

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-072
December 2016

PALM BEACH STATE COLLEGE



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period April 2015 through March 2016, Dr. Dennis P. Gallon served as President through 6-30-15, and Ava L. Parker served as President of Palm Beach State College after that date. The following individuals served as Members of the Board of Trustees:

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Carolyn L. Williams

The team leader was Michael K. Hollinger, and the audit was supervised by Diana G. Garza, 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.

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PALM BEACH STATE COLLEGE

SUMMARY

This operational report of Palm Beach State College (College) focused on selected College processes and administrative activities and included a follow-up on findings noted in our report No. 2015-065. Our operational audit disclosed the following:

Finding 1: The College did not inform students and employees during orientation about the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and toll-free telephone number.

Finding 2: College textbook affordability procedures could be enhanced.

Finding 3: The College transferred \$42,231 to its direct-support organization without specific legal authority.

Finding 4: The College could enhance policies and procedures for the mitigation, detection, and reporting of fraud.

Finding 5: Some unnecessary information technology (IT) access privileges existed.

Finding 6: As similarly noted in our report No. 2015-065, the College needs to develop a comprehensive, written IT disaster recovery plan and, once the plan is established, test the plan annually.

Finding 7: College IT controls related to data loss prevention needed improvement to ensure the continued confidentiality, integrity, and availability of College data and IT resources. A similar finding was noted in previous audits, most recently in our report No. 2015-065.

BACKGROUND

Palm Beach 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 five 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 Belle Glade, Boca Raton, Lake Worth, and Palm Beach Gardens, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Palm Beach County. The College reported enrollment of 19,962 full-time equivalent students for the 2015-16 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. 2015-065. The results of our financial audit of the College for the fiscal year ended June 30, 2016, 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, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Sexual Predator and Sexual Offender Registry Notification

State law¹ requires each college to inform students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement (FDLE) 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. The Board established a policy² that requires the College to publish resource information for those interested in contacting the FDLE Web site and toll-free telephone number concerning sexual predators or offenders and the College Web site contains that resource information. However, the policy does not require that the information be communicated to students and employees at orientation and, according to College personnel, the information has not been communicated at orientation. In response to our inquiries, College personnel indicated that procedures would be established to ensure that resource information is properly communicated at future orientation meetings.

Without proper notification of the FDLE's sexual predator and sexual offender registry Web site and toll-free telephone number, students and employees may be unaware of how to obtain information regarding sexual predators and sexual offenders who may be on campus.

Recommendation: The College should enhance policies and procedures to ensure that the College students and employees are informed of the FDLE sexual predator or offender registry Web site and toll-free telephone number during orientation.

Finding 2: Textbook Affordability

State law³ required Colleges to 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) rule⁴ 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 materials ordered will be used, particularly each individual item sold as part of a bundled package. Further, the Textbook Affordability Workgroup (Workgroup)⁵ recommended that each college reduce textbook costs by developing and monitoring policies and guidelines for textbook adoption. The Workgroup also noted one effective practice to reduce textbook costs would be use of course-wide adoptions of textbooks for courses within many sections.

¹ Section 1006.695, Florida Statutes.

² Board Policy 6Hx-18-3.49, *Sexual Predator or Offender Information Notification/Publication*.

³ Section 1004.085, Florida Statutes (2015).

⁴ SBE Rule 6A-14.092(3), *Textbook Affordability*, Florida Administrative Code.

⁵ The Workgroup, consisting of membership from the Florida College System, in cooperation with the Division of Florida Colleges issued a report dated December 1, 2009, that contained certain recommendations.

College procedures⁶ require instructors to electronically submit certifications to the Academic Affairs Department attesting that all textbooks ordered will be used and the extent to which a new edition differs significantly and substantively from earlier versions. Additionally, the Board adopted a policy⁷ that requires all faculty to post a syllabus online for each course before the beginning of each term's registration period. The College uses a Collegewide syllabus template that includes all the textbook information required to be provided by State law.⁸

As part of our audit, we requested College personnel to provide us a listing of all textbooks adopted during the 2015-16 fiscal year and the dates that the textbooks were posted to the College's Web site. In response to our request, College personnel indicated that this information was unavailable, but that College procedures satisfy the State law requirements for providing textbook information to students as:

- Pursuant to College policy, faculty list all educational materials, including textbooks, in their syllabi published on the Web site.
- The College Compliance Coordinator provides campus department heads specific deadlines for when syllabi should be completed, maintains weekly exception reports that indicate which syllabi have not been posted, and sends notices to campus department heads regarding any syllabi that have not been posted.
- The bookstore vendor maintains a link in the course registration system for students to see book availability.

