

FLORIDA KEYS COMMUNITY COLLEGE

Operational Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

Ed Scales, Chair
Dr. Ann L. Henderson, Vice Chair to 6-01-09 (1)(2)
Kim Bassett
Carey D. Goodman to 6-25-09 (1)(3)
Spencer C. Slate

Dr. Jill Landesberg-Boyle, President

Notes: (1) Board members served beyond the end of their term, May 31, 2009.
(2) Position remained vacant from June 2, 2009, through June 30, 2009.
(3) Position remained vacant from June 26, 2009, through June 30, 2009.

The audit team leader was Agustin Silva, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. 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.

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FLORIDA KEYS COMMUNITY COLLEGE

SUMMARY

Our operational audit for the fiscal year ended June 30, 2009, disclosed the following:

Finding No. 1: College records did not always include a written analysis or other documentation to evidence the basis used for cost and market adjustment amounts included in the calculation of continuing workforce education course fees.

Finding No. 2: College records did not always include a written analysis or other documentation to evidence the basis used for costs and market adjustment amounts included in the calculation of recreation and leisure course fees.

Finding No. 3: The College needed to establish procedures to document the eligibility of students receiving fee deferments pursuant to State Board of Education Rule 6A-14.054, Florida Administrative Code, and to ensure that enrollment is not reported for students who have not paid registration fees in an approved manner.

Finding No. 4: Time and effort records of employees working in the Facilities and Plant Operations Department were not maintained to evidence that salaries and benefits charged to Public Education Capital Outlay (PECO) funds qualified as allowable PECO expenditures. Consequently, PECO funds used for salaries and benefits, totaling \$160,089, represent questioned costs.

Finding No. 5: A capital outlay budget was not included as part of the College Board of Trustee's annual budget for the 2008-09 fiscal year, contrary to Section 1013.61, Florida Statutes.

Finding No. 6: College records did not evidence that the College had contacted the grantor regarding the propriety of approximately \$65,000 of questioned costs of specific State appropriations.

Finding No. 7: The College needed to enhance its procedures to ensure that full-time faculty's work schedules are complete and accurate.

Finding No. 8: The College needed to improve procedures to ensure that contracts for the rental of its equipment and facilities are executed and approved by the Board; that rental fees are collected prior to the use of the equipment or facilities; that rental fees charged are supported by a detailed methodology and cost analysis; and that vendors using College equipment or facilities maintain necessary insurance coverage.

Finding No. 9: College promotion and public relation expenditures paid from the President's Activity Fund were not always supported by a Disbursement Authorization form signed by the President.

Finding No. 10: The College needed to enhance controls over its purchasing card program to ensure that expenditures are valid expenses of the College, serve a valid public purpose, and are made in accordance with State law and the College's purchasing card procedures.

Finding No. 11: The College did not provide the required written statements to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 12: The College had not implemented a formal information technology (IT) security awareness program or performed ongoing information technology security awareness training for all who use the College's computer system.

Finding No. 13: Certain access controls intended to protect the College's data and IT resources needed improvement.

Finding No. 14: The College needed to enhance its procedures to ensure the timely removal of IT access privileges for former employees.

BACKGROUND

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

The College has a main campus located in Key West, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Monroe County. The College reported enrollment of 916 full-time equivalent students for the 2008-09 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2009, 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, 2009, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Continuing Workforce Education Course Fees

Pursuant to Section 1009.22(3)(b), Florida Statutes, fees for continuing workforce education must be locally determined by the college board of trustees, and at least 50 percent of the expenditures for the College's continuing workforce education program must be derived from fees. College Procedure No. 67.1 required the completion of a Course Fee Calculation Worksheet form to calculate fees for continuing workforce education classes to ensure that satisfactory fees are being charged to cover the expenses of the courses. The form provides that the fee calculation include actual instructor cost, other direct course costs, indirect costs, and a market adjustment. The market adjustment amount increases or decreases the total course costs to a level that the College considers the students are willing to pay.

The College reported continuing workforce education student fees totaling \$145,500 for the 2008-09 fiscal year. As similarly noted in our report No. 2008-098, our test of student fees assessed for ten continuing workforce education courses disclosed the following:

- For all ten courses, College records did not include a written analysis or other documentation to evidence the basis for indirect costs ranging from \$151 to \$4,500.
- For seven courses, that included market adjustments, College records did not include a written analysis or other documentation to evidence the basis used for market adjustments ranging from a decrease in cost of \$1,350 to an increase in cost of \$41.
- For three courses, College records did not include a written calculation or other documentation to support direct costs ranging from \$10 to \$4,500.

Documentation supporting the actual costs of instruction used to calculate continuing workforce education course fees is necessary to ensure that at least 50 percent of the expenditures for the College's continuing workforce education program are covered from fees.

Recommendation: The College should ensure that costs and market adjustments included in the calculation of continuing workforce education course fees are supported by underlying documentation.

Finding No. 2: Recreation and Leisure Course Fees

State Board of Education Rule 6A-14.054(4), Florida Administrative Code, provides that each board of trustees shall establish fees for recreation and leisure time instruction that generate annual revenue at least equal to the full cost of such instruction. College Procedure No. 67.1 required the completion of a Course Fee Calculation Worksheet (form) to calculate the fees assessed for recreation and leisure courses to ensure that satisfactory fees were charged to cover the expenses of the courses. The form provides that the fee calculation include actual instructor cost, other identified (direct) course costs, indirect costs, and a market adjustment amount. The market adjustment amount increases or decreases the total cost of a course to a level that the College considers the students are willing to pay.

