

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-111
March 2016

FLORIDA KEYS COMMUNITY COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Jonathan Gueverra served as President and the following individuals served as Members of the Board of Trustees:

Robert C. Stoky, Chair
Anne M. O'Bannon, Vice Chair from 12-15-14
Timothy J. Koenig to 10-27-14,^a Vice Chair
Kevin Madok from 10-31-14^b
Michelle S. Maxwell from 10-31-14^b
Brian C. Schmitt to 5-31-15^c
Stephanie S. Scuderi from 2-26-15
Elena G. Spottswood

Notes: ^a Vice Chair resigned October 27, 2014, and the Vice Chair position remained vacant through December 14, 2014. The Board member position remained vacant through February 25, 2015.

^b Board member position was created March 31, 2014, and remained vacant through October 30, 2014.

^c Board member resigned at the end of his term May 31, 2015 and position remained vacant through June 30, 2015.

The team leader was Wesley Laurent, CPA, and the audit was supervised by Hector J. Quevedo, CPA. Please address inquiries regarding this report to Jaime N. 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

FLORIDA KEYS COMMUNITY COLLEGE

SUMMARY

This operational audit of Florida Keys Community College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2014-065. Our operational audit disclosed the following:

Finding 1: Some unnecessary or inappropriate information technology access privileges continue to exist.

BACKGROUND

Florida Keys Community College (College) is under the general direction and control of the Florida Department of Education (FDOE), 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 a main campus in Key West, Florida. Additionally, credit and noncredit classes are offered in public schools and through virtual campuses throughout Monroe County. The College reported enrollment of 707 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. 2014-065. 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.

FINDING AND RECOMMENDATION

Finding 1: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls grant 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 responsibility. Periodically reviewing assigned IT access privileges promotes good internal control and is necessary to ensure that employees cannot access or modify those IT resources inconsistent with their assigned job responsibilities.

Our review of selected access privileges to the College's business applications, including finance, human resources (HR), and financial aid applications, and the supporting database, disclosed some access

privileges that were unnecessary or that permitted certain employees to perform incompatible functions. Specifically, we found that:

- Two IT Department employees had inappropriate update access rights within the finance and HR modules in addition to access assigned for technical support of the application environment including system, database, and network administration. Further, the College did not monitor the system activity of these employees. The ability to update finance and human resource information is not appropriate for IT employees.
- One HR Department employee had update access to certain transactions within the HR module, which allowed the employee to modify employees' work time in the payroll module. This access privilege was unnecessary for the employee's job responsibilities. Subsequent to our inquiry, in August 2015, the College terminated the unnecessary incompatible access privilege for the HR employee.

Subsequent to our inquiries, in May 2015, the College modified its IT access privileges' procedures to provide for periodic reviews of the employee IT access privileges. College records indicated that the College had certain controls (e.g., supervisory monitoring of finance and HR transactions) that somewhat mitigated the deficiencies and our review did not disclose any misuse as a result of the unnecessary or inappropriate access privileges. However, existence of these unnecessary and inappropriate access privileges increases the risk of unauthorized disclosure, modification, or destruction of College data and IT resources and indicate a need for an improved review of IT access privileges. A similar finding was noted in our report Nos. 2012-076 and 2014-065.

Recommendation: The College should continue efforts to ensure the assignment of appropriate access privileges, appropriate review of access privileges, and timely removal or adjustment of any unnecessary or inappropriate access detected.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 1, the College had taken corrective actions for findings included in our report No. 2014-065. Deficiencies similar to those noted in Finding 1 were also noted in prior audit report Nos. 2012-076 (finding No. 11) and 2014-065 (finding No. 7).

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2015 to February 2016 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. 2014-065.
- To 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 procedures for maintaining and reviewing employee access granted to information technology (IT) resources to determine the appropriateness and necessity of the access based on employees' job duties and whether such access prevented the performance of incompatible duties. We also examined access privileges for all employees who had access to

the database, finance and human resources applications to evaluate the appropriateness of the access privileges.

