

# POLK 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:

Dr. Neriah E. Roberts, Vice-Chair to 7-22-07,  
Chair from 7-23-07  
Twyla G. Ely, Vice-Chair from 7-23-07  
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Cynthia Ross  
Ricardo Garcia  
Carol K. Platt (1)  
Gregory Littleton from 8-03-07  
Martha Santiago

Dr. Eileen Holden, President

Note: (1) Member's term expired May 31, 2007.  
Continued to serve until new  
member was appointed.

The audit team leader was Gregory J. Lemieux, CPA, and the audit was supervised by David A. Blanton, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## POLK COMMUNITY COLLEGE

### SUMMARY

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

- Finding No. 1:** The College's procedures could be enhanced to provide for the timely use of PECO funds.
- Finding No. 2:** Capital outlay budgeting and expense reporting should be enhanced to provide for the timely reporting of capital appropriations and related expenses to the Board.
- 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's procedures for investigating missing tangible personal property items needed improvement.
- Finding No. 5:** Administrative and instructional contracts were not always signed and returned to the Human Resource office in a timely manner.
- Finding No. 6:** The College did not adequately conduct a review and evaluation of social security numbers it collected or notify individuals of the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.
- Finding No. 7:** The College's information technology (IT) disaster recovery plan lacked certain key provisions to facilitate a smooth recovery in the event of an actual disruption of IT operations.
- Finding No. 8:** The College lacked written policies and procedures for certain IT functions.
- Finding No. 9:** Access controls over the College's IT resources needed improvement.
- Finding No. 10:** Certain security controls related to the College's IT systems needed improvement.

### BACKGROUND

The College is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by State law and State Board of Education rules. A board of trustees governs and operates the College. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate.

Polk Community College has a campus in Winter Haven, Florida, and a joint-use campus with the University of South Florida in Lakeland, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Polk County. The College reported enrollment of 5,313 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: Public Education Capital Outlay – Allocations and Expenditures

The State allocates Public Education Capital Outlay (PECO) moneys to the College on an annual basis. Allocations consist of specific State-defined project categories and appropriated amounts, each of which has its own restrictions governing use. Section 1013.65(3), Florida Statutes, provides that the Florida Department of Education (FDOE) shall disburse sufficient PECO appropriations when requested by the College to meet encumbrance authorizations for the following month. FDOE has developed a Project Disbursement Request Report (OEF 442) for use by PECO recipients to report actual and estimated future expenditures (encumbrances) and to request PECO funds for the encumbrances on a monthly basis. FDOE uses these reports to determine the amount of the PECO appropriation to disburse to the College.

Our review of FDOE's PECO project statement as of June 30, 2008, and documentation maintained by the College, disclosed the following deficiencies:

- Under the provisions of Section 216.301(2), Florida Statutes, the balance of any appropriation for fixed capital outlay which is not disbursed but expended, contracted, or committed to be expended prior to February 1 of the third fiscal year of the appropriation, shall be certified and submitted to the Executive Office of the Governor (EOG) for review and approval. College staff advised us that the appropriations for five projects totaling \$1,844,614 were committed as of the reversion date and, therefore, not submitted to the EOG for review and approval. Our review disclosed that \$54,378 was not under the terms of a binding agreement prior to February 1 of the third fiscal year. As provided for in Section 216.301(2)(b), Florida Statutes, this balance should have reverted.
- Our review of the College's Annual Comprehensive Safety Report disclosed unsafe conditions, that had been cited for as many as five years, for which the College had not made use of available PECO Maintenance allocations to correct such deficiencies as required. These deficiencies included such items as replacing wall coverings with nonflammable finish, repairing walking surfaces, and remodeling of stairwells and corridors to conform to fire code. Section 1013.64(1)(f), Florida Statutes, provides that at least one-tenth of a board's annual PECO Maintenance allocation shall be spent to correct unsafe, unhealthy, or unsanitary conditions in its educational facilities. The College was appropriated and received annual encumbrance authorizations of PECO funds for remodeling, renovation, maintenance, repairs, and site improvements (PECO Maintenance). However, as noted in the table below, the College has made limited requests for reimbursement from the FDOE. Further, expenses reported by the College for all PECO Maintenance totaled \$638,438 (\$330,400, \$183,849, and \$124,189 for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, respectively), while aggregate appropriations for this period totaled \$1.7 million, a difference of \$1.1 million. The following table was prepared from FDOE reports and reflects the remaining undisbursed balances, as of June 30, 2008, for the last four years, for which the College could request funding for its remodeling, renovation, maintenance, repairs, and site improvements.

