

# ST. JOHNS RIVER COMMUNITY COLLEGE

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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>
William W. Roberts, Chair	Putnam
Larry R. Lancaster, Vice-Chair	Clay
Carl C. Beck, Jr.	St. Johns
Neil F. Benson, M.D.	Putnam
Diane P. Leone	St. Johns
Preston B. Sloan	Putnam
Dale S. Wilson	Clay

Dr. R. L. McLendon, Jr., President

The audit team leader was Tina M. McFarlin, and the audit was supervised by John P. Duffy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto: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](http://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. JOHNS RIVER COMMUNITY COLLEGE

### SUMMARY

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

**Finding No. 1:** Contrary to Section 112.313(3), Florida Statutes, the College purchased goods from a business owned by a relative of a Board of Trustee member.

**Finding No. 2:** The College did not always procure goods or services using a competitive process.

**Finding No. 3:** The College does not have a written fraud policy for communicating and reporting known or suspected fraud.

**Finding No. 4:** The College did not conduct a review and evaluation of its collection of social security numbers or notify individuals of the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.

### 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 seven members appointed by the Governor and confirmed by the Senate.

St. Johns River Community College has campuses in Palatka, Orange Park, and St. Augustine, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Putnam, Clay, and St. Johns Counties. The College reported enrollment of 4,190 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: Motor Fuel Purchases**

During the 2007-08 fiscal year, the College purchased \$37,899 of motor fuel from a business owned by a College Board of Trustee member's child. Section 112.313(3), Florida Statutes, prohibits purchasing goods or services, either directly or indirectly, from any business entity of which the public officer or the public officer's child is an officer, partner, director, or proprietor. Such purchases would be permissible if one of the exemptions provided for by Section 112.313(12), Florida Statutes, was applicable. Although requested, we were not provided documentation evidencing that any of those exemptions applied to these transactions. As noted in finding No. 2, these purchases were also made without using the competitive bid process.

Upon inquiry, College personnel advised us that the arrangement with the vendor began prior to the Board of Trustee member being appointed to the Board and that any failure to comply with Section 112.313(3), Florida Statutes, was

inadvertent. Subsequent to our discussions, the College solicited bids for motor fuel and entered into an agreement with another vendor.

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**Recommendation:** The College should ensure that its Board members and employees are made aware of the requirements of the above-cited laws to avoid the potential of prohibited transactions in the future.

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**Finding No. 2: Competitive Procurement**

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The College, in acquiring goods and services, is subject to the requirements of State Board of Education (SBE) Rule 6A-14.0734, Florida Administrative Code, and Board of Trustees Rule No. 4.07, *Bid Procedures*. Rule No. 4.07 requires that competitive offers be requested from three or more sources for purchases of more than \$25,000. Additionally, the College's Operating Guidelines and Procedures Manual requires that purchases between \$2,000 and \$24,999.99 be supported by price comparison documentation evidencing the competitive solicitation process. As similarly noted in our report No. 2007-078, our audit of transactions for the 2007-08 fiscal year disclosed the following:

- Contrary to Board rule, the College's purchases of motor fuel noted in finding No. 1 above in the amount of \$37,899 were made without using a competitive process.
- The College utilized a vendor awarded a bid in a prior fiscal year for utilities, land clearing, and concrete services for various maintenance and repair activities for which the amounts paid were not supported by the bid award, or were for services not specifically addressed in the bid. The College issued 20 purchase orders to the vendor, ranging from \$2,400 to \$30,000, for concrete and site work for which payments totaling \$165,550 were made during the 2007-08 fiscal year. Of this amount, purchases totaling \$41,800 specifically referenced the bid; however, sufficient detail was not provided with the invoices to evidence that the charges were in accordance with the per unit bid prices. The remaining purchases, totaling \$123,750, did not reference the bid, nor did College records evidence the basis upon which the vendor was competitively selected (i.e., price comparison documentation). The vendor's invoices generally only provided a lump-sum charge, which was the amount paid by the College. Subsequent to our inquiries, College management advised us that payments to this vendor totaling \$36,200 were for emergencies and unsafe conditions; however, the purchase orders did not indicate an exception to the competitive selection requirements because of such considerations. In these circumstances, it was not evident that College personnel acquired these goods and services in the most cost effective manner.

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**Recommendation:** The College should ensure that goods and services are procured using competitive processes when required, and that invoices contain sufficient detail to provide a proper comparison with bid documents.

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**Finding No. 3: Policies for Reporting Fraud**

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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 exonerated. Further, in the absence of such written policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

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

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**Finding No. 4: Social Security Number Collection and Usage**

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The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that an agency may not collect an individual's SSN unless the agency has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or is imperative for the performance of that agency's duties and responsibilities as prescribed by law. Additionally, this Section requires that an agency collecting an individual's SSN provide that individual with a copy of the written statement indicating the purpose for collecting the number. Further, this Section provides that SSNs collected by an agency not be used for any purpose other than the purpose provided in the written statement. This Section also requires that each agency review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008.

Although the College has assigned unique student and employee identification numbers to replace using SSNs for record keeping purposes, the College collected SSNs from students, employees, prospective employees, and certain contracted vendors for various record keeping purposes related to student enrollment and employment.

As required by the above-cited law, the College timely submitted the certification of its compliance with the requirements to the President of the Senate and the Speaker of the House of Representatives. However, the College did not conduct the required review and evaluation of its collection of SSNs or prepare written statements notifying individuals of the purpose for collection of their numbers, contrary to Section 119.071(5)(a), Florida Statutes. Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Subsequent to our inquiries, College management indicated that the College had initiated actions to comply with the requirements of Section 119.071(5)(a), Florida Statutes.

