

LAKE-SUMTER 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>
Jon A. Simpson, Chair	Sumter
Margo S. Odom, Vice-Chair from 9-11-07	Lake
Richard Bowersox from 9-11-07	Lake
Dr. Linda K. Cavanaugh to 5-16-08 (1)	Sumter
Richard D. Childers	Sumter
Dr. Kenneth W. Kelly from 9-11-07	Sumter
Timothy Morris	Lake
Joe M. Norman	Lake
William R. Pruitt	Lake
Jacqueline V. Talley to 9-10-07 (2)	Lake
Carole Y. Winter to 9-10-07, Vice-Chair to 9-10-07 (2)	Sumter

Dr. Charles R. Mojock, President

- Notes: (1) Board member position remained vacant through June 30, 2008.
- (2) Board member continued to serve after term ended until replaced.

The audit team leader was John E. Rebhann, and the audit was supervised by Brenda C. Racis, 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.

LAKE-SUMTER 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 fraud policy for communicating and reporting known or suspected fraud.

Finding No. 2: The College did not, of record, verify subcontractor licensure prior to commencement of work on construction projects.

Finding No. 3: The College's business continuity and information technology (IT) disaster preparedness planning needed improvement.

Finding No. 4: The College's environmental controls over IT resources 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.

Lake-Sumter Community College has campuses in Leesburg, Clermont, and Sumterville, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Lake and Sumter Counties. The College reported enrollment of 2,580 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 deters dishonesty, 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 to avoid damaging 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.

In response to our inquiries, the College indicated that such policies are currently being developed.

Recommendation: The College should continue its efforts to develop policies for detection, prevention, and reporting of known or suspected fraud.

Finding No. 2: Subcontractor Licensure Requirements

Chapter 489, Florida Statutes, establishes certain licensing requirements for specialty subcontractors such as electrical, air conditioning, plumbing, and roofing contractors. Verification of subcontractor licenses provides the College with additional assurances that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged.

The College's Facilities office is responsible for construction administration, which includes monitoring contractor activities, implementing construction related procedures, and ensuring compliance with applicable State laws. Our review of the College's procedures regarding the administration of the South Lake Joint Use Library construction project, with a guaranteed maximum price contract of \$12,717,769, disclosed that College personnel had not verified, of record, that the project's subcontractors were appropriately licensed. College personnel advised us that, as part of their administrative procedures, they met with the construction manager to determine that subcontractors are prequalified with proper licensure. College personnel also indicated that they will request written certification from the Construction Manager that the licenses of the subcontractors had been verified for this project and will obtain such certification for all future construction projects.

Recommendation: The College should improve its monitoring procedures for construction projects to include verification of subcontractor licensure prior to commencement of work on a project.

Finding No. 3: Information Technology – Business Continuity and IT Disaster Preparedness Planning

Effective disaster preparedness includes establishing an approved organization-wide business continuity plan and ensuring its ongoing effectiveness. The adequacy of the plan should be assessed on a regular basis or upon major changes to the business or information technology (IT) infrastructure. This assessment requires careful preparation; documentation; reporting of test results; and, according to the results, implementing an action plan.

As similarly noted in our report No. 2007-184, the College's business continuity and IT disaster preparedness planning needed improvement. Specifically, the College had not tested its *Business Continuity and Disaster Preparedness Plan*. The College had signed a Mutual Aid and Assistance Agreement with another community college to provide mutual assistance with disaster recovery needs and to serve as alternate processing sites for each other. The College had also installed equipment at the other community college. However, as of December 9, 2008, testing had not been completed.

Without a tested *Business Continuity and Disaster Preparedness Plan*, including complete testing of processing at the alternate site, the College may not be able to resume critical processing within an acceptable period of time following a disaster that renders its normal processing facility unusable.

Recommendation: The College should continue its efforts for testing its *Business Continuity and Disaster Preparedness Plan* at the alternate processing site.

Finding No. 4: Information Technology – Environmental Controls

Effective information security relies on a security structure that protects IT resources and prevents or lessens potential damage from fire. As similarly noted in our report No. 2007-184, the College's main server room on the Leesburg campus had no automated fire suppression system. Instead, there was a hand-held, wall-mounted fire extinguisher. According to College management, the College was reviewing its entire infrastructure on the Leesburg campus with the aid of a consultant and hopes to have a comprehensive plan of action in place in early 2009. The absence of an automated fire suppression system increases the risk of loss of IT resources due to fire.

Recommendation: The College should enhance its environmental controls to reduce the risk of loss of IT resources due to fire.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report Nos. 2007-106 and 2007-184.

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.

