

INDIAN RIVER STATE 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>
Cheryl L. Kirton, Vice-Chair to 9-03-07, Chair from 9-04-07	Okeechobee
Samuel L. Patterson, Vice-Chair from 9-04-07	St. Lucie
Werner Bols, Chair to 9-03-07	Martin
Edith Bradshaw to 9-04-07 (1)	Indian River
Leonard J. Hoag	Martin
Tomas Rene Perez	Indian River
J. Hal Roberts, Jr.	St. Lucie
Gerald T. Roden from 9-05-07	Indian River
Jane E. Rowley	St. Lucie
Linda T. Syfrett	Okeechobee

Dr. Edwin R. Massey, President

Note: (1) Board member served beyond the end of her term,
May 21, 2007.

The audit team leader was Tim Tucker, 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.

INDIAN RIVER STATE COLLEGE

SUMMARY

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

Finding No. 1: The College did not conduct a review and evaluation of the reasons for collecting social security numbers or notify individuals of the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 2: Full-time instructional faculty were not always available during posted office hours to demonstrate compliance with Board of Trustees Policy number 6Hx11-6.62.

Finding No. 3: Improvements were needed in the College's facilities usage procedures.

Finding No. 4: Lease agreements were not monitored to determine if the lessees obtained required insurance coverage.

Finding No. 5: Procedures should be enhanced over the monitoring of construction managers.

Finding No. 6: The College should establish policies and procedures for minimum professional liability insurance coverage requirements for design professionals.

Finding No. 7: The College lacked written policies and procedures for network and system administration.

Finding No. 8: The College's procedures for managing employee IT access privileges needed improvement.

Finding No. 9: 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.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the name change from Indian River Community College to Indian River State College on June 24, 2008.

Indian River State College has campuses in Ft. Pierce, Okeechobee, Port St. Lucie, Stuart, and Vero Beach, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Indian River, Martin, Okeechobee, and St. Lucie Counties. The College reported enrollment of 12,182.10 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: Collection of Social Security Numbers

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 imperative for the performance of the 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 are not to 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, it continued to obtain SSNs from employees, prospective employees, students, and certain vendors. However, the College did not conduct the required review and evaluation of the reasons for collecting SSNs or provide a written statement 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 ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The College should take appropriate action 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.

Finding No. 2: Instructional Faculty Office Hours

Pursuant to State Board of Education Rule 6A-14.0491, Florida Administrative Code, each college must establish a policy on the availability of instructional personnel to students that requires full-time instructional faculty to schedule a minimum total of 25 hours per week for classroom contact hours and office hours. The policy must require that the schedule of these hours be posted and that full-time instructional faculty be available to students during these posted hours. Additionally, Board of Trustees Policy number 6Hx11-6.62 requires instructors to provide for a minimum total of 15 to 17 hours a week for classroom hours and other assigned duties, and 10 office hours per week or the equivalent.

We conducted visits to offices of 12 full-time instructors during their posted office hours to determine whether the instructors were providing adequate opportunity for student consultation outside of the classroom. Our visits

disclosed that 5 of the 12 instructors were not in their offices during their posted office hours, and the reasons for their absences were not evident. Explanations provided by College personnel for the instructors not being in their offices during their posted office hours included: (1) instructor was performing other approved duties; (2) instructor was at the print shop; (3) two instructors had a medical emergency; and (4) instructor was meeting with administrative staff. However, contrary to College procedures, notes were not posted on or near these instructors' office doors to inform students of their absence and planned return. A similar finding was noted in our report No. 2007-041.

Recommendation: The College should ensure that instructional faculty members are available during posted office hours and, if not available, that alternate contact information is posted.

Finding No. 3: Use of Facilities – Rental Fees and Security Deposits

Board of Trustees Policy number 6Hx11-8.51, allows for the use of College facilities for instructional and noninstructional purposes by outside organizations. The College established Administrative Procedure 8.51 to provide guidelines for use of facilities and provide for fees for custodial, usage, and insurance costs. During the 2007-08 fiscal year, the College entered into numerous rental agreements for rental of College facilities, and revenues from rental charges totaled approximately \$514,000.