- Examined Board meeting minutes to determine whether Board approval was obtained for policies and procedures 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 also 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.
- Evaluated whether 13 transfers totaling \$790,767 made by the College to its direct support organization during the 2014-15 fiscal year were authorized by Section 1004.70(1)(a)2., and (3), Florida Statutes.
- From the population of 247 student receivables, totaling \$332,246, as of June 30, 2015, examined documentation supporting 30 selected student receivables totaling \$71,055, to determine whether student receivables were properly authorized, adequately documented, properly recorded, and in compliance with Section 1010.03, Florida Statutes, and Board policies. In addition, we determined whether collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were adequate and enforced.
- Determined whether uncollectible accounts written-off were properly approved.
- Determined whether controls were adequate to ensure that students who had not paid fees in an approved manner were not included in calculations of full-time equivalent enrollments for State funding purposes are required by Sections 1009.22(11) and 1009.23(9), Florida Statutes.
- From the population of 1,625 students paying in-State tuition totaling \$1.6 million for the Fall and Spring semesters of the 2014-15 fiscal year, examined documentation related to 30 selected students who paid in State tuition totaling \$63,393 to determine whether the College affirmatively determined student residency in accordance with Section 1009.21, Florida Statutes.
- From the population of 57 distance learning courses with fee revenue totaling \$49,504 during the 2014-15 fiscal year, examined documentation supporting distance learning course fees totaling \$924 for 22 selected students to determine whether the distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- Examined College records supporting the College's five auxiliary operations' vendor contracts with commission revenues totaling approximately \$38,000 during the 2014-15 fiscal year to determine whether the College properly monitored compliance with the contract terms regarding fees, insurance, and other provisions.
- From the population of 190 textbooks added during the 2014-15 fiscal year, examined documentation supporting 30 selected textbooks to determine whether the College's policies and

procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

- For exempt employees, evaluated whether College records documented supervisory review and approval of time worked and leave used.
- 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 22 former employees paid terminal pay totaling \$81,308 during the 2014-15 fiscal year, we examined College records supporting selected terminal leave payments totaling \$26,838 made to 6 former employee and evaluated the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes and Board policy.
- Reviewed severance pay provisions in employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined College records supporting the President's 2014-15 fiscal year compensation totaling \$180,000 to determine whether the amounts paid complied with the President's employment contract and limitations imposed by Section 215.425(4), Florida Statutes.
- Evaluated College policies and procedures for obtaining background screenings to determine whether employees in positions of special trust and responsibility, such as positions with direct contact with persons under age 18, had undergone appropriate background screenings.
- Reviewed College policies and procedures to ensure health and life insurance was provided only to eligible employees, retirees, and dependents and that such insurance was canceled upon employee separation from employment. Also, we determined whether the College had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Determined whether the expenditures were recorded for the correct amounts and adequately documented; properly authorized and approved, and in compliance with applicable laws, rules, and Board policies. From the population of expenditures totaling \$1,032,794, we examined:
 - Documentation relating to 30 agreements for contractual services totaling \$134,181.
 - Documentation relating to 30 travel expenditures totaling \$30,606.
 - Documentation relating to 30 purchasing card transactions totaling \$13,280.
- Evaluated College policies and procedures related to identifying potential conflicts of interest. For selected College officials, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and College records to identify any relationships that represent a potential conflict of interest with vendors used by the College.
- From the population of 187 payments from the Unexpended Plant Fund totaling \$574,466 during the 2014-15 fiscal year, examined College records supporting 30 selected payments totaling \$450,756 to determine whether contractors were paid in accordance with contracts and payments were reasonable based on the services provided.
- From the population of 208 total electronic funds transfers and payments totaling \$2.7 million during the 2014-15 fiscal year, examined College records supporting 30 transfers and payments totaling \$521,840 to determine whether the transfers and payments were adequately supported and properly authorized.
- 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 finding and recommendation that is 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



March 8, 2016

Sherrill F. Norman, CPA
Auditor General
8240 N.W. 52nd Terrace, Suite 522
Doral Center, Dawson Bldg.
Doral, Florida 33166

Dear Ms. Norman:

Please find Florida Keys Community College's responses to Preliminary and Tentative Findings for the FY 2015 Compliance Audit.

Finding No. 1: Financial Conditions:

The College does consider control of access to network systems to be a high security priority.

All Information Technology employees' access to Banner modules including Finance and Human Resources has been reduced to query access only except for two forms. These forms are necessary for pin and password resets for students and employees and to mark identity records as "DO NOT USE" to eliminate duplicate records.

As noted in the audit finding, the HR unnecessary access has already been removed.

The Director of Information Technology has implemented a procedure for periodic review of user security for the Banner Applications. Along with this procedure, the Director of Information Technology has created reports to assist with this periodic review of network user security.

Sincerely,



Jonathan Guevera, Ed.D.
President, Florida Keys Community College

cc: W. Jean Mauk

Island Living, Island Learning

Main Campus: 5901 College Road, Key West, FL 33040 • www.fkcc.edu