

MANATEE COMMUNITY COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2008



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

	<u>County</u>
Stephen L. Harner, Chair	Sarasota
Frederick D. Miller, Vice-Chair from 8-15-07 to 5-01-08 (1)	Manatee
Ronald J. Allen	Manatee
Beverly Beall, Vice-Chair to 8-14-07	Manatee
Julia B. Fogarty to 5-31-08 (1)	Manatee
Rev. Kelvin L. Lumpkin	Sarasota
Susan Miller Kelly	Manatee
Christine Robinson	Sarasota
Jennifer M. Saslaw	Sarasota

Dr. Sarah Pappas, President

Note: (1) Positions remained vacant until replaced.

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by Cathi Davis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MANATEE COMMUNITY COLLEGE

SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

Finding No. 1: The College’s calculation of terminal pay resulted in \$54,037 of additional accumulated sick leave to be paid to a former employee than the amount authorized by Section 1012.865(2)(e), Florida Statutes, and the College’s own policies.

Finding No. 2: The College does not have a written policy for communicating and reporting known or suspected fraud.

Finding No. 3: The College did not always retain required documentation evidencing student Florida residency status for tuition purposes.

Finding No. 4: The basis for the assessment of laboratory fees was not always adequately documented. Also, the methodology for calculating laboratory fees had not been presented to the Board for its approval.

BACKGROUND

The College is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by State law and State Board of Education rules. A board of trustees 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.

Manatee Community College has campuses in Bradenton and Venice, Florida, and a Center at Lakewood Ranch, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Manatee and Sarasota Counties. The College reported enrollment of 7,635 full-time equivalent students for the 2007-08 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2008, 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, 2008, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Terminal Sick Leave Calculation

Section 1012.865(2), Florida Statutes, provides that a community college board of trustees may establish rules to provide for terminal pay for accumulated unused sick leave to be paid to any full-time employee of a community college. Pursuant to this law, the College has established Rule 6Hx14-2.45 relating to terminal sick leave calculations and payments. In addition, the College established Rule 6Hx14.2.41, the Retirement Enhancement Plan (REP). The REP provides for the payment of an additional 2.5 percent of accumulated sick leave balances to retiring employees for each year of service to the College in excess of 10 years of service. The additional 2.5 percent is limited to 20 years of service, or an additional 50 percent of accumulated unused sick leave for terminal pay. The REP policy also provides that in no case shall an employee be paid more earned sick leave than that which is allowed by Florida

Statutes. While Section 1012.865(2)(d), Florida Statutes, includes additional payments such as these for employees classified as instructional staff and educational support, Section 1012.865(2)(e), Florida Statutes, does not include similar provisions for other staff and limits the percentage of the employee's accumulated unused sick leave that can be paid for terminal pay.

Our test of the calculations of terminal pay for a former vice president disclosed that the amount of terminal pay calculated by the College exceeded the amount allowed by Section 1012.865(2)(e), Florida Statutes, by \$54,037. As noted above, the College's REP plan provides that an employee shall not be paid out more earned sick leave than that which is allowed by Florida Statutes and Section 1012.865(2)(e), Florida Statutes, does not include such provisions for employees other than instructional staff or educational support. The College indicated that the \$54,037 has not been disbursed to the former employee, but is recorded as due to the employee and will be disbursed in January 2009.

Recommendation: The College should revise its REP to ensure that terminal pay for accumulated unused sick leave for employees not considered instructional staff or educational support is consistent with the limitations of Section 1012.865(2), Florida Statutes. Also, the College should retain the \$54,037 in College accounts.

In her response to finding No. 1, the Vice President for Business and Administrative Services notes that Manatee Community College disagrees with this finding and recommendation and indicates that the rule used by the College is a continuation of an existing plan that was in effect prior to the change to the Florida Statutes and that, therefore, the College is in accordance with the Florida Statutes. As discussed above, Section 1012.865(2)(e), Florida Statutes, does not include provisions for the payment of sick leave as included in the College's rule to employees classified as other than instructional staff or educational support employees. In addition, Sections 1012.865(2)(e)1., 2., and 3., Florida Statutes, include specific language regarding the methodology for paying sick leave earned both prior to and after the change to the law. We, therefore, continue to recommend that the College revise its REP to ensure compliance with the requirements of Florida law.