Our review of 20 rental agreements, with rental charges totaling \$11,912, disclosed that the College's established procedures, related to the use of facilities by outside organizations, were deficient or were not consistently followed. For example, our review disclosed that at the Wolf High-Technology Center (Center) not all security deposits were collected, and rental fees and security deposits that were collected, were not always timely deposited. The College's Facilities Request form, developed to document approval of the event, including rental rates and security deposits, provides that the complete form and all applicable fees must be received no later than 21 days prior to the event. According to College staff, Center security deposits were waived at the discretion of the Campus Provost without documented approval of the waiver; however, College policies do not provide for the waiver of security deposits. We also noted that rental fees and deposits received at the Center were not deposited at the time of collection, but were held until the end of the month and then deposited and recorded.

Absent a policy authorizing the waiver of security deposits, there is no clear authorization for granting a waiver of security deposits. As a result, the College would have a risk of loss when the security deposit is waived and damage occurs to the facilities. A policy authorizing the waiver of security deposits should include the specific reasons for granting a waiver, the person authorized to approve the waiver, the method of documenting the waiver, and provide for an independent review and approval of the waiver to ensure that the waiver is in accordance with the Board's directives. In addition, the timely deposit of rental fees and security deposits ensures that College assets are adequately safeguarded and accounted for properly.

Recommendation: We recommend the Board evaluate whether the waiver of security deposits should be authorized based on an analysis of the risk of loss should damage occur to its facilities. If the Board determines there is a need to provide for the waiver of the security deposit, the Board should establish a policy authorizing such waivers. We further recommend that the College ensure that collections from rental fees and security deposits are timely deposited to safeguard College assets and ensure that collections are accounted for properly.

Finding No. 4: Lease Agreements – Required Insurance

The College has numerous long-term rental agreements with outside parties for office space at its business incubator program facility and tower space on its public radio station tower. The agreements' terms and conditions provide for rent, length of the contract, and required insurance. Our review of these agreements disclosed that improvements were needed in the monitoring of required insurance coverage.

- The College developed a standard contract called a Business and Technology Incubator Lease (Agreement) which required tenants to provide insurance certificates to the College prior to occupancy of office space. The agreement required tenants to purchase property damage insurance in the amount of \$100,000, bodily injury insurance in the amount of \$100,000 per person with maximum required coverage of \$200,000, and worker compensation insurance, as required by law. Our review of the required insurance disclosed the following deficiencies:
 - One tenant signed the Agreement for a rental period starting December 1, 2007; however, the tenant did not provide the College with a certificate of insurance prior to occupancy. Subsequent to our inquiries in June 2008, the College informed us that the tenant refused to produce a certificate of insurance and that the tenant had delivered a 60-day notice to cancel the rental agreement.
 - Three tenants did not have the contractually required property damage insurance of \$100,000. One tenant provided no coverage and two tenants provided \$50,000 in property damage insurance.
- The College does not use a standard contract for lease agreements for use of tower space on its public radio station tower. Rather, these agreements were written by the tenant and contained provisions for insurance coverage that required the College to request the certificates of insurance from the tenant, instead of requiring the tenant to provide the certificates during the initial agreement process. The type of and amount of insurance varied by agreement but usually required bodily injury liability and property damage insurance. Our review of the required insurance for these four agreements disclosed that the required property damage insurance was \$1 million for these agreements. Our review also disclosed that the College had not verified that these four tenants obtained the required insurance coverage. Subsequent to our inquiries, the College obtained and provided us with copies of insurance certificates. Our review of the insurance certificates provided to us disclosed the following:
 - Two tenants did not have the required property damage insurance.
 - One tenant provided only \$300,000 in property damage insurance.

Without obtaining and comparing required certificates of insurance to the rental agreements, the College may be accepting unnecessary risks of loss should coverage be inadequate.

Recommendation: We recommend that the College develop and implement procedures to obtain certificates of insurance from tenants and timely verify insurance coverage for compliance with contract terms.