Year Appropriated	Undisbursed Balance 6-30-07	2008 Remittance to College	Undisbursed Authorization 6-30-08
2004-05	\$ 377,451	\$ 5,875	\$ 371,576
2005-06	454,515	75,699	378,816
2006-07	617,029	42,615	574,414
2007-08	650,943	650,943	650,943
<b>Total</b>	<b>\$ 2,099,938</b>	<b>\$ 124,189</b>	<b>\$ 1,975,749</b>

Given the undisbursed authorizations noted in the above table, the College had significant resources available to address the unsafe conditions noted in the Annual Comprehensive Safety Report. Delaying maintenance and repair projects increases the risk that facilities may be, or may become, unsafe for occupancy, which could result in additional future costs.

- The Office of Educational Facilities (OEF) procedures provide that encumbrance request forms (OEF 352) must be submitted monthly or when an encumbrance authorization (original or change) is needed. Further, OEF guidance provides that the request form should be submitted one month before there is an actual need to award a contract or begin an in-house project. Our review disclosed that it is the practice of the College to submit the OEF 352 and request an encumbrance authorization for the entire legislative authorization rather than basing such request on the actual start date of a specific project or need to award a specific contract. Consequently, revenues may be recognized prematurely and not properly matched with corresponding expenses given that actual expenses, as noted above, may actually take place several years later, or not at all.

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**Recommendation:** The College should document to the FDOE its compliance with the requirements of Section 216.301(2), Florida Statutes, regarding its PECO appropriations totaling \$54,378 or restore such amounts to the State fund from which it was appropriated. In addition, the College should enhance procedures associated with PECO funds to ensure the timely and proper encumbrance and use of such resources.

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**Finding No. 2: Capital Outlay Budgeting and Expense Reporting**

Section 1013.61, Florida Statutes, requires each board of trustees to annually adopt a capital outlay budget for the ensuing year so that the capital outlay needs of the college may be well understood by the public. Additionally, the capital outlay budget is to be a part of the annual budget and shall be based upon, and in harmony with, the board’s capital outlay plan. This budget must designate the proposed capital outlay expenses by project for the year from all fund sources.

Our review of the College’s procedures associated with capital outlay budgeting and expense reporting disclosed the following deficiencies:

- The College prepared an unexpended plant fund budget for the 2007-08 fiscal year as part of the Board’s annual budget; however, our review disclosed that the budget lacked sufficient detail to clearly outline the specific project on which the various capital appropriations were to be used. As noted in Finding No. 1, *PECO Allocations and Expenditures*, a significant amount of State-appropriated capital resources were not committed or expended by the College in a timely manner.

- College staff prepared monthly financial reports to the Board which provided information on the actual expenses to date and the percentage of actual expenses in relation to the approved budget for the College's primary operating fund; however, similar information was not prepared or presented to the Board for the unexpended plant fund. The Board-approved unexpended plant fund budgeted expenses totaled approximately \$24 million; however, actual capital expenses for the 2007-08 fiscal year totaled only \$5.9 million, with a difference of \$18.1 million, representing available unexpended plant fund resources.

The establishment of budgets at the project level is necessary in order to present a detailed capital outlay budget to the Board and the public as required and provides additional assurance that capital projects are properly prioritized consistent with the Board's intentions. In addition, the reporting of capital outlay budgets and expense to the Board limits the risk that appropriated capital resources will not be used in a timely manner and that Public Education Capital Outlay appropriations will revert back to the State.

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**Recommendation:** The College should enhance procedures to provide for a sufficiently detailed capital outlay budget. In addition, the College should, as part of their monthly financial reporting to the Board, provide for the actual expense of capital-related resources at the project level.

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

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Although the College Handbook provides that engaging in acts of fraud will result in corrective action, 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 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.

College staff advised us that they are in the process of reviewing such existing policies at other institutions and expect to address these concerns in a revision to the College Handbook later in the year.

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

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### **Finding No. 4: Tangible Personal Property – Annual Physical Inventory**

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The College reported approximately \$5.5 million of tangible personal property at June 30, 2008. As a matter of good business practice, a complete physical inventory of all tangible personal property should be conducted annually, and the results of the physical inventory should be compared with the property records, with all discrepancies being traced and reconciled. Property items not located during the inventory process should be promptly reported to the custodian and a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency.