The College reported recreation and leisure fees totaling \$119,990 for the 2008-09 fiscal year. Our test of student fees calculated for three recreation and leisure courses (Beginning Digital Photography, Custom: Scubanauts Diving Certification, and Intermediate Conversational Spanish for Beginners) disclosed that the forms prepared for these courses included indirect costs ranging from \$482 to \$1,085. The amounts charged were composed of the actual instructor costs plus other identified course costs. In addition, for the Beginning Digital Photography and Intermediate Conversational Spanish for Beginners courses, the form included market adjustments that decreased the courses cost by \$145 and \$326, respectively. College records did not include a written analysis or other documentation to evidence the basis used for the cost and market adjustment amounts included in the student fee calculations. A similar finding was noted in our report No. 2008-098.

Documentation supporting the actual costs of instruction used to calculate recreation and leisure course fees is necessary to ensure that student fees assessed for these courses are at least equal to the full cost of instruction.

Recommendation: The College should ensure that costs and market adjustments included in the calculation of recreation and leisure course fees are supported by underlying documentation.

Finding No. 3: Student Enrollment and Fee Deferments

State Board of Education Rule 6A-14.054, Florida Administrative Code, provides that each board of trustees shall establish, publish, collect, and budget student fees, and shall establish dates for paying fees that are not later than the last day of the drop and add periods established by the boards. Additionally, the Rule provides, in part, that payment of registration fees may be deferred under certain conditions for veterans, for students awarded financial aid when such aid is delayed in being transmitted to eligible students through circumstances beyond their control, or when the College has a written promise of payment from business, industry, government unit, nonprofit organization, or civic organization.

The College established and published due dates during each academic term for the payment of registration fees and the dates of drop and add periods. However, criminal justice training courses were presented at dates that were different than the College's regular academic terms and our review disclosed that for those courses, the College did not establish dates for paying fees and drop and add periods. Upon inquiry, College personnel stated that registration fees for criminal justice training courses were due at the time of registration unless an authorized deferment had been granted.

Our review disclosed that the College's list of students for whom fees were deferred was not as of the last day of the drop and add periods of each term. However, subsequent to our inquiry, we were provided Aging Analysis Reports for each term and at June 30, 2009. Our test of College records supporting the deferment of registration fees for 42 students disclosed the following:

- Registration fees totaling \$30,873, for 15 students who enrolled during one of the College's 2008-09 academic terms were deferred as of the last day of the drop and add period without any documented evidence of an authorized fee deferment. Subsequent to the drop and add period for the term in which they were enrolled, 3 students paid the registration fees assessed between 51 and 346 days after the drop and add period; financial aid was awarded to 4 students after eligibility was determined and documented; the enrollment and corresponding receivable for 1 student was cancelled for non-payment 78 days after the drop and add period; 1 student received an administrative approval for the cancellation of enrollment 181 days after the drop and add period; and as of October 16, 2009, 5 students had not paid any of the registration fees assessed and 1 student had not paid the lab fee assessed for one course.
- Registration fees totaling \$12,489, for 7 students who enrolled in criminal justice training courses were deferred at the time of registration without any documented evidence of an authorized fee deferment. Subsequent to registration, 1 student was approved for financial aid 51 days after completing five of ten courses included in the student's enrollment; 1 student who was on financial aid suspension at the time of registration was subsequently approved for financial aid 40 days after registration; 1 student paid the registration fees 225 days after registration; 1 student paid the registration fees one day after their last course had been completed; 1 student made a partial payment 13 days after their first course ended and a final payment 63 days after their second course ended; and as of October 16, 2009, 1 student had not paid any of the registration fees assessed and 1 student had paid only a portion of the registration fees assessed.

Our audit procedures also included a test of 15 students who enrolled during the 2008-09 fiscal year, to determine whether student fees were correctly assessed and collected by the College. The results of this test disclosed that registration fees totaling \$343 for 1 student were deferred as of the last day of the drop and add period without any documented evidence of an authorized fee deferment. The student subsequently paid the registration fees ten days after the drop and add period.

Revenue from State sources received by the College for current operations is primarily from the College Program Fund (CPF) administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering several components, including full-time equivalent (FTE) students. When enrollment is reported for students who have not paid registration fees in an approved manner (actual payment or properly authorized fee deferment), such enrollment may be improperly included in the FTE calculation. College records show that except for one student, enrollment was reported for the students noted above whose registration fees were deferred without any documented evidence of an authorized deferment. Enrollment was not reported for the one student because the student's registration and enrollment information was entered into the College's registration system after the end-of-term enrollment had been reported.

Sections 1009.22(11) and 1009.23(9), Florida Statutes, provide that any college that reports enrollment for students who have not paid fees in an approved manner in calculations of full-time equivalent enrollments for State funding purposes shall be penalized at a rate equal to two times the value of such enrollments. As such, the College's CPF funding may be subject to adjustment by the Florida Department of Education for the value of the enrollment reported for the students noted above for which College records did not show payment or evidence of an authorized deferment.

Recommendation: The College should establish and publish dates for the payment of fees and for drop and add periods for criminal justice training courses. In addition, the College should establish procedures to document the eligibility of all students receiving fee deferments pursuant to State Board of Education Rule 6A-14.054, Florida Administrative Code. To help ensure that enrollment is not reported for students who have not paid registration fees in an approved manner, at the end of the drop and add period for each term, enrollment should be canceled for those students who have not paid or qualified for a deferment of their registration fees.