Finding No. 5: Subcontractor Selection and Progress Billings

Pursuant to Section 1013.45(1), Florida Statutes, a community college may contract for the construction or renovation of facilities using various delivery methods, including competitive bid or selection of a construction manager. The

College is responsible for monitoring the work of construction managers and general contractors, which should include reviewing documentation submitted by contractors in support of payment requests, ensuring that projects are administered in accordance with applicable laws and rules, ensuring that potential savings in material and labor costs are realized, and preventing cost overruns or other impediments to the successful completion of construction projects.

The Board approved a Guaranteed Maximum Price (GMP) contract with a Construction Manager (CM) in April 2007, in the amount of \$26 million to construct the Treasure Coast Public Safety Complex at the Fort Pierce campus. The CM obtained competitive bids from subcontractors, recorded the bids on tabulation sheets, and negotiated a GMP with the College. The contract with the CM requires that the CM obtain the bids from subcontractors and deliver those bids to the College. The College shall then determine, with the advice of the CM, which bids will be accepted. College personnel informed us that they attended subcontractor bid openings and retained copies of bid tabulation sheets. Our review of the documentation for this project noted improvements were needed in the College's monitoring procedures as follows:

- The bid tabulation sheets were not always signed or dated by the person opening the bids or a witness.
- College files did not include information to compare and, if necessary, to reconcile the bid tabulation sheets to subcontractor contracts to document adequate monitoring. For example, one subcontractor's final contract was \$421,695 over the original bid and another subcontractor's final contract was \$787,430 under the original bid. Subsequent to our inquiries, the CM provided information to reconcile the bid tabulations to the subcontractor contracts. As a result, it is not apparent that College staff participated in the selection and approval of subcontractors. College staff indicated they relied on the CM to ultimately determine the subcontractors. However, as noted above it is the College's responsibility to select the subcontractor based on the advice of the CM.
- Subcontractors' bids and contracts were not on file at the College's facilities department and were not used by the College to monitor subcontractor payments and CM progress payments.

Monitoring the CM's bid opening and bid tabulation process would provide the College with additional information to determine, with the advice of the CM, which bids will be accepted. In addition, using the subcontractors bid and contracts to monitor subsequent payments to the subcontractors is essential to ensure that the College obtained the lowest costs within an acceptable level of quality from subcontractors, that progress payments to the CM are made according to the GMP contract, that payments to subcontractors are made according to the subcontractor contracts, and that potential cost savings are realized.

Recommendation: We recommend that the College enhance and implement procedures to monitor the GMP process by obtaining signed and dated bid tabulation sheets, obtaining subcontractor contracts, and comparing progress billings and payments to the contracts. We further recommend that the College make the determination as to which subcontractor bids will be accepted.

Finding No. 6: Design Professionals - Liability Insurance

The College contracts with design professionals such as architects and engineers for its constructions projects. The Florida Department of Education (FDOE), in its *Guidelines for State Requirements for Educational Facilities 2007*, recommends that the Board develop a policy requiring the College to carry professional liability insurance for its design professionals or require the design professionals to carry professional liability insurance. The College

developed an administrative procedure for architect contract administration including architect selection procedures and insurance requirements for workers' compensation and employer's liability insurance; however, the administrative procedure does not require the design professional to carry professional liability insurance.

Our review of the contract with the architect for the Treasure Coast Public Safety project, with a construction cost of \$26 million, found that the architect provided the College with a certificate of insurance for professional liability of \$1 million per claim and \$1 million in aggregate with a \$15,000 deductible. Although College personnel indicated that the College's unwritten policy is to require the design professionals to carry professional liability insurance coverage of \$1 million, a written policy or procedure would provide guidance as to the Board's risk management philosophy and would notify design professionals of the College's insurance requirements both during contract negotiations with prospective architects and during the contract period for the architect selected for a particular project. Adopting such policies and procedures would also help protect the College in the event that deficiencies exist in the work performed by these professionals.