Finding No. 2: Policies for Reporting Fraud

The College had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that fosters honesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may not be identified or reported to the appropriate authority.

Recommendation: The College should develop policies for the detection, prevention, and reporting of fraud.

Finding No. 3: Student Residency

Section 1009.21, Florida Statutes, states, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. According to this Statute, to qualify as a resident for tuition purposes, legal residence must be established and maintained in Florida for at least 12 months immediately prior to qualification. Section

1009.21(3), Florida Statutes, provides that a college may require individuals to provide documentation related to legal residence and its duration to obtain the residency tuition rate. For example, a Florida driver's license issued 12 months prior to the first day of the term, Florida voter registration card, or a high school transcript showing multiple years of attendance are some of the documents that may be used to evidence Florida residency. The College tuition rate for nonresidents is significantly higher than the rate for residents.

State Board of Education (SBE) Rules 6A-10.044, Florida Administrative Code, establishes the documentation requirements for determining the classification or reclassification of students as Florida residents for tuition purposes. This Rule provides that student applicants who meet certain criteria shall be initially classified as "All Florida" residents for tuition purposes. Students not meeting all the criteria must be evaluated to determine residency status. Such students must provide at least two documents that are acceptable for purposes of documenting Florida residency as prescribed by SBE Rule 6A-10.044(7), Florida Administrative Code. Additionally, the College established Residency Guidelines (effective July 1, 2005) which require students requesting reclassification to Florida residence to provide three or more documents that are acceptable for evidencing Florida residency.

Our tests of 32 students included 12 new students classified as Florida residents that had out-of-state permanent addresses and 20 returning students that were reclassified as Florida residents. During our tests we noted the following:

- The College did not retain at least two documents for one student as required by SBE Rule 6A-10.044, Florida Administrative Code.
- The College did not retain at least three documents for two reclassified students as required by the College's Residency Guidelines.

Absent documentation evidencing Florida residency status, College personnel may not be properly assessing and collecting nonresident tuition. Similar findings were noted in our report No. 2007-094.

Recommendation: The College should ensure that required documentation is obtained and retained to evidence Florida residency for purposes of assessing student tuition.

In her response to finding No. 3, the Vice President for Business and Administrative Services notes that Manatee Community College residency guidelines, as published in the 2007-08 College catalog, require two proof of residency documents not three as stated in the finding. However, in documentation provided for our review, including the College's application, other information provided by the Financial Aid Office, and the Residency Guidelines discussed above, the College notes that three proofs of residency are required for reclassification.

Finding No. 4: Laboratory Fees

Section 1009.23(12), Florida Statutes, authorizes each community college board of trustees to establish user fees, including laboratory fees. Such user fees cannot exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rules 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees for services that incur unusual costs.

The Florida Community College Council of Business Affairs and the Florida Department of Education, Division of Community Colleges, have issued guidelines for assessing additional laboratory, special course, and other user fees. The guidelines provide that each local board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, and describing the documentation

required to support the fees, the time period for review of such fees, and the manner of presenting such fees to the board for approval. The College collected laboratory fees totaling approximately \$615,000 for the 2007-08 fiscal year.

We selected for our tests 25 courses for which students were charged laboratory fees. As similarly noted in our report No. 2007-094, College procedures for assessing laboratory fees could be improved as follows:

- The College assessed a \$5 laboratory fee for 18 math courses tested. However, 16 of these math classes did not have a required laboratory. College personnel advised us that students enrolled in the 16 courses were allowed to avail themselves of help from instructional assistants, tutors, written and electronic materials, including workbooks, test banks, videos and other learning aids, and that the fee only offsets a portion of the cost associated with these services. However, these costs appear to represent routine costs related to nonrequired instructional training and materials. In addition, College records did not demonstrate that these fees were only charged to students that actually received such services contrary to Section 1009.23(12), Florida Statutes.
- The forms and supporting documentation evidencing the calculation of laboratory fees were requested for the 25 courses tested. Although we were provided the form for each course, no supporting documentation was provided to support the costs used by the College to calculate the laboratory fees. Furthermore, 20 of the 25 forms had only the dollar amount of the fee charged to students and there was no information on the form documenting the costs considered in calculating the fees or an explanation of what costs were considered in calculating the fees. College personnel indicated that for many of the laboratory courses offered at the College, the fees were adopted at the time the course was originally developed. The College maintains documentation only when the fee changes. Absent documentation to support the costs used to calculate laboratory fees the College was unable to document, of record, that the laboratory fees charged to students did not exceed the unusual cost of the services provided contrary to the above-cited law.
- Our review of the College's procedures for assessing student laboratory fees disclosed that the College had established a rule to provide procedures for determining which courses should assess a laboratory fee and the amount to be charged. However, these procedures had not been formally adopted by the Board of Trustees.

Recommendation: The College should revise its procedures to document that laboratory fees do not exceed unusual costs of services provided and are only charged to students that actually receive such services. The College should also periodically reevaluate the appropriateness of such fees. Additionally, the written methodology and procedures used to determine user fees should be presented to the Board for its approval.

In her response to finding No. 4, the Vice President for Business and Administrative Services indicates that there is no requirement in Florida Statutes that the College Board of Trustees approves the methodology and procedures for development of user fees. Our recommendation to do so resulted from our understanding, based on inquiries and discussions with College staff, in which it did not appear that staff were aware of the procedures which had been developed for assessing student laboratory fees. Board approval would be one method of ensuring staff awareness and dissemination of the procedures. The College should ensure that procedures, such as these, are appropriately disseminated.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2007-094.

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 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: (1) obtain an understanding and make overall judgments as to whether College internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the College; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the College had taken corrective actions for findings included in our report No. 2007-094. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the College’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.


David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's IT security awareness and training program, new employee welcome packet, guidelines for data standards, data integrity and security provided to each new employee and observed ongoing screen messages on MCC computer regarding their policy of personal use of MCC computers.
Procedures to timely prohibit terminated employees' access to electronic data files.	Sampled employees who terminated during the audit period and examined supporting documentation evidencing when the College terminated access privileges.
Fraud policy and related procedures.	Examined written policies and procedures and requested information from College personnel.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes).	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Student activity and service fees assessed.	Compared the activity and service fee to verify that this fee did not exceed 10 percent of the total tuition fee.
Procedures for calculating user and laboratory fees.	Requested copy of College procedures to determine if the policy was approved by the Board of Trustees. Selected a sample of user and laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees.
Adult general education program enrollment reporting.	Selected a sample of adult education students and examined supporting documentation to determine whether the College reported instructional and contact hours in accordance with FDOE requirements.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the College had provided individuals with a written statement as to the purpose of collecting social security numbers, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008.
Fingerprinting and background checks for personnel in a position of special trust or that had direct contact with children.	Selected a sample of College and contractual personnel who had direct contact with children or work in an area requiring special trust to determine whether the College had obtained fingerprint and background checks for the individuals included in our sample.
Procedures for insuring architects and engineers.	Inquired with College personnel to determine if a policy for minimum insurance requirements exists for architects and engineers.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for monitoring cellular telephone usage and compliance with related IRS reporting requirements.	Determined whether the College either provided for compliance with IRS substantiation requirements for cellular telephone usage or, for the most recent calendar year, reported the value of cellular telephone services provided to employees as income for those employees.
Terminal pay policies and procedures.	Review the College's policies and procedures for terminal pay to ensure policies and procedures are consistent with Florida law. Select a sample of former employees and determine whether the College properly calculated terminal pay in accordance with College policies and procedures.

