level 2 background screening² is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. Board policy³ requires background screenings for volunteers, interns, and employees hired on or after August 1, 2007, as well as for certain employees in positions of special trust and responsibility (e.g., purchasing, financial aid, and payroll department employees). Board policy also provides that the College may waive the background screening requirement if the individual obtained a background screening, which was submitted to the Florida Department of Law Enforcement, for another entity within 12 months of initial employment with the College and the College obtains a copy of the screening.

From the population of a total of 1,630 employees and volunteers, we selected and examined records for 30 individuals to determine whether the individuals had undergone background screenings. We found that the College did not initially obtain background screenings for 5 individuals, including 4 employees hired after August 1, 2007 (2 adjunct instructors, 1 bus driver, and 1 assistant athletics coach), and a volunteer who worked with persons under 18 years of age. In response to our inquiry, College personnel indicated that the bus driver and one of the adjunct instructors obtained background screenings for their previous employers; however, contrary to Board policy, the College did not obtain copies of the screenings. The College obtained the background screening for one of the adjunct instructors 2 months after the instructor was hired; however, College personnel did not review the screening until after our inquiry, which was 4 months after the College hired the instructor. Subsequent to our inquiry, the College also obtained a background screening for the other adjunct instructor, the bus driver, and the assistant athletics coach, and a background screening confirmation from the volunteer's employer.

Recommendation: The College should enhance procedures to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including those positions that have direct contact with persons under 18 years of age.

Finding 2: 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 exempt employees (i.e., full-time faculty and administrative and professional employees) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll

¹ Sections 409.175, 110.1127, and 1012.32(2)(a), Florida Statutes.

² A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

³ Board Policy No. 6Hx20-1.036.

cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the College reported salary costs of \$21.1 million for exempt employees. According to College personnel, supervisory personnel monitor exempt employees' work efforts and review and approve employee leave forms. However, the College did not require exempt employees to prepare time sheets or other records to document their time worked. Without such records and supervisory review and approval of the records, there is limited assurance that exempt employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate. In response to our inquiry, College personnel indicated that they believed their current procedures were adequate but would begin developing a process for reviewing and approving exempt employees' time worked.

Recommendation: The College should establish a mechanism for exempt employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Finding 3: Access Privileges

Access controls are intended to protect College data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside their areas of responsibilities. Periodic reviews of IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job duties and that assigned access privileges enforce an appropriate separation of incompatible duties.

Our test of selected IT access privileges to the College's finance application and our review of the College's access control procedures disclosed that some access privileges existed that were unnecessary and that College procedures did not provide for an independent review of the IT access privileges assigned. Specifically, we found that:

- The Vice President of Business Affairs, Comptroller, and Assistant Comptroller were assigned access privileges that included the ability to create application user accounts, assign application access privileges, and reset passwords; however, the ability to create application user accounts and reset passwords is not necessary for these employees' assigned job duties. Such access, in combination with the ability to assign application access privileges, could enable these employees to create user accounts that allow update access to all functions within the finance application. Subsequent to our audit inquiry, College personnel removed the unnecessary access privileges.
- In addition to the ability to assign application access privileges to employees, the Vice President of Business Affairs also had responsibility for performing periodic reviews of assigned application access privileges, thus limiting the effectiveness of the College's periodic access review process. In response to our inquiry, College personnel indicated that they believed the current procedures were adequate but would separate these duties in the future.

The College had certain controls (e.g., independent reviews of documents supporting vouchers prior to disbursement and timely independent bank reconciliations) to compensate, in part, for the above deficiencies. However, by granting only necessary IT access privileges and establishing procedures for independent periodic reviews of assigned application access privileges, the College could further diminish the risk of unauthorized disclosure, modification, or destruction of College data and IT resources.

Recommendation: The College should ensure that assigned access privileges enforce an appropriate separation of incompatible duties and restrict employees' access to only those functions necessary for their assigned job duties. In addition, the College should establish procedures for independent periodic reviews of access privileges and the timely removal of any unnecessary access privileges.

Finding 4: Timely Deactivation of Access Privileges

Effective management of system access privileges includes the timely deactivation of employee IT access privileges when employment separations 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 19 of the 84 former employees who separated from College employment during the period July 1, 2014, through May 31, 2015, disclosed that access privileges to student records or finance applications for 16 former employees remained active from 4 to 369 days after employment separation, including 1 former employee's access privileges to the finance application that was deleted subsequent to our inquiry. In response to our inquiry, College personnel indicated that the delayed deactivations occurred, in part, due to oversights or because staff responsible for deactivating the privileges were not timely notified of the employee separations.

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. Periodic review of access privileges, as discussed in Finding 3, may promote the detection of inappropriate or unnecessary access privileges of former employees.

Recommendation: The College should ensure that access privileges are timely deactivated upon an employee's separation from College employment.

Finding 5: Security Controls – User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of College data and IT resources. Our audit disclosed that certain College security controls related to user authentication 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 user authentication 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 security controls related to user authentication 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. 2014-036.

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 2015 to October 2015 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, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-036.
- 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.

As described in more detail below, 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.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically 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 management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed College written information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important information technology (IT) control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed College procedures for maintaining and reviewing employee access to IT resources to determine the appropriateness and necessity of the access based on employees' job duties and whether the access prevented the performance of incompatible duties. We also examined 34 employee, service, and delivered accounts with administrator account access to the finance and human resources applications and supporting infrastructure (i.e., network and mainframe) to evaluate the appropriateness of the access privileges.
- Evaluated College documentation for IT authentication controls to determine whether such controls were configured and enforced.
- Evaluated IT activity procedures and reports for capturing and reviewing system activity to ensure the appropriateness of access to, and modification of, sensitive or critical resources.
- Reviewed procedures to prohibit former employees' access to electronic data files. Specifically, we examined College records for 19 former employees from the population of 84 employees who separated from College employment during the period July 1, 2014, through May 31, 2015, to determine whether access privileges had been timely deactivated upon separation from College employment.
- Evaluated the College's written security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the College's comprehensive IT disaster recovery plan to determine whether it was designed properly, operating effectively, and had been recently tested.
- Determined whether a written, comprehensive IT risk assessment had been developed to document the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate comprehensive IT security awareness and training program was in place.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies in effect during the 2014-15 fiscal year and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).