When developing policies on professional liability insurance, factors that should be considered are the design risk involved in construction projects and the approaches management should take to mitigate those risks. Since professional liability insurance options (project rider, occurrence-based liability insurance, project liability insurance, etc.) that offer more coverage may be more costly, the policies should consider the extent of risk the Board is willing to accept when deciding on the type and amount of required professional liability insurance. The level of acceptable risk may differ by type of project.

Recommendation: The Board should establish written policies relating to design professional liability insurance. Management should evaluate and document the College's exposure to design risk for each construction project and develop procedures to ensure that the College obtains the appropriate type and amount of professional liability insurance that is consistent with the Board's risk management philosophy.

Finding No. 7: Information Technology – Policies and Procedures for Network and System Administration

Each information technology (IT) function within an entity 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 governing the College's network and system administration functions, as described below:

- There were no written policies and procedures, other than job descriptions, for network and system administrator responsibilities and activities. For example, procedures for the configuration and administration of routers, switches, and other security devices were not defined. The lack of written policies and procedures increases the risk that the network and system administration functions will not be performed effectively and in a manner consistent with management's expectations.
- There was no written policy prohibiting the sharing of user identifications (IDs) among employees who maintain servers. College staff indicated that IDs are shared between the two persons who maintain the instructional servers. Absent a requirement that each technician have a unique user ID, the College's ability to establish responsibility for specific server maintenance actions is limited.

Recommendation: The College should develop and implement written policies and procedures governing the network and system administration functions.

Finding No. 8: Information Technology – Management of Access Privileges

Effective access controls include provisions to ensure that employee access privileges to IT resources are commensurate with employee job responsibilities and promote an appropriate separation of incompatible duties. The periodic review of employee access privileges by management is important to ensure the continued appropriateness of access privileges over time.

Our audit disclosed that the College's procedures for managing employee access privileges needed improvement as follows:

- The College had written procedures governing the removal of access privileges of terminated employees; however, the procedures did not address the removal or adjustment of access privileges when employees are reassigned to different positions within the College. In these circumstances, the risk is increased that reassigned employees may retain access privileges no longer necessary or compatible with their current job duties.
- Also, the College had no written procedures for the periodic review of employee access privileges by management. Absent a periodic review, the risk is increased that employees with inappropriate or unnecessary access privileges will not be timely detected by management.

Recommendation: The College should establish and implement written procedures for the prompt removal or adjustment of reassigned employees' access privileges, as appropriate, to ensure that access privileges are commensurate with the employees' current job duties. The College should also establish written procedures for management's periodic review of the ongoing appropriateness of all employees' access privileges.

Finding No. 9: Information Technology – 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, in addition to the matters discussed in finding Nos. 7 and 8 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, 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 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. 2007-041.

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. 2007-041. 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 information technology 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.
Procedures for network system administration.	Determined if the College had written procedures for network system administration.
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.
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.
Student matriculation and tuition and application fees.	Sampled students to determine if fees were charged according to Board of Trustees approved fee schedules or properly waived or deferred.
Student fee refund procedures and legal compliance.	Sampled students receiving a refund to determine if the refund was proper.
Procedures for calculating user and laboratory fees.	Reviewed College policy 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 Florida Department of Education 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.