Finding No. 4: Public Education Capital Outlay Expenditures

The State allocates Public Education Capital Outlay (PECO) moneys to the College on an annual basis. The allocations consist of specific State defined-project categories and appropriation amounts, each of which has its own restrictions governing use. Section 1013.64(1)(c), Florida Statutes, provides that PECO allocations used for remodeling, renovation, maintenance, repair, or site improvement projects must be used to expand or upgrade current educational plants to prolong the useful life of the plant.

During the 2008-09 fiscal year, the College expended PECO funds totaling \$250,758 for remodeling, renovation, maintenance, repair, or site improvement projects. Our review of capital outlay expenditures disclosed that the College paid the salary and benefits of several employees, totaling \$160,089, from the College's PECO allocations for remodeling, renovation, maintenance, repairs, and site improvement. The employees worked in the Facilities and Plant Operations Department. Our review of the job duties of these employees disclosed that in addition to performing routine and preventative maintenance and repairs on campus facilities, some job duties were related to other College operations, such as: shipping and receiving, processing and delivering mail, delivering bank deposits, assembling and moving furniture, preparing for on-campus events, landscaping upkeep, and campus security. The payment of salaries and benefits for employees performing job duties related to these other College operations would not be an allowed use of PECO funds. During the period from July 2008 through April 2009, employees (except for one staff assistant) of the College's Facilities and Plant Operations Department maintained daily logs, on an hourly basis, showing job duties performed; however, the College did not use the logs to calculate the amounts of salaries and benefits paid from PECO funds. The employees' time reported on the logs had not been summarized and tabulated by the College to account for the amount of time and effort spent by the employees on the maintenance and repairs of campus facilities and the amount of time and effort spent on other College operations. Daily logs were not maintained subsequent to April 2009. Absent College records that identify maintenance and repair project expenditures and summarize the time and effort spent by employees on those projects, these PECO funds used for salaries and benefits totaling \$160,089, represent questioned costs.

Recommendation: The College should establish time and effort records for employees working in the Facilities and Plant Operations Department to support the appropriateness of salary expenditures charged to PECO accounts. Additionally, the College should document the allowability of the \$160,089 in questioned costs or restore the funds to the PECO accounts.

Finding No. 5: Capital Outlay Budget

Section 1013.61, Florida Statutes, requires each college board of trustees to annually adopt a capital outlay budget for the upcoming 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 part of the annual budget and must be based upon and in harmony with the board's capital outlay plan (which shows proposed capital outlay expenditures for a five-year period). Contrary to

Section 1013.61, Florida Statutes, a capital outlay budget was not included as part of the College Board of Trustee's annual budget for the 2008-09 fiscal year. Inclusion of a capital outlay budget as part of the annual budget would provide the Board with updated estimates of proposed capital outlay expenditures for the upcoming fiscal year.

Recommendation: The Board should include the capital outlay budget as part of its annual budget, as required by law.

Finding No. 6: Specific State Appropriations

In our report No. 2008-098, we noted that because College records did not adequately evidence that funds were properly spent for authorized activities, salary payments totaling \$36,022 and \$28,969 made from the 2005-06 and 2006-07 fiscal years' specific appropriations, respectively, represented questioned costs subject to disallowance by the Florida Department of Education (grantor). In our report, we recommended that the College document to the grantor the allowability of these questioned costs or restore the funds to the programs. Although requested, College personnel were not able to provide us documentation evidencing that the grantor had been contacted after the date of our audit report (February 2008) to document the propriety of the questioned costs nor had the above funds been restored to the programs.

Recommendation: The College should take appropriate action to document to the Florida Department of Education the allowability of the questioned costs, totaling \$64,991, or restore the funds to the programs.

Finding No. 7: Full-Time Faculty Work Schedule

Board Rule No. 6.410 and the College's 2008-09 fiscal year salary schedule required that full-time nine-month and eleven-month instructional faculty spend a minimum of 35 hours per week in activities directly related to their assigned responsibilities. Faculty must schedule a minimum of 30 hours per week on campus plus an additional 5 hours on discretionary duties, on or off campus, as requested by the Vice President/Provost or the Dean of Instructional Affairs or his/her designee. The 30 campus hours must consist of 15 classroom contact hours, 10 office hours during which time faculty are to be available to students, and 5 on-campus hours. Full-time ten-month instructional faculty are required to spend a minimum of 37.5 hours per week in activities directly related to their assigned responsibilities. The 37.5 hours must consist of 18 classroom contact hours, 8 office hours during which time faculty are to be available to students, and 11.5 on-campus hours. When courses assigned to an instructor exceed the required classroom contact hours, the excess load credit is considered an overload. The overload compensation will be calculated on the additional hours dependent upon the specific contract specifications.

The College used a Schedule of Faculty Form (form) to document required activities during the 35 or 37.5 hours per week full-time faculty were required to work. The form provided for a detail listing of assigned responsibilities, including classroom contact hours, office hours, campus hours, and other hours, Monday through Sunday from 8:00 a.m. to 10:00 p.m. The forms were prepared by the instructors; however, there was no requirement for supervisory personnel to review and approve the forms or for full-time faculty work schedules to be compared to overload work schedules. In addition, our tests of employee compensation, which included nine instructional faculty, disclosed the following:

- In one instance, the Schedule of Faculty form was not available for a full-time instructor.
- In six instances, the instructor's Schedule of Faculty hours did not reflect the minimum total weekly hours stipulated by their contracts, as shown below:

- The form for a full-time nine-month instructor showed supplemental courses resulting in a total of 34.5 hours; however, not including the supplemental courses would have resulted in a total of 32.5 total hours when nine-month full-time instructors are required to work a minimum of 35 hours each week. Additionally, the schedule only reflected two on-campus hours although full-time nine-month instructional faculty are required to schedule a minimum of five on-campus hours each week.
- The form for a full-time nine-month instructor showed supplemental courses resulting in a total of 31.5 hours; however, not including the supplemental courses would have resulted in a total of 28.5 hours when nine-month full-time instructors are required to work a minimum of 35 hours each week. Additionally, a nine-month instructor must schedule a minimum of 10 office hours; however, the form listed only 8.5 office hours.
- The form for one ten-month instructor listed only 5 on-campus hours, although full-time ten-month instructional faculty are required to schedule a minimum of 11.5 on-campus hours each week.
- The form for a full-time ten-month instructor showed a total of 23.5 hours although ten-month faculty are required to work a minimum of 37.5 hours each week. In addition, the form did not document that the 11.5 on-campus hours required by the contract were completed. The form also indicated a schedule conflict when the instructor temporarily taught supplemental courses from October 20, 2008, through November 11, 2008, at times that conflicted with scheduled office hours. There was no indication on the form that the office hours were rescheduled during that time period.
- The form for a full-time ten-month instructor indicated a schedule conflict for a period of 34 days. The instructor had two courses from Monday through Friday in which one course began and ended causing an overlap of about five days into the same schedule as another course. The same conflict occurred for two other courses in which one course began while the other course was still in progress and overlapped the same schedule for a period of about 29 days.
- The form for a full-time eleven-month instructor showed a total of 34 hours although eleven-month faculty are required to work a minimum of 35 hours each week. Additionally the form only reflected four on-campus hours although full-time eleven-month instructional faculty are required to schedule a minimum of five on-campus hours each week.

Without the benefit of complete and accurate faculty schedules, there is an increased risk of noncompliance with Board Rule No. 6.410 or that full-time faculty may not perform the duties for which they are paid. In addition, the lack of supervisory approval of the Schedule of Faculty forms and comparison of the full-time faculty schedules to overload work schedules increases the risk of conflicting work assignments or salary overpayments. A similar finding was noted in our report No. 2008-098.

College personnel advised us that the instructors above did teach the overload classes, and that the hours shown on the Schedule of Faculty forms were not accurate. We were further advised that subsequent to our review, procedures have been revised to standardize the form, provide mandatory training to faculty on how to fill out the form, and have the completed forms approved by the appropriate Dean. If properly implemented, these procedural revisions should help to minimize errors in the Schedule of Faculty forms and provide additional assurances that faculty perform the duties for which they are paid.

Recommendation: The College should continue to enhance its procedures to ensure that the Schedule of Faculty forms accurately reflect all responsibilities assigned to full-time faculty. To strengthen controls further over faculty compensation, procedures should provide for the comparison of full-time faculty work schedules to overload work schedules.

Finding No. 8: Use of Facilities - Rental Agreements

Board Rule No. 1.258 establishes the Board of Trustees as the contracting agency for the College and requires that all contracts with personnel and other agencies must be authorized by the Board. College Procedure No. 32.2 allows for contracting with non-college groups that utilize College facilities and requires that non-college groups have a fully executed *Contract for Use of College Facilities* and pay rental charges prior to the scheduled use of the facilities.

During the 2008-09 fiscal year, the College entered into three separate rental contracts with one vendor. Under the terms of these contracts and an additional Memorandum of Understanding that was dated December 12, 2008, the vendor was allowed to use College equipment and facilities to provide diving safety training courses to United States Army Corps of Engineer students. Additional detail regarding the contracts is shown below:

Date of Contract	Date of Use	Fees Collected	Date of Collection
November 7, 2008	December 1, 2008, to December 5, 2008	\$ 9,000	January 13, 2009
November 10, 2008	December 8, 2008, to December 12, 2008	9,000	January 13, 2009
March 2, 2009	March 2, 2009, to March 13, 2009	22,400	April 20, 2009

Our test disclosed the following instances in which Board policies, procedures, or good business practices were not followed:

- College records did not evidence that the Board had approved the above contracts and Memorandum of Understanding. In addition, the March 2, 2009, contract was not signed by the parties until April 6, 2009, subsequent to the vendor’s use of the facilities. When contracts for the use of equipment and facilities are not presented to the Board for approval, there is an increased risk that the actual use of these College resources will not be in accordance with the Board’s intent.
- The November 2008 contracts required fees of \$9,000 per week. The March 2009 contract also required fees of \$9,000 per week (for a two week period) plus an \$80 per student fee. The Memorandum of Understanding provided for a fee increase of four percent each succeeding year for up to five years; however, these terms were not included in the above contracts. College records did not evidence the methodology or cost analysis used to support the reasonableness of the amount of fees charged to the vendor. Upon inquiry, we were informed by College personnel that the fee was calculated by the Director of Diving, based on his knowledge of the facility and equipment. Under these circumstances, the College had limited assurance that the revenue generated from the rental fees was sufficient to cover the costs of maintaining the equipment and facilities.
- The College received all of the rental payments after the vendor had completed using the College facilities contrary to College Procedure No. 32.2. When payments are not received prior to use of the facilities, there is increased risk that the College may not receive all the rental revenue to which it is entitled.
- The College did not require the vendor to maintain certain liability insurance coverage to help limit the College’s exposure to various risks of possible loss due to personal injury during the use of the College’s equipment and facilities. There was an indemnity statement on the contracts that stated, in part, “The User agrees to fully indemnify, save, and hold harmless the College and its employees from and against claims, demands, suits, or judgments (including costs and reasonable attorneys’ fees including appellate attorney fees), which arise as a result of operations conducted by the User.” However, even with this statement, the College is exposed to risk of possible loss as a result of accident or injury during the performance of contracted services at the College’s facilities. A similar finding was noted in our report No. 2008-098 regarding professional services contracts.