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**Recommendation:** The College should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes. In those instances in which the College determines that collection of the social security number is not imperative for performance of its duties and responsibilities, the College should discontinue obtaining such numbers.

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**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2007-078.

**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. 2007-078. 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.

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**EXHIBIT A  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information Technology (IT) access and security controls.	Made inquiries and examined supporting documentation relating to IT access and security controls, and tested both individual access and selected system security controls.
IT security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's implementation of an IT security awareness and training program.
Procedures to timely prohibit terminated employees' access to electronic data files.	Tested employees who terminated during the audit period and examined supporting documentation evidencing when the College terminated access privileges.
Adoption and testing of an IT disaster recovery plan.	Examined the College's disaster recovery plan for IT operations and reviewed documentation related to testing of the plan.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation for existence of a 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.
Use of State sales tax exemption for direct purchases of construction materials.	Examined a recent major construction project for contractual provisions allowing entity direct purchasing and determined whether sales tax savings reduced cost.
Student activity and service fees assessed.	Verified that the activity and service fee assessed did not exceed 10 percent of the total tuition fee.
Procedures for documenting student residency status for calculation of student fees.	Reviewed College's procedures for determining student residency status and related fee assessments. Tested enrollments and fees to determine that student residency was duly documented and fees appropriately assessed.
Monitoring of food service contractors' compliance.	Examined food service contracts and reviewed supporting documentation to determine if contract terms were being monitored for compliance.
Procedures for assessing and collecting student fees for repeated enrollment.	Examined the Board adopted policy and reviewed documentation required for exemption if granted from the full cost of instruction when a student enrolled in the same college credit course more than twice.
Procedures for calculating user and laboratory fees.	Examined College's policies for user and laboratory fees and reviewed supporting documentation to determine whether the College properly calculated cost in the fee assessments.



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

Scope (Topic)	Methodology
Adult general education program enrollment reporting.	Selected a sample of adult general 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 for 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.
Procurement policies and procedures.	Reviewed College’s procurement policies and practices, and tested significant purchases and examined documentation evidencing compliance with applicable laws and rules. Also, performed analytical or other procedures to determine whether purchases were split to bypass bidding, made without competitive selection, or with related party.
Procedures for insuring of architects and engineers.	Reviewed a major construction project in progress during the audit period to determine whether architects and engineers engaged were properly selected and, where applicable, College had evidence of required insurance.
Strategic plan and submission to State.	A strategic plan was adopted by the Board and submitted to the State. The College’s strategic plan is available on the Florida Department of Education’s website.
Filing of financial interest forms with local supervisor of elections.	Verified financial interest forms were on file with the local supervisors of elections for applicable College personnel.
Tangible personal property controls.	Examined the College’s procedures for tangible personal property control and selected a sample of property records for inspection. Verified that the College had completed an annual physical inventory of its tangible personal property and documented disposals.

EXHIBIT B  
MANAGEMENT'S RESPONSE



**Community College**

JOE H. PICKENS, J.D.  
PRESIDENT

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WEBSITE:  
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ST. JOHNS RIVER COMMUNITY COLLEGE  
FLORIDA SCHOOL OF THE ARTS  
CLAY, PUTNAM AND ST. JOHNS COUNTIES COOPERATING

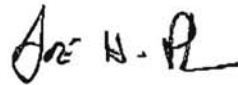
December 17, 2008

Mr. David W. Martin, CPA  
Auditor General  
3974 Woodcock Drive, Suite 101A  
Jacksonville, Florida 32207-2705

Dear Mr. Martin:

College responses to the St. Johns River Community College Operational and Compliance Audit for the fiscal year ended June 30, 2008 are attached. I appreciate the efforts and professionalism displayed by your staff. Please advise if further information is needed.

Sincerely,



Joe H. Pickens  
President

**Audit Response**  
**St. Johns River Community College – Operational Audit**  
**FYE 6-30-08**

Finding No. 1: Motor Fuel Purchases

While recognizing the Auditor General's position that the College violated Section 112.313(3) F. S., we maintain that the oversight was inadvertent. The College has taken corrective action which included soliciting a bid for fuel purchases in September 2008. The contract was awarded to a new vendor at additional cost to the College.

The College has taken steps to ensure that Board members and employees have a clear understanding of the above-cited law and will avoid future prohibited transactions.

Finding No. 2: Competitive Procurement

The drastic rise in the price of gasoline was a strong contributing factor to exceeding our bid limit by this level. The College has changed procedures for processing gasoline tank re-fills to insure the bid limit will not be exceeded in the future without proper bid action. If the price of fuel rises to the recent historic levels, the College may consider increasing our bid limit to the higher statutory limit. However, at this juncture, the college will rely on our new procedures to address this issue.

The College acknowledges the Auditor General's viewpoint regarding invoices paid during 2007-08 under the bid award for utilities, land clearing and concrete services. While we are confident the prices charged were on value with services received, the College has revised the bid determination process, and appropriate personnel have been trained on the new procedures.

Finding No. 3: Policies for Reporting Fraud

The College agrees that establishing a fraud policy enhances protection, but notes that no law or administrative rule requires such policy to be adopted by the Board. In response to this audit finding, we have begun the process of formalizing a policy and expect to obtain Board approval in December, 2008.

Finding No. 4:

The College fully understands the position taken in the audit finding, and we respect the sensitive nature of personal identification. The College has consistently conducted annual reviews of the collection of social security numbers (SSNs). Based on findings in the report, the College has developed procedures which will sufficiently document our review process. As a result of our review, many College forms and processes have been revised to collect a generated identification number instead of the SSN. All affected parties have been and will continue to be notified of the purpose for collection of their SSN.