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**EXHIBIT B
MANAGEMENT'S RESPONSE**



OFFICE OF THE VICE PRESIDENT

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November 14, 2008

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

Dear Mr. Monroe:

Transmitted herewith are the written statements of explanation and the actual or proposed corrective actions to the Preliminary and Tentative Audit Findings and Recommendations which may be included in a report on the audit of the:

*District Board of Trustees, Manatee Community College
Operational Audit
For the Fiscal Year Ended June 30, 2008*

If my office can be of any further assistance concerning the resolution of these findings, please do not hesitate to contact my staff or me.

Sincerely,

Carol F. Probstfeld, Vice President
Business and Administrative Services

CFP/klw

Enclosure: as stated

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Manatee Community College
Operational Audit
For the Fiscal Year Ended June 30, 2008

November 14, 2008

Following are the Manatee Community College responses to the findings identified in the State Auditor General's Operational Audit Report for the Fiscal Year Ended June 30, 2008. Please note that the College completed all of the actions stated in our prior audit response toward compliance with those issues. The College has documented work in process toward full compliance with all the current findings.

Finding No. 1: The College's calculation of terminal pay resulted in \$54,037 of additional accumulated sick leave to be paid to a former employee than the amount authorized by Section 1012.865(2)(e), Florida Statutes, and the College's own policies.

Response: Manatee Community College disagrees with this finding and recommendation. MCC maintains that the sick leave payout was calculated correctly in accordance with Florida statute and the College Rule for the Retirement Enhancement Plan (REP). The REP is a continuation and restatement of the Retirement Incentive Plan (RIP), in place in 2001 when the Florida Statute changed. The restatement was presented to the MCC District Board of Trustees for the limited purposes of addressing the changes in Social Security Normal Retirement Age and DROP requirements and, as adopted by the Board, was merely a continuation of the existing Plan with adjustments to recognize such changes. The clauses for the payout of sick leave remained unchanged. The history of the rule clearly reflects this continuation.

Finding No. 2: The College does not have a written policy for communicating and reporting known or suspected fraud.

Response: Manatee Community College Rule 6HX14-2.55 addresses proper employee conduct and although there is no Florida Statute that requires a policy for communicating and reporting known or suspected fraud the College has drafted a procedure that addresses actions constituting fraud, incident reporting procedures, responsibility for fraud investigation and consequences for fraudulent behavior. The District Board of Trustees of Manatee Community College approves policy and delegates authority for the development of procedures through the President to the appropriate College representative per Rule 6HX14-1.05. In accordance with that practice, the Code of Ethical Behavior Rule has been updated to reference the fraud procedure and will be presented to the Board of Trustees for approval at the December 2008 meeting.

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Manatee Community College

November 14, 2008
State Auditor's Operational Audit

Finding No. 3: *The College did not always retain required documentation evidencing student Florida residency status for tuition purposes.*

Response: Manatee Community College residency guidelines, as published in the 2007-08 College catalog (the official agreement between the college and our students), required two proof of residency documents not three as stated in the finding. Hence, the two student records referenced in the finding were consistent with the official College Residency Guidelines in place for the time period under review. Due to procedural and software errors, the necessary residency documentation for one student was not appropriately retained. Practices are in place to verify that images of scanned documents are captured electronically before original paper copies of documents are destroyed to ensure accurate and complete student records.

Finding No. 4: *The basis for the assessment of laboratory fees was not always adequately documented. Also, the methodology for calculating laboratory fees had not been presented to the Board for its approval.*

Response: The existing Manatee Community College Lab Fee procedure does require that all special/lab fees adhere to Florida law and provides examples of costs that are acceptable for coverage via lab fees. A requirement to review lab fees every three years is also part of the existing lab fee procedure. The lab fee calculation form will be modified to document that fees do not exceed unusual costs and that periodic reviews was performed. The lab fee procedure will be updated to reflect these improvements. There is no requirement in Florida Statute that the College District Board of Trustees approve the methodology and procedures for the development of user fees. The District Board of Trustees of Manatee Community College approves policy and delegates authority for the development of procedures through the President to the appropriate College representative per Rule 6HX14-1.05. The College District Board of Trustees does, however, approve all fees and tuition charged by the College.

Respectfully submitted,

Carol F. Probstfeld, Vice President
Business and Administrative Services