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

Scope (Topic)	Methodology
Cash collection procedures for decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the College's collection procedures.
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 performed fingerprinting and background checks for the individuals included in our sample.
Minimum teaching hours and minimum office hours for College faculty.	Selected a sample of faculty and examined College records to determine if faculty met minimum teaching hours and were available during posted office hours.
Procedures for insuring architects and engineers.	Selected a sample of significant or representative major construction projects in progress to determine whether architects and engineers engaged during the audit period had evidence of required insurance.
Procedures for selecting construction manager contracts and monitoring the selection of subcontractors.	Selected a major construction project to determine if the construction manager was properly selected. Reviewed construction project records to determine if the College monitored the selection process of subcontractors by the construction manager.
Procedures for monitoring payments made in accordance with construction manager contracts.	Examined procedures to determine whether the College ensured that payment requests from the construction manager were supported by adequate documentation.
Use of State sales tax exemption for direct purchases of construction materials.	Examined recent construction projects to determine if the College made use of its sales tax exemptions to make direct purchases of construction materials or documented its justification for not doing so.
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.
Travel to a terrorist state.	Examined the College's travel records and made inquiry of key personnel to determine if funds were used for travel to terrorist states.
Terminal pay policies and procedures.	Reviewed the College's policies and procedures for terminal pay to determine if these policies and procedures were consistent with Florida law. Selected a sample of former employees to determine whether the College properly calculated terminal pay in accordance with its policies and procedures.
Insurance requirements for leased facilities.	Selected a sample facilities lease contracts to determine if the College was monitoring its lease agreements to ensure required insurance coverage was obtained for College property leased to others.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Rent collections and security deposits for leased facilities.	Selected a sample of facilities lease contracts to determine if rents collected and security deposits obtained were in accordance with the contracts and were timely deposited.
Procedures for land acquisition.	Determined if the College’s major land purchases were based on independent appraisals and that environmental studies were obtained.
Procedures for payroll transactions.	Selected a sample of College employee compensation payments to determine whether such payments were made in accordance with College rules and procedures and paid at the correct rate of pay.
Purchasing card procurement policies and procedures.	Selected a sample of purchasing card transactions to test for propriety and compliance with related laws, rules, and College policies.
Bank statement reconciliations.	Selected a sample of bank reconciliations to determine if the College’s bank statement reconciliations were accurate, timely prepared, and provided for supervisory approval.
Use of restricted capital outlay funding.	Selected a sample of capital outlay payments to determine if funds restricted to capital outlay purposes were properly spent.

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT B
MANAGEMENT'S RESPONSE



INDIAN RIVER STATE COLLEGE
Office of the President

February 24, 2009

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

Dear Mr. Martin:

The following response to the preliminary and tentative findings for Indian River State College for the fiscal year ended June 30, 2008

Finding No. 1: The College did not conduct a review and evaluation of the reasons for collecting social security numbers or notify individuals of the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.

College Response: After the October 1, 2007 Statute date but during the audit period, the College did, in fact, have written notice available at the front counter in the Human Resources reception area and the Director of Student Admissions and Record's Office as required by Section 119.071(5)(a). Effective July 1, 2008, the College provided electronic notice on both the Human Resource's Welcome Page and Student Admissions Page on the College's website and provided additional hardcopies to be available at each Campus location and the Information Desk on the Main Campus.

The College has reviewed all internal forms that request a social security number and either removed the SSN request from the form or changed the request to be for a unique student / employee ID number instead. There are certain state and federal requirements where the collection of a social security number cannot be avoided. These forms remain unchanged and are disclosed as a required purpose on both the written and electronic notices as described in the paragraph above. The College is fully compliant with Florida Statute 119.071(5)(a) as of the date of this audit response letter.

3209 Virginia Avenue ▪ Fort Pierce, Florida 34981-5596 ▪ Ph: 1-772-462-4701 ▪ www.irsc.edu

Fort Pierce ▪ Okeechobee ▪ Port St. Lucie ▪ Stuart ▪ Vero Beach

Finding No. 2: Full-time instructional faculty were not always available during posted office hours to demonstrate compliance with Board of Trustees Policy number 6Hx11-6.2.

College Response: The College's existing procedures established to handle "out-of-office" Faculty are reasonable and sufficient when followed. The Vice President of Administration and Finance has again addressed College Faculty to emphasize the importance of complying with this procedure. Additionally, each Instructional Dean met with their respective Faculty and Department Chairs to further reinforce the importance of fulfilling office hours and the necessity of following this notification procedure. The Instructional Deans make regular spot-checks to ensure compliance.

Finding No. 3: Improvements were needed in the College's facilities usage procedures.

College Response: Waiving security deposits is necessary from time to time, and the Provosts must be given the ability to use their judgment to waive the deposit. The College's administrative procedure governing facility rentals is being amended to formally document a Provost's approval authority to waive security deposits. Any waivers of securities deposits are approved by the Campus Provosts on the facility rental agreement document.