According to College records, 219 property items determined to be missing during the 2007-08 or prior fiscal year physical inventories, with acquisition costs totaling approximately \$428,000, remained unlocated and unresolved as of June 30, 2008. Missing items included computers, video equipment, and lab equipment. According to College personnel, these items had not been reported to law enforcement because they were still trying to locate the items or did not believe the items to have been stolen. A similar finding was noted in our report No. 2007-040.

Subsequent to the audit period, in September 2008, the College Board of Trustees (Board) approved the deletion of 212 tangible personal property items costing approximately \$416,000 from the property records as missing items that could not be located during the 2005-06, 2006-07, and 2007-08 fiscal years' physical inventories. However, College records did not evidence an investigation of the unlocated property items or reporting of missing property items to the appropriate law enforcement agency. When investigations of unlocated property are not performed timely, and missing items resulting from the investigations are not reported to the appropriate law enforcement agency, the College's ability to recover missing property is limited.

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**Recommendation:** The College should document its process of investigating discrepancies disclosed by the physical inventory, and for reporting items still missing after investigation to the appropriate law enforcement agency.

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#### **Finding No. 5: Employee Contracts**

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Section 1012.83, Florida Statutes, provides that each person employed in an administrative or instructional capacity in a community college shall be entitled to a contract as provided by rules of the State Board of Education. The primary purpose of such contracts is the prevention of misunderstandings and litigation associated with the employment of College personnel. Additionally, State Board of Education Rule 6A-14.047(1), Florida Administrative Code, requires that the College keep personnel records that contain information for efficient personnel administration including, but not limited to, dates of appointment, periods of employment, contract status, and duties performed. Our test of 5 administrative and 16 instructional personnel employment contracts disclosed that improvements were needed in documenting and approving contracts in a timely manner, as follows:

- Twenty of 21 employment contracts were issued from 16 to 63 days after the beginning date of service.
- Two of 21 employment contracts were not date-stamped to determine when it was filed in the Human Resource (HR) Department.
- One of 21 employment contracts did not have a date to determine when the contract was signed.

Failure to timely execute employment contracts, or to document dates employees and management signed contracts, limits the College's ability to defend itself against personnel disputes, should they occur. Similar findings were noted in our report Nos. 2005-016 and 2007-040.

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**Recommendation:** The College should ensure that employment contracts are issued before the contract period begins, document the date the contract is received by the HR office, and require documentation of the date the employee signed the contract.

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#### **Finding No. 6: 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 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, 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, as discussed below, the College did not adequately conduct the required review and evaluation of the reasons for collecting SSNs, did not prepare written statements for students and vendors notifying them of the purpose for collecting their numbers, and did not always provide written statements to new employees, contrary to Section 119.071(5)(a), Florida Statutes.

- While the College posted general information on its website for students to read, the College did not provide written notification to students from whom SSNs were collected, as required by the law cited above.
- Beginning in January 2008, the College developed a form to provide for written notification of new employees from whom SSNs were collected. The form required the signature of the new employee to evidence notification. However, our review disclosed that the College was unable to provide documentation to support notification for 9 of 17 new employees hired after this date.
- For vendors required to provide their SSNs to the College, the College had not established procedures to provide a written notification to vendors stating the purpose for collection of their SSNs.

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.

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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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**Finding No. 7: Information Technology – Disaster Recovery Plan**


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An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify the critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The College had prepared an information technology disaster recovery plan. However, as similarly noted in our report Nos. 2005-016 and 2007-040, our review of the plan disclosed that it lacked certain key provisions to facilitate a smooth recovery in the event of an actual disruption of IT operations, as follows:

- The plan addressed only the College's payroll system and did not include specific processes and procedures to be followed to affect the recovery and restoration of financial, student records, and other critical applications.
- The plan placed the sole responsibility for the recovery and restoration processes with the Director of Information Systems and did not name an alternate should the Director not be available.
- The plan was last tested in March 1999, and the plan had not been updated to include current software, hardware, processes, and procedures associated with the College's recently implemented software applications. The College has indicated that they will use their Lakeland campus site to host a test environment for its Emergency Preparedness System in the fall of 2008.

Without a detailed plan for disaster recovery, the risk exists that the College may be unable to continue critical operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

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**Recommendation:** The College should revise and update its disaster recovery plan to include the specific processes and procedures necessary to affect the recovery and restoration of data for critical applications, designate an alternative to the Director of Information Services in the event of a disruption of IT operations, and test the plan in a simulated exercise to ensure it includes all the necessary components.