Notwithstanding this response, without evidence of the timely posting of textbook information on the College's Web site, the College cannot demonstrate compliance with State law.

Due to the timing of our audit procedures, we were able to access the College's Web site and verify that 30 selected textbooks from the 373 classes during the College's Summer 2016 Term B were timely posted to the Web site. However, our audit procedures do not substitute for management's responsibility to document compliance with State law. Effective July 1, 2016, State law⁹ was revised to require each college to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the college during the upcoming term.

We also requested for examination instructor certifications related to 30 selected textbooks for the Summer 2016 Term B to determine whether instructors, before textbook adoption was finalized, certified that the textbooks would be used. College personnel provided 8 of the 30 certifications and indicated that, for the remaining 22 textbooks, instructors did not complete the certification forms. Further, the 8 certifications provided were not dated to demonstrate whether the certifications were timely. Without timely instructor certifications, the risk increases that instructors may use textbooks that have not been adopted and students may unnecessarily purchase books that are not needed for their courses.

⁶ Section G, Academic Affairs Policies & Procedures, Textbook Affordability and Certification Procedures, Academic Management Manual.

⁷ Board Policy 6Hx-18-2.051, *Collegewide Course Outline and Syllabus*.

⁸ Section 1004.085(3), Florida Statutes (2015).

⁹ Section 1004.085(6), Florida Statutes (2016).

Recommendation: The College should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks and instructional materials are timely posted on its Web site in accordance with State law and that certifications related to textbook use are obtained from instructors before textbooks are adopted.

Finding 3: Direct Support Organization

State law¹⁰ provides that a Florida College System institution direct-support organization (DSO) is an organization organized and operated exclusively to receive, hold, and invest, and administer property and make expenses to, and for the benefit of, the institution. State law¹¹ authorizes the Board to permit a DSO to use College property, facilities, and personal services. The Board approved the Palm Beach State College Foundation, Inc. (Foundation) as a DSO, and the Foundation routinely receives and uses charitable contributions for the benefit of the College's students.

College records indicated that the College contracted with a financial institution to provide banking services to College students, faculty, and staff, and the institution paid the College annual license fees of \$10,211, \$16,040, and \$15,980 for the 2013-14, 2014-15, and 2015-16 fiscal years, respectively. The College, in turn, transferred these funds totaling \$42,231 to the Foundation. Although State law authorizes the College to permit a DSO to use College property, facilities, and personal services, we are unaware of any specific statutory authority permitting the College to transfer funds to the Foundation.

In response to our inquiries, College personnel indicated that transfers to the Foundation are to fund student scholarships and that the financial institution contract would be updated at the next contract renewal to specify the use of the transfers. Notwithstanding this response, College records did not identify any specific statutory authority permitting the College to make these transfers.

Recommendation: In the absence of specific statutory authority, the College should discontinue the practice of transferring funds to the Foundation and seek to recover the \$42,231 from the Foundation.

Finding 4: Anti-Fraud Policy

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

The College established an ethics policy¹² that addressed, among other things, educating employees about proper conduct, deterring dishonesty, requiring individuals to communicate and report known ethics violations, identifying consequences of violations, allowing anonymous reporting of violations, and requiring College personnel to comply with applicable laws and rules. While the policy has many positive features, the policy does not:

¹⁰ Section 1004.70(1)(a)2, Florida Statutes.

¹¹ Section 1004.70(3), Florida Statutes.

¹² Board Policy 6Hx-18-5.90, *Ethics Policy*.

- Define fraud or provide examples of actions constituting fraud.
- Establish procedures for investigating potential or actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or College legal counsel if an incident involves College management; and protecting the reputation of persons suspected but not determined guilty of fraud.
- Require College personnel to maintain accurate records of reported known or suspected fraud.

In response to our inquiries, College personnel indicated that there is no legal or administrative code requirements regarding an anti-fraud policy and that the College has one of the best investigative processes in the State. College personnel further provided documentation of the College's investigations of two allegations of fraud (one investigation occurred during the audit period and one investigation occurred during our audit field work). Notwithstanding this response and documentation, an established anti-fraud policy and procedures that define fraud and provides examples of actions constituting fraud, establishes procedures for conducting investigations and reporting evidence obtained to appropriate authorities, protects suspects not determined guilty of fraud, and requires accurate recordkeeping, promotes the communication of potential or actual incidents of fraud and the performance of consistent, timely, and appropriate actions to investigate the incidents reported.