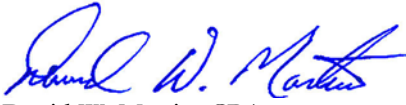
The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether College internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the College; 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 Nos. 2007-106 and 2007-184. 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
Fraud policy and related procedures.	Examined College records to determine whether the College had established a written fraud policy and related procedures.
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.
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.
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.
Adoption of capital outlay budget as part of the annual operating budget.	Examined annual operating budget and Board of Trustee minutes to determine whether the College's capital outlay budget was adopted in accordance with Section 1013.61, Florida Statutes.
Tangible personal property accountability procedures.	Sampled tangible personal property included in the College's property records to determine whether the assets exist and are properly accounted for. Also examined property on campus to determine that it was properly tagged and recorded in the property records. Reviewed annual inventory procedures for adequacy.
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.
Employee compensation procedures.	Sampled employee compensation expenditures to determine that employees were paid in accordance with College policies and procedures.
Terminal pay policies and procedures.	Reviewed the College's policies and procedures for terminal pay to ensure policies and procedures were consistent with Florida law. Selected a sample of former employees and determined whether the College properly calculated terminal pay in accordance with College policies and procedures.
Fingerprinting for personnel in position of special trust or that had direct contact with children.	Determined whether the College had identified positions of special trust or of a sensitive nature and had implemented fingerprinting procedures.
Procurement policies and procedures.	Selected a sample of significant dollar purchases and examined supporting documentation evidencing compliance with bid requirements. Also, performed analytical procedures to determine whether purchases were split to bypass bid requirements.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY (CONTINUED)

Scope (Topic)	Methodology
Credit card procedures and expenditures.	Reviewed credit card issuances and purchases to ensure the credit card program was administered in accordance with College policies and procedures.
Travel to a terrorist state.	Examined supporting documentation and performed a test of travel to determine if the travel was to a terrorist state.
Use of College-owned vehicles.	Selected a sample of vehicle usage logs to determine completeness and evidence of supervisory review.
Procedures for calculating laboratory fees.	Selected a sample of laboratory fees and examined supporting documentation to determine whether the College properly calculated the fees.
Procedures for monitoring payments made in accordance with construction manager contracts.	Examined procedures to determine that the College ensured that payment requests from the construction manager were supported by adequate documentation.
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.
Construction subcontractor licensure requirements.	Determined whether the College verified subcontractor licenses for a major construction project.
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.
Procedures for direct material purchases.	Applied analytical procedures. Selected a sample of construction projects and requested supporting documentation evidencing whether the University considered direct material purchases.
Procedures for determining parking fee.	Reviewed College documents and records and verified that the College no longer assesses parking fees.
Disaster preparedness planning.	Interviewed College personnel and reviewed the College's business continuity and IT disaster preparedness plan.
Fire protection for IT equipment.	Reviewed environmental controls over IT resources.
Strategic technology plan and related procedures.	Reviewed the College's strategic technology plan for 2008-13.
IT security program.	Reviewed College records and interviewed IT staff regarding various components of the College's IT security program.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's IT security awareness and training program.

EXHIBIT B
MANAGEMENT'S RESPONSE



February 23, 2009

Mr. David Martin, CPA
Auditor General
State of Florida
G 74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin,

The attached is Lake-Sumter Community College's response to the preliminary and tentative findings and recommendations pertaining to the Operational Audit of Lake-Sumter Community College for the fiscal year ended June 30, 2008.

Should you have any questions on any of our responses please don't hesitate to contact me at 352-365-3525.

Sincerely,

Richard M. Scott
Vice President of Business Affairs
Lake-Sumter Community College

RMS/lga

Cc: Charles R. Mojock, Ed.D.
Brenda Racis
John Froman

Attachment

LEESBURG CAMPUS
9501 U.S. Hwy. 441, Leesburg, FL 34788
352-787-3747 • FAX: 352-365-3501

SOUTH LAKE CAMPUS
1250 N. Hancock Rd., Clermont, FL 34711
352-243-5722 • FAX: 352-243-0117

SUMTER CAMPUS
1405 C.R. 526A, Sumterville, FL 33585
352-568-0001 • FAX: 352-568-3376

**RESPONSES TO THE OPERATIONAL AUDIT
LAKE-SUMTER COMMUNITY COLLEGE
JULY 1, 2007 - JUNE 30, 2008**

Recommendation No 1: The College should continue its efforts to develop policies for detection, prevention, and reporting of known or suspected fraud.

Response: We agree. The College is presently developing Rules and Procedures for detection, prevention, and reporting of known or suspected fraud. These Rules and Procedures should be in place no later than June 30, 2009.

Recommendation No 2: The College should improve its monitoring procedures for construction projects to include verification of subcontractor licensure prior to commencement of work on a project:

Response: We agree. It has been standard practice to verify subcontractors licensure prior to the start of any construction project. The College did verify the licenses of all subcontractors with the Construction Manager on the South Lake Joint Use Library prior to the awarding of contracts to subcontractors. We have just recently documented that effort with written verification from the Construction Manager. We will make written verification of subcontractors licensure a part of our construction procedures.

Recommendation No 3: The College should continue its efforts for testing its Business Continuity and Disaster Preparedness Plan at the alternate processing site.

Response: We agree. The testing of the installed equipment at our alternate site will take place in March, 2009.

Recommendation No 4: The College should enhance its environmental controls to reduce the risk of loss of IT resources due to fire.

Response: As noted in the past, we are in agreement with the audit recommendation however it would be extremely expensive to make these modifications to our existing facility. Our existing IT facility is inadequate and we have plans to move to a new location where the proper environmental controls will also be addressed. Our efforts to move more quickly on this matter have been adversely affected by the lack of State funding. In the meantime, we have added more features to detect any possibility of a fire in our existing facility.