Recommendation: The College should ensure that contracts for the use of its equipment and facilities are executed and approved by the Board prior to the use of the equipment or facilities and that the reasonableness of rental charges is supported by a detailed methodology and cost analysis. Additionally, rental charges should be collected prior to the use of the equipment or facilities. Further, when rental agreements are executed with vendors performing high risk professional services, e.g., diving training, the College should document, of record, the types of and limits of insurance coverage that should be maintained by the vendors to limit the College's exposure to various risks of loss.

Finding No. 9: Promotion and Public Relations Expenditures

Section 1010.08, Florida Statutes, provides that each board of trustees may budget and use a portion of the funds accruing to it from auxiliary enterprises and undesignated gifts for promotion and public relations as prescribed by rules of the State Board of Education. State Board of Education Rule 6A-14.077, Florida Administrative Code, provides that auxiliary funds and undesignated gifts shall be spent according to rules of the board of trustees for the college's benefit.

Board Rule No. 1.550, *Hospitality and Public Relations Expenditures*, established the President's Activity Fund to be used for hospitality and public relations expenditures with profits generated by auxiliary enterprises and from undesignated gifts. The Rule provides, in part, that the President may use this fund for purposes that directly benefit and are in the College's best interest. The activities for which this fund may be used include, but are not limited to, graduation activities, visiting committees, orientation, work conferences, personnel recruitment, meetings, receptions, guest speakers, hospitality of business guests, institutional and individual memberships in community and professional organizations, and awards.

College Procedure No. 10.3, *President's Activity Fund*, provides that a President's Activity Fund Disbursement Authorization form (form) must be completed for all expenses by the Executive Assistant to the President and approved by the President. The form must include purpose of the expenditure, including specific guests, location, and benefits to the College.

During the 2008-09 fiscal year, expenditures for promotion and public relations totaled \$23,008. Our test of purchasing card transactions included 34 purchases from the President's Activity Fund, totaling \$3,700. For 23 of the 34 purchases tested, totaling \$2,464, the forms were not signed by the President and the supporting documentation for two employee meal purchases (\$12 and \$67) did not include the form. Under these conditions, the College has limited assurance that amounts paid from the President's Activity Fund for promotion and public relations are for authorized College purposes.

Recommendation: The College should establish procedures necessary to ensure that Disbursement Authorization forms are completed and signed by the President to adequately document and justify all expenditures made from the President's Activity Fund.

Finding No. 10: Purchasing Cards

The College administers a purchasing card program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College appointed the Purchasing Director as the card administrator and developed College Procedure No. 23.4, *Purchasing Card Procedures*, that addresses various controls over the use of College purchasing cards. These procedures include preparing monthly reconciliation reports, showing a reconciliation of charge receipts to the charges on the monthly purchasing card statement, and maintaining

purchase card receipts. In addition, Section 112.061, Florida Statutes, provides requirements for travel expenses. During the 2008-09 fiscal year, the College issued purchasing cards to 36 employees, including the President, with credit limits between \$1,000 and \$25,000, and purchasing card charges totaled approximately \$329,000.

Our test of 128 purchasing card transactions from 15 monthly reconciliation reports, totaling approximately \$25,000, disclosed that improvements were needed in the controls over the purchasing card program, as discussed below:

- Documentation of supervisory approval was not evident on seven monthly reconciliation reports, the cardholder approval date was not recorded on five reports, one report was not signed by the cardholder, and five reports were not timely approved by the cardholder (between 69 and 110 days after the month of purchase). When purchase documentation is not timely reviewed and approved, the College is at a greater risk that purchases will be undocumented or unauthorized. Effective monitoring procedures help to ensure that purchases made with purchasing cards comply with College procedures.
- For 18 purchasing card transactions totaling \$1,493, there was no supporting documentation (credit card charge slips, vendor invoices, or original receipts) available. Also, for 16 purchasing card transactions totaling \$1,426, supporting documentation consisted only of the credit card charge slip. For these purchases totaling \$2,919, detail vendor invoices or original receipts were not available to identify and document the public purpose served, the reasonableness of the purchases, or whether sales tax was paid.
- For one purchase, totaling \$489, an employee used the College purchasing card to pay for the personal travel expense (airline ticket) for the wife of another College employee. The College received reimbursement from the employee 43 days after the purchase. Signed agreements between the College and the cardholders contain the provision that under no circumstances will the purchasing card be used to make personal purchases, either for themselves or for others.
- One \$145 purchasing card transaction was for a hotel charge in Orlando, Florida, on a date that College records indicate that the employee was in Washington, D.C. Supporting documentation did not show the intended purpose of the travel to Orlando, or the reason for not cancelling the hotel reservation to avoid being charged for the room.
- One \$50 purchase of gasoline was made by an employee during travel from Key West to Miami. Since the employee also received a \$135 reimbursement for round trip mileage for the travel, the gasoline should have been paid for personally by the employee.
- Four purchasing card transactions totaling \$327 were made for meals of employees attending a Southern Association of Colleges and Schools - Commission on Colleges (SACS - COC) meeting in San Antonio, Texas, and two purchasing card transactions totaling \$108 were made for meals of an employee attending a Council of Presidents (COP) legislative forum in Tampa, Florida. Travel vouchers submitted by employees attending the SACS-COC meeting showed that some of the employees also received reimbursements totaling \$98 for the meals purchased using a College purchasing card. The employee attending the COP legislative forum purchased two meals, totaling \$108, with a College purchasing card. The cost of these two meals exceeded the \$36 daily meal allowance authorized by Section 112.061(6)(b), Florida Statutes, by \$72. These represent overpayments to employees totaling \$170.
- A total of 24 purchasing card transactions for travel expenses totaling \$8,292 were not supported by travel vouchers. Supporting documentation indicated that the travel expenses were incurred by the President and other College employees during 16 out-of-town trips. Absent travel vouchers to support the purpose of the travel, College records did not evidence that such travel expenses were for an authorized public purpose and that purchases were in accordance with Section 112.061(6)(b), Florida Statutes.