Recommendation: The College should enhance a policy and procedures for communicating, investigating, and reporting known or suspected fraud. Such policy and procedures should:

- **Define fraud and provide examples of actions constituting fraud.**
- **Establish procedures for investigating potential or actual incidents of fraud, reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or College legal counsel if an incident involves College management; and protecting the reputation of persons suspected but not determined guilty of fraud.**
- **Require College personnel to maintain accurate records of reported known or suspected fraud.**

Finding 5: 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 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 assigned responsibilities. 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.

Effective 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. According to College personnel, the College has established procedures to periodically review detailed access reports to identify the propriety of access privileges for each individual.

As part of our audit, we examined College records for the 52 employees and contractors with IT access privileges to the Enterprise Resource Planning (ERP) system finance module developed by the College's Higher Education Technology Group (Consortium) and for the 68 employees and contractors with IT access privileges to the human resource (HR) module. Our examination disclosed some access privileges that permitted certain College employees and a Consortium contractor to perform incompatible functions. Specifically, we noted that, for eight users, the College had established access 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 and disbursements. Included within this ERP group were two College database administrators (DBAs), two Senior Systems Programmers, the Director of Enterprise Systems, one Business Analyst Manager, the College Registrar, and one Consortium contractor. The access privileges are contrary to an appropriate separation of end user duties and the respective users' assigned IT duties related to the technical support of the College's ERP system. College personnel indicated that the access provided was necessary for the College to address operational issues that may arise with the operating system. However, although we requested, College personnel did not provide an explanation of why such access could not be granted on an as-needed basis, instead of providing continuing access that causes incompatible end user duties.

College records indicated that the College had certain controls (e.g., periodic reviews of access privileges, supervisory monitoring of finance and HR transactions, and supervisory review and approval of transactions such as journal entries) that partially mitigated the effect of the noted deficiencies and our review did not disclose any misuse as a result of the unnecessary or inappropriate access privileges. However, the existence of inappropriate or unnecessary IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of College data and IT resources may occur.

Recommendation: The College should enhance procedures to ensure that assigned access privileges enforce an appropriate separation of incompatible duties and restrict College employees and Consortium contract workers access to only those functions necessary for their assigned job responsibilities.

Finding 6: Information Technology - Disaster Recovery Plan

An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and include step-by-step procedures for recovery. In addition, plan elements should be tested annually to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations. Further, effective disaster recovery planning also requires a formal agreement with an appropriate entity to serve as an alternate-processing site for critical operations should a disaster occur.

The College had not prepared a formal written disaster recovery plan for its IT operations detailing the procedures to be followed to affect the recovery and restoration of financial, student records, and other critical applications and had not entered into a formal agreement with an entity to serve as an alternate-processing site. The College does have an Emergency Payroll Recovery Plan that details the

procedures to be followed to recover payroll information. However, the plan did not include several key provisions, such as the identity of the employees responsible for creating the emergency payroll file or how the emergency payroll file would be transmitted for processing.

In response to our inquiries, College personnel indicated the College contracted with a consultant to develop a formal IT disaster recovery plan and add supporting infrastructure, which the College plans to implement during the 2016-17 fiscal year. Without such a plan and annual testing of the plan, or a formal agreement for an alternate-processing site, there is an increased risk that the College may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was noted in our report No. 2015-065.

Recommendation: The College should continue efforts to develop a comprehensive, written disaster recovery plan and, once the plan is established, test the plan annually. The College should also enter into a formal agreement with an appropriate entity to serve as an alternate-processing site for critical operations.

Finding 7: Information Technology - Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain College security controls related to data loss prevention needed improvement. We are not disclosing the 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, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised. Similar findings were noted in our report Nos. 2013-036 and 2015-065.

Recommendation: The College should improve IT security controls related to data loss prevention 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 applicable findings included in our report No. 2015-065 except as noted in Findings 6 and 7. Deficiencies similar to those noted in Finding 7 were also noted in audit report No. 2013-036 (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 April 2016 to July 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. 2015-065.
- 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 transactions, as well as events and conditions, occurring during the audit period of April 2015 through March 2016, and selected College actions taken prior and subsequent thereto. 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 the College's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important 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. Specifically, we examined access privileges over the database and finance and human resources applications during the audit period for 19 critical areas of access 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. We also examined 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.
- Evaluated the College's security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- Evaluated the appropriateness of the College's comprehensive IT disaster recovery plan to determine whether it was in place and had been recently tested.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- 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 a comprehensive IT security awareness and training program was in place.
- Evaluated Board, committee, and advisory board 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, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined College records for the audit period 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 examined College records to determine whether the College had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- From the population of 19 transfers totaling \$85,491 made during the audit period from the College to its direct-support organizations, we examined College records supporting 3 transfers totaling \$82,889 to determine whether the transfers were authorized by Section 1004.70(1)(a)2 and (3), Florida Statutes.
- Examined College records for 30 selected student receivables totaling \$21,484.06 from the population of student receivables totaling \$2,753,737.74 and recorded as of April 2016 to determine whether the student receivables were properly authorized, adequately documented,

properly recorded, and complied with Section 1010.03, Florida Statutes, and Board policies. We also evaluated whether the College's collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent accounts.

