

ST. PETERSBURG 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:

W. Richard Johnston, Chair from 7-17-07,
Vice-Chair to 7-16-07
Deveron M. Gibbons, Vice-Chair from 7-17-07
Evelyn M. Bilirakis, Chair to 7-16-07
Terrence E. Brett from 5-09-08 (1)
Kenneth P. Burke
Cecil B. Keene to 4-04-08 (1)

Dr. Carl M. Kuttler, Jr., President

Note: (1) Position remained vacant from
April 5, 2008, through May 8, 2008.

The audit team leader was Dawn T. Meyers, CPA, and the audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Kathy B. Sellers, CISA, and the supervisor was Nancy Reeder, CPA, CISA. 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.

ST. PETERSBURG COLLEGE

SUMMARY

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

Finding No. 1: The College did not have a written policy for communicating and reporting known or suspected fraud.

Finding No. 2: The College’s procedures for administering construction projects regarding verifying subcontractor licenses needed improvement.

Finding No. 3: The College did not have written policies and procedures prescribing minimum liability insurance coverage requirements for design professionals.

Finding No. 4: Certain security controls related to the College’s information technology systems needed improvement.

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 five members appointed by the Governor and confirmed by the Senate.

The College has campuses in St. Petersburg, Clearwater, Tarpon Springs, and Seminole, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Pinellas County. The College reported enrollment of 17,424 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: 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. 2: Construction Administration

Pursuant to Section 1013.45(1), Florida Statutes, a college may contract with a construction manager (CM) or design-build firm, for the construction or renovation of facilities. Under the CM and design-build process, contractor profit and overhead are contractually agreed upon, and the contracted firm is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project.

The College contracted with a CM or design-build firm for 19 construction projects during the 2007-08 fiscal year. Our review of the College's administration of three of these projects disclosed that the College records did not always evidence that the College monitored the CM's and design-build firm's verification that subcontractors were properly licensed. Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. Verification of subcontractor licenses provides the College additional assurance that the subcontractors met the qualifications to perform the work for which they were engaged. A similar finding was noted in report No. 2007-120.

Recommendation: The College should enhance its monitoring procedures for construction projects to include the CM's and design firm's verification that subcontractors are properly licensed.

Finding No. 3: Architect Liability Insurance

The College contracted with and made payments to construction managers and design-build firms for 19 construction projects, involving 10 different architects, totaling \$91 million during the 2007-08 fiscal year. The College's minimum insurance coverage for architects in effect for each project was \$1 million.

It is unclear as to whether the level of coverage for these projects was consistent with the College's insurance philosophy as there were no written policies and procedures prescribing minimum liability insurance requirements for design professionals or requiring verification of compliance with those requirements. Adopting such policies and procedures would help protect the College in the event that deficiencies exist in the work performed by these professionals.

Recommendation: The College should establish written policies and procedures prescribing the minimum liability insurance coverage requirements for design professionals and require verification of compliance with those requirements.

Finding No. 4: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain College security controls related to logging and monitoring practices that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising the College's data and IT resources. However, we have notified appropriate College management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be

compromised, increasing the risk that College data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The College should implement the appropriate security controls to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2007-120.

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. 2007-120. 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
Information Technology (IT) policies and procedures.	Reviewed the College's written policies and procedures to determine whether they addressed certain important IT control functions.
Procedures for IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's IT security awareness and training program.
Procedures to timely prohibit terminated employees' access to electronic data files.	Selected a sample of employees who terminated during the audit period and examined supporting documentation evidencing when the College terminated computer access privileges.
Fraud policy and related procedures.	Reviewed written policies and procedures, and examined supporting documentation relating to the College's fraud policy and related procedures.
Tuition for baccalaureate courses did not exceed the amount authorized.	Compared tuition fees charged for baccalaureate courses to amounts authorized to ensure these fees were less than 85 percent of tuition and out-of state fees charged by the nearest public university.
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.	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.
Procedures for adopting and amending the budget.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable Florida Statutes and State Board of Education Rules.
Procedures for filing statements of financial interest.	Examined supporting documentation to determine whether the College President and Board members filed statements of financial interest in accordance with Section 112.3145(2), Florida Statutes.

**EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Food service and bookstore contract provisions.	Determined through review of current food service and bookstore contracts that contract provisions included when commissions were due, penalty provisions, and the allowability of the College to examine contractors' records.
Procedures for assessing in-state tuition.	Selected a sample of students with out-of-state addresses or changed from nonresident to Florida resident status to determine students were properly charged in-state tuition.
Fingerprinting and background checks for personnel in a position of special trust or that had direct contact with children.	Selected a sample of College personnel and Board members who had direct contact with children to determine whether the College had obtained fingerprint and background checks for the individuals included in our sample.
Procedures for foreign travel reimbursement.	Selected a sample of foreign travel reimbursements to test for compliance with Section 112.061, Florida Statutes.
Procedures for insuring architects and engineers.	Selected a sample of architects and engineers from significant or representative major construction projects in progress during the audit period to determine whether the architects and engineers had evidence of required insurance.
Procedures for administering construction projects.	Selected a sample of significant or representative major construction projects in progress during the audit period to determine whether the College was verifying subcontractors were properly licensed and adequate documentation was provided with the construction payment requests.
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 leave pay policies and procedures.	Reviewed the College's policies and procedures for terminal leave pay to ensure policies and procedures are consistent with Florida law. Selected a sample of former employees and determined whether the College properly calculated terminal leave pay in accordance with College policies and procedures.

EXHIBIT B
MANAGEMENT'S RESPONSE

St. Petersburg College

Office of the President
(727) 341-3245
Fax: (727) 341-3318

November 24, 2008

David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399

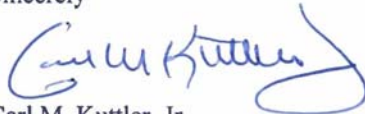
Re: Operational Audit Responses

Dear Mr. Martin:

In response to the preliminary and tentative audit findings related to your operational audit of St. Petersburg College for the fiscal year ended June 30, 2008, we submit the attached statements of explanation and corrective action.

As always, we appreciate the efforts you and your audit team put forth to work cooperatively with us to make improvements in internal management controls and regulatory compliance.

Sincerely



Carl M. Kuttler, Jr.

Mailing Address:
Post Office Box 13489
St. Petersburg, FL 33733-3489

An Equal Access/Equal Opportunity institution

St. Petersburg College 2007-2008 Operational Audit Responses

Finding No. 1: Policies for Reporting Fraud

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

Response: The College is in the process of establishing a policy for communicating known or suspected fraud consistent with the recommendations of the Auditor General.

Finding No. 2: Construction Administration

Recommendation: The College should enhance its monitoring procedures for construction projects to include the CM's and design firm's verification that subcontractors are properly licensed.

Response: The College has incorporated a new requirement as a part of the construction contract process. The CMs and design firms are required to identify all of their subcontractors with their respective current license numbers. The College will verify this information for each subcontractor on each project.

Finding No. 3: Architect Liability Insurance

Recommendation: The College should establish written policies and procedures prescribing the minimum liability insurance coverage requirements for design professionals and require verification of compliance with those requirements.

Response: The Board of Trustees approved a new architect's liability insurance coverage policy to be included in all future architects and design professional contracts. Verification of the insurance will be completed as a part of the hiring and contract negotiation process. A Board of Trustees rule to ensure compliance is in the development phase.

Finding No. 4: Information Technology – Security Controls

Recommendation: The College should implement the appropriate security controls to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response: The College has implemented the recommendations of the IT auditor with the appropriate security controls to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