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**Finding No. 8: Information Technology – Written Policies and Procedures**


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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.

The College lacked written policies and procedures for the following IT functions:

- Requesting, prioritizing, and authorizing application system changes, including configuration changes.
- Creating, verifying use of, maintaining, changing, and reviewing user identification codes (IDs) and associated access privileges.
- Revoking access privileges of transferred employees.
- Removing confidential information from consultant or vendor equipment.
- Resetting user passwords, including positive identification of the user.
- Prohibiting administrator rights on the workstations of end-users.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

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

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**Finding No. 9: Information Technology – Management of Access Privileges**

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Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. We noted certain College access controls that needed improvement, as described below:

Inappropriate or unnecessary access privileges existed, contrary to an appropriate separation of incompatible duties. Specifically, nine employees and one contract programmer had security administration access to the Integrow application software system that was inappropriate for their job functions. Under these conditions, the risk was increased that erroneous or fraudulent transactions could be processed, improper program changes could be implemented, and computer resources could be damaged or destroyed. In response to audit inquiry, College management indicated that this access has now been removed.

- The College had not performed periodic reviews of Integrow system users' access privileges, limiting the College's ability to timely detect and correct inappropriate access privileges. In response to audit inquiry, College management indicated that a review of employees' job assignments and access privileges is now being performed.
- A former employee's access privileges were not timely removed by the College. Our review of 10 former employees who terminated employment with the College during the period July 1, 2007, through May 20, 2008, disclosed that, as of June 30, 2008, the network and Integrow access privileges of one former employee had not been removed for 61 days after her April 30, 2008, termination date. Although the former employee last logged on to Integrow on April 29, 2008, one day prior to termination, her user ID last logged on to the network on May 15, 2008, or 15 days subsequent to her termination. In response to audit inquiry, College management indicated that the employee accessed the network after termination date to obtain access to e-mail. Without timely deletion of access privileges of former employees, the risk is increased that the access privileges could be misused by the former employees or others.

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**Recommendation:** The College should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as they are detected. Additionally, the College should promptly remove the access privileges of former employees to minimize the risk that the access privileges could be used to compromise College data or IT resources.

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**Finding No. 10: Information Technology – Security Controls**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls that needed improvement in the areas of logical access controls and Integrow security event monitoring. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College 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.

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

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2007-040.

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**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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. 2007-040. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the College’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

Management's response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the College's written IT policies and procedures to determine whether they addressed certain important IT control functions.
Procedures for authorizing access to IT resources.	Reviewed documentation to determine the College's process for requesting, approving, implementing, and removing system access to IT resources. Selected a sample of access privileges granted to determine whether the College properly authorized and granted application access in relation to employees' job functions.
IT security controls.	Examined security controls associated with the College's IT resources to determine whether vulnerabilities existed.
Disaster recovery plan and related procedures.	Examined supporting documentation related to the College's disaster recovery plan. Determined whether the College's plan had been recently tested.
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's IT security awareness and training program.
Written rules and procedures.	Examined the College's written rules and procedures to determine whether they were properly updated to reflect current processes.
Fraud policy and related procedures.	Reviewed written policies and procedures, and examined supporting documentation relating to the College's fraud policy and related procedures.
Interim financial reports presented to the Board.	Read Board minutes and, for selected Board meetings, examined the financial review and analysis presented to the Board to ensure they included comparisons of financial results with budget estimates.
Procedures for adopting and amending the budget.	Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable Florida Statutes and State Board of Education Rules. Reviewed final budget to expenditure comparison.
Statement of Financial Interest requirements of Section 112.3145(2), Florida Statutes.	Contacted county Supervisor of Elections and obtained names and filing dates for College Board Members and certain College employees to determine filing timeliness.
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
Banking agreement, services, accounts, and related controls.	Reviewed current banking agreement and recent changes in terms and conditions. Tested certain monthly bank reconciliations and electronic fund transfers (EFT) for proper approvals or authorizations.
Accounts receivable balances, policies, and related procedures.	Inquired of College management and reviewed efforts to correct overstated balances reported in our report No. 2007-040. Reviewed collection efforts and related documentation supporting write-offs of delinquent accounts. Analyzed aging reports for delinquent accounts.
Procedures for property deletions and disposals.	Examined Board minutes for agenda items relating to approval of surplus property deletions and disposals. Obtained a listing of surplus property items awaiting Board approval for disposal as of June 30, 2008. Discussed control procedures with applicable College staff.
Annual physical inventory procedures.	Examined written rules and procedures, and examined supporting documentation relating to the College's annual physical inventory of College-owned property. Selected a sample of property items for physical observation.
Tangible personal property records.	Examined tangible personal property records to determine whether they contained information necessary to account for and identify College-owned property. Selected a sample of property for physical observation to determine whether the College's property records accurately described information related to the selected asset.
Cash collection procedures at decentralized collection points.	Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness and timeliness of the College's collection procedures.
Procedures related to electronic funds transfers (EFT's).	Selected a sample of EFTs to determine whether such transactions were properly accounted for and timely recorded into the College's records.
Student refund policies and procedures.	Selected a sample of student refunds to determine whether they were properly approved, supported, and recorded.
Procedures for student fees associated with repeated classes.	Selected a sample of students that repeated classes for compliance with Sections 1004.93(4)(d) and 1009.285, Florida Statutes.
Compliance with College contract provisions for auxiliary operations.	Selected a sample of auxiliary operation contracts, reviewed contract provisions, then obtained and reviewed documentation to determine compliance with contract provisions.
Special student fees assessed for student activity and service fee, student financial aid fee, and capital improvement fee.	Compared the fees to the amounts allowable per Section 1009.23, Florida Statutes, to verify compliance.