- Examined College records to determine whether uncollectible accounts written-off in May 2016 totaling \$44,816 were properly approved.
- Evaluated whether the student fees assessed totaling \$71,350,370.75 during the audit period were properly authorized, accurately calculated, and correctly recorded. Specifically, we examined:
 - College records relating to 30 selected students fees to determine whether the College correctly assessed tuition in compliance with Sections 1009.21, 1009.22, and 1009.23, Florida Statutes, and State Board of Education Rule 6A-10.044 and 6A-14.054, FAC.
 - College records to determine whether the College had established procedures to cancel the registration of students who did not timely pay fees; make student status and residency determinations in compliance with Section 1009.21, Florida Statutes; and record deferred fees as a receivable.
- From the population of 441 distance learning courses with fee revenue totaling \$1,098,982 during the audit period, examined College records for 30 selected distance learning courses with fee revenue totaling \$39,936 to determine whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
- Examined the six contracts for auxiliary operations, which generated revenue totaling \$1,669,249 for the audit period, to determine whether the College properly monitored compliance with the contract terms for fees, insurance, and other provisions.
- From the population of 373 courses added during the Summer 2016 Term B, examined supporting documentation for 30 selected courses 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 3,912 employees compensated a total of \$82,896,878 during the audit period, examined 30 payroll transactions totaling \$33,697 and examined related payroll and personnel records to determine the accuracy of the rate of pay, validity of employment contracts, whether the employees met the required qualifications and performance evaluations were completed, the accuracy of leave records, and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated the College's 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 88 employees who separated from College employment during the audit period, and were paid \$855,817 for terminal leave, we selected 10 employees with terminal payments totaling \$467,935 and examined the supporting records to evaluate the payments for compliance with Sections 110.122 and 1012.865, Florida Statutes, and Board policies.
- Examined severance pay provisions in the one employee contract with such provisions to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- Examined the compensation contract for the College President who received \$488,886 in remuneration during the 2015-16 fiscal year to determine whether the amounts paid did not exceed limits established in Section 1012.885, Florida Statutes.

- Evaluated College policies and procedures for obtaining personnel background screenings to determine whether employees in positions of special trust or responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Reviewed College policies and procedures to determine whether health and life insurance was provided only to eligible employees, retirees, and dependents.
- Examined College expenditure documentation to determine whether the expenditures were reasonable, correctly recorded, and adequately documented; for a valid College purpose; properly authorized and approved; and in compliance with applicable laws, contract terms, and Board policies; and applicable vendors were properly selected and carried adequate insurance. Specifically, from the population of expenditures totaling \$223,651,817 for the audit period, we examined:
 - Documentation relating to 30 selected payments for general expenditures totaling \$19,729.
 - Documentation relating to 30 selected payments totaling \$371,918 for contractual services.
 - Documentation relating to the competitive selection of 30 selected vendors with payments totaling \$371,918.
- From the population of 8,567 purchasing card (P-card) transactions totaling \$1,859,999 during the audit period, examined College records supporting 30 selected P-card transactions totaling \$86,405 to determine whether the P-card program was administered in accordance with College policies and procedures and transactions were not of a personal nature.
- From the population of 60 cardholders who separated from College employment during the audit period, examined P-card records for 23 cardholders to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- From the population of 42 payments totaling \$4,105 during the audit period and made to employees for other than travel and compensation, examined documentation supporting 18 selected payments totaling \$2,682 to determine whether such payments were reasonable, adequately supported, for valid College purposes and whether such payments were related to employees doing business with the College, contrary to Section 112.313, Florida Statutes.
- For the one major construction project with costs totaling \$8,337,246 during the audit period, examined College records to determine whether the payments were made in accordance with contract terms and conditions, College policies and procedures, and provisions of applicable State laws and rules.
- Evaluated documentation related to the major construction project with costs totaling \$8,337,246 during the audit period to determine whether the College properly selected construction managers and adequately monitored the selection process of subcontractors; the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals; and design professionals provided evidence of required insurance.
- From the population of 467 industry certifications reported for performance funding that were attained by students during the 2015-16 fiscal year, examined 30 industry certifications to determine whether the College maintained documentation for student attainment of the industry certifications.
- 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



December 14, 2016

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

Dear Ms. Norman:

On November 17, 2016, we received the preliminary and tentative audit findings and recommendations for Palm Beach State College's Operational Audit. The recommendations identified in the audit will be used to improve the operations of the College in the future.