- Examined College records to determine whether the College informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined College records to determine whether the College had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balances at June 30, 2015. We performed analytical procedures to determine whether financial transactions in other funds may require resources from unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.
- Examined College records to determine whether uncollectible accounts written-off, totaling \$541,246, were properly approved.
- From the population of student fees totaling \$9.1 million assessed during the 2014-15 fiscal year, selected and examined College records for 30 students to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
- Examined College records for all 152 distance learning courses with fee revenue totaling \$330,771 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- From the population of 95 industry certifications eligible for performance funding that were attained by students during the 2013-14 and 2014-15 fiscal years, selected and examined 24 certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- From the population of 358 laboratory and other user fees with revenue totaling \$841,068 during the 2014-15 fiscal year, selected and examined 16 laboratory and other user fees with revenues totaling \$252,002 to determine whether the fees were assessed and collected as provided by Section 1009.23(12)(a), Florida Statutes.
- Examined the College's four auxiliary operations vendor contracts with commission revenues totaling \$356,201 during the 2014-15 fiscal year to determine whether the College properly monitored compliance with the contract terms regarding fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
- From the population of 635 textbooks added during the 2014-15 fiscal year, selected and examined the documentation for 30 textbooks to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- From the population of 1,522 employees compensated a total of \$32.5 million during the 2014-15 fiscal year, selected and examined records for 30 employees compensated a total of \$877,834 to determine whether payroll procedures were designed properly and operating effectively.
- Reviewed College policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board policies. From the population of 61 former employees paid for terminal leave pay totaling \$343,941 during the period July 1, 2014, through May 31, 2015, we selected and

examined terminal leave payments totaling \$188,259 made to 6 former employees and evaluated the payments for compliance with Sections 110.112 and 1012.865, Florida Statutes, and Board policies.

- Reviewed the severance pay provisions in the College President's contract to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined records for all 73 administrative employees (including the President) who received compensation, totaling \$5.2 million, during the 2014-15 fiscal year, to determine whether the amounts paid did not exceed limits established by Sections 1012.885 and 1012.866, Florida Statutes.
- Evaluated College policies and procedures for obtaining personnel background screenings and determined whether individuals in positions of special trust and responsibility, such as positions in direct contact with persons under the age of 18, had undergone the appropriate background screenings.
- Examined College records related to 10 contractual services agreements with payments totaling \$240,224 during the 2014-15 fiscal year to determine whether the contractors were properly selected in accordance with applicable State law and Board policy; the agreements adequately described the services to be provided and were timely executed, properly approved, and reviewed by legal staff and appropriate College management; and the contractual services payments were properly documented and adequately supported.
- From the population of 3,539 purchasing card (P-card) transactions totaling \$609,549 for the period July 1, 2014, through June 8, 2015, selected and examined 30 P-card transactions totaling \$21,876 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- For all 18 employees with assigned P-cards who separated from College employment during the 2014-15 fiscal year, examined P-card documentation to determine whether the P-cards were timely canceled upon the cardholders separation from College employment.
- From the population of payments totaling \$21,633 made to employees for other than travel and compensation during the period July 1, 2014, through June 9, 2015, selected and examined documentation for 7 payments totaling \$15,915 to determine whether such payments were reasonable, adequately supported, and for valid College purposes, and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- Evaluated College policies and procedures related to identifying potential conflicts of interest. For selected College officials, we reviewed Florida 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.
- From the population of Public Education Capital Outlay and other restricted capital outlay payments totaling \$1,275,749, selected and examined 7 payments totaling \$410,799 to determine whether the funds were expended in compliance with the restrictions imposed on the use of these resources.
- From the population of 2,042 students enrolled in adult general education classes and 408,936 total adult general education instructional and contact hours reported by the College to the Florida Department of Education (FDOE), selected and examined supporting documentation for 30 students and 1,698 reported hours to determine whether the hours were reported in accordance with FDOE requirements.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each College on a periodic basis. 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



PENSACOLA STATE COLLEGE

December 15, 2015

Ms. Sherrill F. Norman, CPA
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

In response to your letter dated December 3, 2015 containing the "preliminary and tentative audit findings and recommendations," I offer the following:

Finding No. 1: Background Screenings.

The College will review its procedures for conducting background checks and make changes as necessary to ensure that checks are performed and results evaluated in a timely manner.

Finding No. 2: Payroll Processing – Time Records.

The College appreciates the importance of ensuring that all employees are properly compensated for work performed. We will review our procedures to determine if any changes are necessary.

Finding No. 3: Access Privileges.

The College will continue to improve procedures related to access control and if necessary will ensure compensating controls are in place that will mitigate the potential of any unauthorized transactions.

Finding No. 4: Timely Deactivation of Access Privileges.

The College will continue to improve procedures related to deactivating access privileges for employees that separate from the College.

Finding No. 5: Security Controls – User Authentication and Logging and Monitoring of System Activity.

The College will review the current security controls that exist in these areas and make improvements that are necessary for the continued confidentiality, integrity and availability of College data and IT resources.

Please accept my sincere appreciation for another positive audit process.

Sincerely,

A handwritten signature in blue ink that reads "Edward Meadows".

Edward Meadows
President