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

Scope (Topic)	Methodology
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.
New hires: (1) met necessary qualifications and (2) fingerprinting and background checks for those in a position of special trust or that had direct contact with children.	Selected a sample of new hires and verified documentation existed to: (1) demonstrate position qualifications were met and (2) for those who had direct contact with children or work in an area requiring special trust, determined whether the College had obtained fingerprint and background checks for the individuals included in our sample.
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.
Procedures for instructional and noninstructional employee evaluations.	Selected a sample of College employees to determine whether evaluations were performed in accordance with College rules and procedures.
Procedures for payroll transactions.	Selected a sample of College employee compensation payments to determine whether such payments were in accordance with College rules and procedures, paid at the correct rate of pay, and, for applicable employees, verified pay to employment contracts.
Instructional staff classroom and office hours.	Selected a sample of instructional employees to determine compliance with Section 1012.82, Florida Statutes, with regard to classroom contact hours and availability of such staff during posted office hours.
Procedures for overtime payments.	Obtained a listing of all employees who received overtime pay for the audit cycle and selected a sample to determine whether payments were supported by approved time records, appeared justified, and were made in accordance with approved pay rates.
Purchasing card procurement policies and procedures.	Selected a sample of purchasing card expense transactions to test for propriety and compliance with related laws, rules, and College policies.
Non-Federal grants and appropriations.	Selected a sample of charges to non-Federal grants and contracts to determine whether such charges were properly made for the benefit of the applicable program.
Procedures for major construction contracts, including insuring architects and engineers.	Selected a sample of representative major construction projects in progress during the audit period to verify that the College maintained project ledgers or other records that account for project expenses made during the audit period and to determine that architects and engineers were properly selected and, where applicable, had evidence of required insurance.



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

Scope (Topic)	Methodology
Procedures for administering construction projects.	Selected a sample of significant or representative major construction projects in progress during the audit period to determine whether the College verified subcontractors were properly licensed and adequate documentation was provided with the construction payment requests.
Public Education Capital Outlay (PECO) allocations and expenses.	Examined documentation maintained to support that unspent PECO appropriations subject to reversion were properly committed in accordance with Section 216.301(2), Florida Statutes. Reviewed expenses charged to PECO projects to ensure that such charges were allowable uses of such restricted resources. Reviewed the College's Annual Comprehensive Safety Report to determine whether unsafe conditions remained uncorrected in light of available PECO resources.
Procedures for monitoring cellular telephone usage and compliance with related IRS reporting requirements.	Determined whether the College 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.
Direct purchase procedures for major construction projects.	Verified that Construction Managers' contract allowed for purchase of direct materials. Reviewed several check vouchers from five different vendors to determine that the College made direct purchases of construction materials to take advantage of its sales tax exemption status.
Board meetings and retreats at locations other than the College campus.	The Board minutes were reviewed to determine whether meetings were held at unusual locations, without minutes, or without public notification.
Travel to a terrorist state.	Board minutes and monthly credit card statements were examined for any mention of unusual travel activities. Tested credit card purchases (which primarily involved travel) to determine whether the travel activities were related to or involved travel to a terrorist state.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



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President's Office  
Phone: 863.297.1098

March 11, 2009

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

Dear Mr. Martin,

Attached please find our responses to the preliminary and tentative findings which may be included in a report to be prepared on your operational audit of the:

Polk Community College  
For the Fiscal Year Ended June 30, 2008

delivered to us electronically on February 2, 2009. Please feel free to contact us if we can provide further information.