We performed a separate test of 20 travel expenses for the 2008-09 fiscal year. Our test disclosed an additional 9 purchases that were made with employee purchasing cards, 3 of which totaling \$954, were not supported by travel vouchers. In addition, the travel vouchers related to 2 other purchasing card transactions totaling \$1,574 were not signed by the travelers.

A purchasing card program is useful for expediting the payment of small purchases and travel costs in an efficient manner with a significant reduction in overhead. However, without effective monitoring and control procedures, such a program places the College at a greater risk that purchases will be undocumented or unauthorized. Adequate charge documentation, such as detailed receipts or invoices and travel vouchers for all travel expenses, should be maintained to evidence that purchasing card purchases are valid expenses of the College, serve a valid public purpose, and are made in accordance with State law and the College's purchasing card procedures.

Recommendation: The College should enhance controls over its purchasing card program to ensure compliance with the College's purchasing card procedures. Further, purchasing card transactions related to travel expenses should be properly supported with travel vouchers to evidence the propriety and public purpose served by the travel and compliance with State law governing travel expenses. The College should also pursue reimbursement from the employees for the above noted \$50 gasoline purchase and the \$170 of excess meal reimbursements.

Finding No. 11: 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.

Section 119.07(5)(a), Florida Statutes, 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 the individual with a copy of the written statement indicating the purpose for collecting the SSN, and that SSNs collected by an agency will 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 and immediately discontinue the collection of SSNs for purposes that are not in compliance.

Although the College had assigned unique student and employee identification numbers to replace SSNs for record keeping purposes, it continued to obtain SSNs from employees, prospective employees, students, and certain vendors. As noted below, College procedures were not adequate to comply with Section 119.07(5)(a), Florida Statutes:

- Although the College posted a notification of SSN collection and use for students to read on its Web site and Student Handbook, the College did not provide the required written notification to students from whom SSNs were collected although required by the Statute cited above.
- The College operates a testing center and used a Testing Request form for test takers to fill out for specific exams. Although the College collected SSNs in these forms, the College did not provide the required written statement to these individuals.
- The Continuing Education department collected SSNs in a Registration form for students taking noncredit courses; however, the College did not provide the required written statement to these students.
- The College provided certain vendors with a Vendor Registration form in which the vendors' SSNs were collected. The College had not established procedures to provide the required 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.

Recommendation: The College should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 12: Information Technology - Security Awareness and Training

Security awareness by employees is important to minimize misuse of information technology (IT) resources. Significant nonpublic records (e.g., student information and other records that contain sensitive information) are included in the data maintained by the College's IT systems. The purpose of a security awareness program is to inform personnel of the importance of the information they handle, and the legal and business reasons for maintaining its integrity, confidentiality, and availability. Formal employee orientation provides a good opportunity to set forth concepts of IT security and data handling; however, security awareness programs should be ongoing to remind employees of their role in the total security program.

The College had not implemented a formal security awareness program or performed ongoing IT security awareness training for all who use the College's IT systems. The absence of an ongoing security awareness training program increases the risk that the College's data and IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties. In addition, the College could be limited in its ability to take legal recourse, against individuals misusing data or IT resources.

Recommendation: The College should develop a formal IT security awareness program and perform ongoing security awareness training to ensure that its employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the College should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

Finding No. 13: Information Technology – Access Controls

Effective access controls are necessary to protect the confidentiality, integrity, and availability of data and IT resources. During our audit of Federal awards administered by the College for the 2008-09 fiscal year, we noted certain access controls that needed improvement. Specific details of the deficiency are not disclosed in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the deficiency. Without adequate access 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 enhance its access controls to protect data and IT resources.

Finding No. 14: Information Technology – Removal of Access Privileges

Effective management of system access privileges includes the timely removal of employee access privileges when employees terminate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others. College Procedure No. 49.16, *Terminating Access to Banner Application*, requires the Human Resources Office to immediately notify the Database Administrator (e-mail or hardcopy) when an employee's

status changes to terminated. Upon receipt of the notification, the user's access to the Banner Application is terminated.

Our review of access records for ten employees who terminated employment during the 2008-09 fiscal year disclosed that, for six of these employees, access to IT resources (Banner Application) was not removed until 5 to 17 days after termination of employment. In one of these instances, there was no evidence that the required notification was sent to the Database Administrator by the Human Resources Office. Although access to computer resources had been removed for all former employees tested, failure to timely remove such access increases the risk that access privileges could be misused by former employees or others.

Recommendation: **The College should enhance its controls to ensure timely removal of access privileges for former employees.**

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2008-098.