Regarding the timely depositing of security deposits, internal misinterpretation about the policy was resolved. The Conference Center Coordinator now deposits all security deposits in a timely fashion. No funds were lost due to the holding of these security deposits.

Finding No. 4: Lease agreements were not monitored to determine if the lessees obtained required insurance coverage.

College Response: Since the College is subletting the Stuart Square location to the Business Incubator tenants, the College's property is covered by the College's insurance. The College's exposure to loss is minimal since the College's property consists merely of office furniture. Risk of property loss is with the tenants since they are responsible for procuring their own equipment necessary to engage in their business.

Further, the College's intent with the "Business Incubator" is to be good community members and business partners to help grow and foster start-up businesses and emerging technologies. To this end, the College performed a risk assessment regarding the Incubator Tenants' risk of loss and reviewed the contract language for the property insurance requirement with the College's attorney. It was determined that the main risk exposure to these Incubator Tenants is that of general liability rather than property damage. It is more appropriate and cost effective for the Incubator Tenants to purchase a commercial general liability insurance policy. It is important to note that all three Business Incubator tenants have the required liability insurance of at least \$200,000. The audited contracts' requirement for property insurance will be removed. The Tenants should determine whether or not to insure their own equipment.

In the case of the WQCS tower space lessees, it is not required by the rental agreement that the College keep copies of their certificates of insurance. The risk of loss lies with the tower space lessee since it is their own equipment and property on the tower. The College's insurance covers the tower structure; nevertheless, the College will ask tower space lessees to provide copies in the future to ensure compliance with the terms of the rental agreement.

Finding No. 5: Procedures should be enhanced over the monitoring of construction managers.

College Response: The Construction Manager solicits competitive bids from qualified subcontractors. College staff attended the subcontractor bid openings and observed the opening of the bids. The College will give input to the subcontractor selection process, and the College will obtain signed and dated bid tabulation sheets.

While this represents an additional administrative burden and cost, the College will obtain from the Construction Manager copies of subcontractors' original contracts, contract amendments, and final contracts as well as comparing progress billings and payments to the contracts according to the Auditor's recommendations.

Finding No 6: The College should establish policies and procedures for minimum professional liability insurance coverage requirements for design professionals.

College Response: As noted by the Auditor General, the College was provided with a Certificate of Insurance for \$1,000,000 professional liability. The College will update its Administrative Procedure for Architect Contract Administration to include dollar thresholds for professional liability insurance.

Finding No. 7: The College lacked written policies and procedures for network and system administration.

College Response: Regarding written policies and procedures, the College is developing documentation to outline guidelines for maintenance and best practices of all major networking infrastructures.

Regarding sharing of user identifications (IDs), the College has developed unique network logins for all network administrators and personnel responsible for the installation of server applications; however, it should be noted that certain software expects the default administrator login. College attempts to use a different, unique login may result in software not able to be appropriately installed. While the use of unique logins and passwords will be the College's standard operating procedure, there will be times when use of a shared system login is unavoidable.

Finding No. 8: The College's procedures for managing employee IT access privileges needed improvement.

College Response: As noted by the Auditor, the College has good procedures governing the removal of access privileges for terminated employees, and the College now has added procedures to address the update of access privileges when employees are reassigned to different positions within the College. The College is in the process of automated notification to both instructional and administrative information technology staff of new hires, terminations, and reassigned employees so that they can take action to further minimize inappropriate security access risk.

Regarding periodic review of access privileges, the College is developing system reports by functional manager that will list all users and their system access. The College will distribute these reports to the functional managers who will then: review each user's access level; report that the review has been completed; and identify any security access adjustments to be made. These functional manager reviews will be recorded in the administrative computing system. As a further control, an additional report will be generated that shows which functional managers have not completed these required security access reviews.

Finding No. 9: Certain security controls related to the College's business systems and surrounding IT infrastructure needed improvement.

College Response: The College will take appropriate action that it deems necessary to address the auditor's recommendations.

Sincerely,



Edwin R. Massey, Ph.D.
President