Yours truly,

A handwritten signature in cursive script that reads "Eileen Holden".

Dr. Eileen Holden, President  
Polk Community College

**Finding #1:** The College's procedures could be enhanced to provide for the timely use of PECO funds.

**Recommendation:** The College should document to the FDOE its compliance with the requirements of Section 216.301(2), Florida Statutes, regarding its PECO appropriations totaling \$54,377.69 or restore such amounts to the State fund from which it was appropriated. In addition, the College should enhance procedures associated with PECO funds to ensure the timely and proper encumbrance and use of such resources.

**Response:** The College has improved its procedures to ensure that PECO funds are spent in a more timely manner. The College will continue to work with the Florida Department of Education to determine the appropriate resolution of this matter.

**Finding #2:** Capital outlay budgeting and expense reporting should be enhanced to provide for the timely reporting of capital appropriations and related expenses to the Board.

**Recommendation:** The College should enhance procedures to provide for a sufficiently detailed capital outlay budget. In addition, the College should, as part of their monthly financial reporting to the Board, provide for the actual expense of capital-related resources at the project level.

**Response:** The College will continue to work with the Board, providing them with an appropriate level of detail regarding the budget and status of capital outlay projects. This will include a regular facilities construction status report.

**Finding #3:** The College does not have a written fraud policy for communicating and reporting known or suspected fraud.

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

**Response:** The auditor's recommendation is noted.

**Finding #4:** The College's procedures for investigating missing tangible personal property items needed improvement.

**Recommendation:** The College should document its process of investigating discrepancies disclosed by the physical inventory, and for reporting items still missing after investigation to the appropriate law enforcement agency.

**Response:** The College is committed to improving its procedures for the inventory of tangible personal property which includes the procedures for documenting the investigation of discrepancies disclosed by the physical inventory as appropriate.

**Finding #5:** Administrative and instructional contracts were not always signed and returned to the Human Resource office in a timely manner.

**Recommendation:** The College should ensure that employment contracts are issued before the contract period begins, document the date the contract is received by the HR office, and require documentation of the date the employee signed the contract.

**Response:** The College will continue to monitor the issuance and execution of employment contracts to ensure that they are processed in a timely manner.

**Finding #6:** The College did not adequately conduct a review and evaluation of social security numbers it collected or notify individuals of the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.

**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.

**Response:** The College will continue its efforts to ensure compliance with the Florida Statutes concerning collection and usage of social security numbers.

**Finding #7:** The College's information technology (IT) disaster recovery plan lacked certain key provisions to facilitate a smooth recovery in the event of an actual disruption of IT operations.

**Recommendation:** The College should revise and update its disaster recovery plan to include the specific processes and procedures necessary to affect the recovery and restoration of data for critical applications, designate an alternative to the Director of Information Services in the event of a disruption of IT operations, and test the plan in a simulated exercise to ensure it includes all the necessary components.

**Response:** The College continues to integrate its business continuity and disaster recovery plans into its college wide Emergency Preparedness Plan. As part of that integration, the College successfully ran a full test at its alternate processing site in November 2008.

**Finding #8:** The College lacked written policies and procedures for certain IT functions.

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

**Response:** The College will continue to review and implement written policies and procedures relating to its Information Technology functions as appropriate.

**Finding #9:** Access controls over the College's IT resources needed improvement.

**Recommendation:** The College should review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as they are detected. Additionally, the College should promptly remove the access privileges of former

employees to minimize the risk that the access privileges could be used to compromise College data or IT resources.

**Response:** The College will continue to review its assignment of access privileges and ensure timely removal or adjustment of any inappropriate or unnecessary access privileges as they are detected.

**Finding #10:** Certain security controls related to the College's IT systems needed improvement.

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

**Response:** The College will continue to review and update its security controls as necessary to ensure the continued confidentiality, integrity, and availability of College data and Information Technology resources.