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. 2008-098. 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 2008-09 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.	Determined whether the College had developed a comprehensive information technology (IT) security awareness and training program.
Procedures for the assignment of IT access capabilities.	Reviewed the Student Financial Aid access capabilities of five users and tested for appropriateness of system access based on their job functions and responsibilities.
Procedures to timely prohibit former employees' access to electronic data files.	Tested employees who terminated employment during the audit period and verified that the College terminated access privileges.
Board meetings.	Reviewed Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Statements of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the College President and Board members filed statements of financial interest in accordance with law.
Direct-support organizations.	Determined whether audits of direct-support organizations were filed timely with the Auditor General, were done in accordance with generally accepted government auditing standards, and otherwise complied with the applicable Rules of the Auditor General.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
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 their social security numbers.
Procedures for budgetary controls.	Determined whether the Board adopted a capital outlay budget, as required by Section 1013.61, Florida Statutes.
Procedures for student receivables.	Tested student receivables to determine whether the receivable was properly authorized, documented, and within established limits. Determined whether adequacy of collection procedures, and whether accounts written-off were properly approved.
Procedures for assessing, calculating, collecting, cancelling, recording, and supporting student fees.	Tested student fees to verify the authority for student fees assessed; the accuracy of calculations of fees assessed; the proper collection of late fees, if appropriate; the issuance of a receipt; and the deposit of collections to the central cashier's records. Also, tested to verify that registration was cancelled if the fees were not paid when due, that student status and residency were supported, and that deferred fees were recorded as a receivable.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY (CONTINUED)

Scope (Topic)	Methodology
Procedures for calculating recreational and leisure course fees.	Reviewed the College’s procedures regarding the assessment of recreational and leisure course fees. Tested recreational and leisure course fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for calculating laboratory fees.	Reviewed the College’s procedures regarding the assessment of laboratory fees. Tested laboratory fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for calculating continuing workforce education course fees.	Reviewed the College’s procedures regarding the assessment of continuing workforce education course fees. Tested continuing workforce education course fees and examined supporting documentation to determine whether the College properly calculated these fees.
Procedures for eligibility and approval of student fee exemptions granted pursuant to Section 1009.25(3), Florida Statutes.	Tested students granted scholarships and examined supporting documentation to determine whether College records for the scholarships evidenced student eligibility and Board approval.
Procedures for student fee deferments.	Tested students receiving deferments to determine whether the fees were paid and whether students who failed to pay their fees in an approved manner were not reported for FTE purposes.
Payroll and personnel.	Tested employees, including full-time faculty, to ensure they taught the minimum hours required by Section 1012.82, Florida Statutes, or were assigned alternative responsibilities. Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, adequacy of qualifications, completion of performance evaluations, accuracy of leave records, and certifications by supervisory personnel of employee time reports. Also, tested new hires to determine whether personnel records evidenced that employees had the necessary qualifications, degrees, experience, etc.
Background checks.	Tested College personnel who had direct contact with children or worked in an area of special trust to determine whether the College had obtained background checks for the individuals tested.
Procurement policies and procedures.	Tested purchases subject to competitive bids/proposals to determine compliance with bid requirements.
Purchasing card transactions.	Tested transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Expenditures from non-Federal grants and appropriations.	Determined whether the College received money from non-Federal grants and appropriations, identified the fees collected from these sources, and tested the related expenditures to ensure compliance with grantor restrictions applicable to the specific grants.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY (CONTINUED)

Scope (Topic)	Methodology
Expenditures from financial aid fees.	Determined the amount of financial aid fees assessed by the College and obtained a copy of the Financial Aid Fee Report filed with the Division of Florida Colleges. Tested awards made with financial aid fees to ensure that the fees collected were awarded in accordance with Section 1009.23(8)(c), Florida Statutes.
Procedures for travel expenses.	Tested travel expenses to determine whether transactions were adequately supported, and mileage and per diem rates were in accordance with Florida Statutes, and were for College purposes.
Promotions and public relations expenditures.	Reviewed the College’s policy for auxiliary enterprise funds and undesignated gifts to ensure the policy was consistent with Florida law. Tested transactions to ensure that items were not of a personal nature. Reviewed total amount spent for promotion and public relations to ensure amount did not exceed amount allowed by Florida law.
Mandatory and nonmandatory transfers.	Tested transfers made between funds during the 2008-09 fiscal year to determine propriety of transfers of restricted moneys between funds.
Procedures for expenditures of earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay expenditures were in compliance with the restrictions imposed on the use of these resources.
Procedures for contractual agreements.	Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to ensure that they were properly awarded and executed, that contract terms were adequately supported, and that vendors carried adequate insurance.
Procedures for insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects to determine whether architects and engineers provided evidence of the required insurance.
Annual fire safety, casualty safety, and sanitation inspection reports.	Requested copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. Compared the most recent reports to the prior reports on a test basis to determine whether corrective actions were taken.
Procedures for enrollment reporting.	Tested student enrollment to verify enrollment information reported on the FTE Report. Determined whether courses appeared to be properly classified as to discipline and whether the FTE Report was properly filed, reviewed, and certified by College personnel. Traced selected student enrollment data to supporting documentation to determine reliability of data provided by the College to the Division of Florida Colleges.
Procedures for student grade changes.	Tested students that had grade changes and examined supporting documentation to determine whether the changes posted to the students’ transcript records were supported by appropriate documentation.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY (CONTINUED)

Scope (Topic)	Methodology
Procedures for issuance of diplomas.	Tested students issued a diploma and examined supporting documentation to determine whether the recipients of diplomas met the requirements for graduation and had a transcript on file indicating the student graduated.
Textbook affordability.	Examined supporting documentation to determine whether the College's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

**EXHIBIT B
MANAGEMENT'S RESPONSE**



Lawrence W. Tyree, Ed.D.
5901 College Rd.
Key West, FL 33040
305-294-5059

March 23, 2010

Mr. David W. Martin
Auditor General
G74 Claude Pepper Bldg.
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to these audit findings. Since we are a new administrative team, we realize that these findings will be extremely valuable for this College going forward. We will use this information to assist us in helping to improve our controls and procedures. The following are Florida Keys Community College's responses to the preliminary and tentative findings associated with the operational audit for the fiscal year ended June 30, 2009.

