

GULF COAST COMMUNITY COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2008



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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>
William C. Cramer, Jr., Chair	Bay
Karen L. Durden, Vice-Chair	Bay
Denise D. Butler	Franklin
James Allen Cox, Jr.	Gulf
Dan A. Estes	Bay
Charles S. Isler, III	Bay
Dr. Stephen C. Myers	Bay
Renee C. Shoaf to 8-16-07 (1)	Gulf
William C. Sumner	Gulf
Linda R. Wood from 8-17-07	Gulf

Dr. Jim Kerley, President

Note: (1) Board member served beyond the end of her term May 31, 2007.

The audit team leader was Stan Dillard, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, 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.

GULF COAST COMMUNITY COLLEGE

SUMMARY

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

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

Finding No. 2: The College lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 3: Certain security controls related to the College’s business systems and the surrounding IT infrastructure 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 nine members appointed by the Governor and confirmed by the Senate.

The College has campuses in Panama City and Port St. Joe, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Bay, Gulf, and Franklin Counties. The College reported enrollment of 4,832 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: 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 be identified but not reported to the appropriate authority.

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

Finding No. 2: Information Technology (IT) – Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

Our audit disclosed that the College lacked written policies and procedures for the following IT functions:

- There were no written security administration policies and procedures other than those expressed in access authorization and exit forms. In response to audit inquiry, College staff indicated that the forms were fairly self-documenting. However, there was no access authorization form for the personnel and payroll system. The lack of a personnel and payroll system access authorization form leaves user uncertainty as to the procedures to follow when requesting system access.
- There were no written requirements for data owners to conduct a periodic review of access to the data for which they were responsible. The lack of such written requirements increases the risk that users will retain access in excess of that required for current duties or access that does not provide for an appropriate separation of duties.
- Written policies and procedures did not exist to explain and guide database administration (DBA) responsibilities and activities. In response to audit inquiry, College management indicated that DBA policies and procedures were unnecessary because Unisys systems require minimal DBA work and database definitions were provided by another college. However, the DBA's actions are vital to the proper functioning of the College's administrative systems, and absent written policies and procedures for the DBA function, the risk is increased that the College's databases will not be consistently maintained pursuant to management's expectations.

Recommendation: The College should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions.

Finding No. 3: Information Technology (IT) – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to the College's business systems and the surrounding IT infrastructure that needed improvement. We are not disclosing specific details of the issues 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 issues. Without adequate security controls over user authentication, 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 improve security controls to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2007-043.

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. 2007-043. 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.
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.
Information Technology (IT) policies and procedures.	Inspected the College's written IT policies and procedures to determine whether they address certain important IT control functions.
Program change management procedures.	Reviewed documentation to determine the College's change management methodology for requesting, approving, and implementing application program changes.
Procedures for granting access to IT resources.	Reviewed documentation to determine the College's process for requesting, approving, implementing, reviewing, and removing system access to IT resources. Also, tested employee access to selected functions within different applications to determine if an appropriate separation of duties existed in relation to employees' job function.
Procedures for IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation relating to the College's fraud policy and related procedures.
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. Tested a sample of Board travel expenses to determine if the College had board meetings or retreats at a location that involved substantial travel costs.
Statements of Financial Interests filed by Board Members and President.	Obtained copies of Statements of Financial Interests forms from the Supervisor of Elections and Ethics Commission.
Inventory reconciliation procedures.	Observed the bookstore inventory count and performed a test count. Reviewed year-end reconciliation of periodic counts to the perpetual inventory records.
Student activity and service fees assessed.	Verified that the activity and service 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.

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

Scope (Topic)	Methodology
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.
Student fees-repeated enrollments.	Selected a sample of students and examined supporting documentation to determine whether waivers were authorized in accordance with Florida Statutes and College policies.
Procurement – purchasing card expenditures.	Selected a sample of purchasing card expenditures and examined supporting documentation for the purchases to determine whether purchases were in accordance with College policies and procedures.
Procurement – contractual services.	Selected a sample of contractual service payments and examined supporting documentation evidencing that there was an approved contract that adequately described the services to be provided and the amounts to be paid.
Procedures for insuring architects and engineers.	Selected a sample of significant or representative major construction projects in progress during the audit period to determine whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance.
Travel expenses related to terrorist states.	Examined the College’s travel policies and procedures. Tested a sample of employee travel vouchers and supporting documentation for all out-of-state travel, to determine that, for the selected vouchers: (1) the College did not pay for travel to a terrorist state; (2) mileage and per diem rates were in accordance with Florida Statutes; and (3) vouchers were appropriately signed by supervisory personnel.
Payroll certifications.	Examined a sample of salary transactions to determine if there was evidence of after-the-fact certification by supervisory personnel of employee time reports.
Direct material purchasing for construction projects.	Examined supporting documentation to determine if the College made direct purchases of construction materials.
Federal cash balances.	Examined the procedures and documentation supporting the monitoring of Federal cash balances to determine if the College properly monitored cash needs.

EXHIBIT B
MANAGEMENT'S RESPONSE



December 10, 2008

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

Dear Mr. Martin:

Attached is Gulf Coast Community College's response to the preliminary and tentative findings resulting from our operational audit for the fiscal year ended June 30, 2008.

Should you have any questions, please contact me at (850) 872-3800.

Respectfully,

A handwritten signature in black ink, appearing to read "Jim Kerley", is written over the typed name and title.

Jim Kerley, Ph.D.
President

esw

Jim Kerley, Ph.D. . President

5230 West U.S. Highway 98 . Panama City, Florida 32401 . 850.872.3800 . Fax 850.747.3228 . 800.311.3685 ext. 3800 . www.gulfcoast.edu . jkerley@gulfcoast.edu

**Gulf Coast Community College
Responses to Preliminary and Tentative Findings of the
Operational Audit for the Fiscal Year Ended June 30, 2008**

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

College staff agrees with this finding and is taking appropriate steps to address this issue. The College is currently reviewing a number of policies collected from other institutions related to the communicating and reporting of known or suspected fraud and will develop and put in place a board approved policy no later than June 30, 2009.

Finding No. 2: The College lacked written policies and procedures for certain information technology (IT) functions.

College staff agrees with Finding 2 and is taking appropriate steps to address the concerns including the following:

- Current security administration procedures will be produced in written format. Although the total number of current users of the payroll and personnel system is fairly limited, a new user authorization form will be produced.
- The CIO and ITS staff already conduct a periodic review of the data access. However, based upon audit recommendation, data owners will be identified and a procedure initiated such that those data owners will review user access.
- DBA activities are conducted at the lead consortium college, where development is controlled. However, the procedures required to implement the new upgrades into the existing environment will be documented.

Finding No. 3: Certain security controls related to the College's business systems and the surrounding IT infrastructure needed improvements.

College staff agrees with the security recommendations of the audit team and they are being addressed by college staff and the IT Advisory Committee. The implementation of policy changes necessary to comply with most recommendations has already begun. Due to the confidential nature of the recommendations, college staff would be pleased to discuss details at your convenience.