Our response to the findings are attached. Please contact Mr. Richard A. Becker, Vice President of Administration and Business Services, at (561) 868-3137, if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Ava L. Parker".

Ava L. Parker, J.D.
President

Attachment

cc: District Board of Trustees
Richard A. Becker
Diana Garza

www.PalmBeachState.edu

**Palm Beach State College Responses to the
Auditor General's Operational Compliance**

December 14, 2016

Finding No. 1: The College did not inform students and employees during orientation about the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and toll-free telephone number.

The College has and will continue to publish resource information for those interested in contacting the FDLE web site and toll-free number concerning sexual predators or offenders and the College web site contains that resource information. We also began to share this same information verbally, at student and employee orientations, as soon as this omission was brought to our attention by the field auditor.

Finding No. 2: College textbook affordability procedures could be enhanced.

We believe our stated procedures are in compliance with the rules and statutes that govern textbook affordability. We require all faculty to include textbook information on their syllabi to students. Such syllabi are posted months before the term commences (April for Fall Term, October for Spring Term and February for Summer Term). Some faculty do not use textbooks, but provide open source materials free of charge to students, so their information would be absent from the online attestation of materials they use with students. The availability of textbook information is contingent upon a faculty member being assigned to a course. For course sections staffed near the start of a term, or course sections added to accommodate student enrollment, the newly assigned faculty must post syllabi within five business days. We will strengthen our monitoring of faculty compliance with college policy, board policy, state rule and statute. We will keep a "snapshot" of the syllabi that were in compliance at two points: 1) The College required date for posting syllabi and textbook information; and 2) The state required date for posting textbook information. These two check points will provide auditable data to show compliance with state statute.

Finding No. 3: The College transferred \$42,231 to its direct-support organization without specific legal authority.

The College's legal department is reviewing the contract language and if we are unable to change the contract from Palm Beach State College to the Palm Beach State College Foundation we will account for their donation through the auxiliary fund of the College.

Finding No. 4: The College could enhance policies and procedures for the mitigation, detection, and reporting of fraud.

The College will enhance our policy and procedures defining fraud and spelling out investigatory procedures when fraud is reported.

Finding No. 5: Some unnecessary information technology (IT) access privileges existed.

Information Technology reviewed its procedures with access privileges in the College's information systems. After the audit, privileges were revoked from persons whose job duties did not require such privileges. In addition, a new procedure was instituted in November 2016 to ensure user access is appropriate to changing job duties. When an employee is reassigned to a new position at the College, all user access will be revoked until the new supervisor requests privileges in the College's information systems. Such requests for privileges will be reviewed for appropriateness through the College's established procedures.

Finding No. 6: As similarly noted in our report No. 2015-065, the College needs to develop a comprehensive, written IT disaster recovery plan and, once the plan is established, test the plan annually.

Information Technology continues to develop disaster recovery efforts within its business plan to migrate to a cloud-based Enterprise Resource Planning (ERP) software solution, and a cloud-based email system through Microsoft Live 365. The College has a three-year plan to migrate to the Workday cloud-based ERP system. This has the "Alternate-Processing Site" features built into the Workday system as a standard operating procedure. In the meantime, the College is in the process of negotiating a contract with Northwest Regional Data Center (NWRDC) to act as a full-system backup site as Phase 1 of our DRP. The College has already tested this capability in a proof of concept. Phase 2 of this effort with NWRDC is to contract with them to act as a Disaster Recovery host. The full implementation of the disaster recovery plan will continue in the 2016-17 fiscal year.

Finding No. 7: College IT controls related to data loss prevention needed improvement to ensure the continued confidentiality, integrity, and availability of College data and IT resources. A similar finding was noted in previous audits, most recently in our report NO. 2015-065.

The College is currently drafting updated policies on data loss prevention as part of a comprehensive approach to data loss prevention. The College hired an industry-certified Information Security Officer who will develop and implement a comprehensive Data Loss Prevention plan including user education, upgraded software tools, installation of data detection tools, and other measures as included in the plan.