Findings #1 & 2 – Continuing Workforce Education and Recreation and Leisure Course Fees

We concur that a written analysis of actual indirect costs utilized in the calculation of such fees was not prepared. However, FKCC did follow-through with its statements responding to the previous audit finding. In this regard, the College created a course fee calculation worksheet which was routinely prepared for each course and submitted to and approved by the Provost. This form calculated a per-student and hourly rate and identified per-student costs. We also made efforts to ensure that continuing costs were self supporting. We will include written documentation for market adjustments in the form of a written analysis accompany any future market adjustments.

Finding #3 - Student Enrollment and Fee deferments

We concur that student fees were deferred for some students in the absence of any authorized fee deferment documentation. Employee turnover in critical positions at critical times contributed to this situation. A couple of students cited did have extenuating circumstances, however, whereby their scholarship money was pending and delayed. Holds were placed on their accounts pending award notifications. All students who should have been dropped and have not subsequently paid, have been turned over to collections. Effective Fall of 2009, the College implemented new procedures which address the three (3) audit findings.

- 1) The College established and published fee payment due dates in the course schedule and in letters to students. Additionally, the College published the drop/add periods with the Academic Calendar and in hard-copy letter to students.
- 2) The College re-established its procedures for documenting that financial aid students are eligible for financial aid deferments. These students are indicated on the Drop-for-non-payment list that is run from the Payment due date each term. Criminal Justice has also instituted a written policy with deadlines for the payment of fees for the Law Enforcement Academy.
- 3) The College processes "drop for non-payment" several times after the drop/add period as per the new procedure attached.

Our review disclosed that the list of students prepared by the College for which fees were deferred was not always prepared on the drop/add day of each term. Though there was no written procedure at the time, the report was run beginning on the first business day after fees were due each term and run weekly.

With regards to reporting, upon discovery, we had immediately notified the FDOE (prior to the audit) that some students were misreported. FKCC alerted the Department of Education about this on July 13, 2009 and indicated our calculated adjustment to 2008-09 FTE in a follow-up letter to the FLDOE on July 20th. Although this was reported as stated above, we do not believe, however, that all such students cited in the audit finding (approx. the equivalent of 4.3 FTE) were necessarily misreported. Since, per FDOE, adjustments to the final reported FTE are permissible prior to the final year-end submission and some students mentioned in the finding had extenuating circumstances and/or paid prior to the end of the reporting year, such students who were registered and paid during the reporting year, we believe, are legitimate and should be counted for reporting purposes. Despite the fact that the rules for FTE reporting are complicated, we have made a good faith effort to reconcile this reporting issue. (If the College legitimately wished to increase enrollment reporting, it could, in fact, have applied 32 more FTEs out of its permissible 40-FTE waivers in 2008-09 to students who were registered but eventually later dropped. Only 8 of these fee waivers were actually applied in 2008-09). We will nevertheless, continue to work with the DOE to refine, if need be, any further reporting adjustments for that year.

Finding #4 - PECO Expenditures

We concur that time and effort reporting for maintenance department salaries and benefits were not completed. However we do not feel that the maintenance charges attributed to PECO were unwarranted. Since no guidelines were promulgated or conveyed to the College for use in this regard, we were simply advised to ensure that the maintenance time allocated to PECO was, in fact, for maintenance purposes. At the outset of the year, since we realized that some of the time one or more members of the maintenance staff devoted to their job would not be entirely on maintenance, per se, we had conservatively apportioned the maintenance time between operations and PECO. This was based on a review of the duties of the maintenance staff, the proportion of which have remained relatively steady over time. Given our understanding at the time, log sheets completed confirmed the fact that maintenance time was correctly apportioned to PECO.

We have since instituted time and effort reporting of PECO dedicated maintenance on our bi-weekly time sheets. All maintenance staff have been asked to specify the amount of PECO-related time vs. other work accordingly.

Finding #5 Capital Outlay Budget

We concur that no Capital Outlay Budget was approved by the Board. Although we completed the Educational Plant Survey, the Capital Improvement Plan (CIP) and the Project Priority List all in 2008-09 (all approved by the Board), there was no Capital Outlay Budget document prepared. We will prepare a Capital Outlay Budget to be adopted by the Board.

Finding #6 – Specific State Appropriation

We concur that the FDOE was not subsequently contacted after the last operational audit to document these costs, but there did not seem to be a need to do so since documentation appeared to indicate we were clearly in compliance. However, we have since contacted the FDOE to work with their audit resolution team to further resolve this issue regarding the terms and conditions of this grant.

Finding #7 – Full-time faculty work schedule

We concur with the finding. We have implemented the following corrective measures to address the concerns:

Created a standardized faculty schedule using Excel that automatically adds up the different hour categories as well as the hour total.

Held a mandatory orientation. We held 3 different sessions to allow for all full time faculty to attend. During the orientation the new faculty schedule form was introduced and reviewed.

The form is available on the FKCC network for faculty on all campuses to be able to access.

Once a faculty member completes their schedule form they turn it into their supervisor for review and approval. The schedule form has a signature section to indicate the approval. Once it is approved it is posted on the door of the faculty member.

Finding #8 – Use of Facilities Rental Agreement

We partially agree with this finding. Although the Board had given authority to “the President and his designee” at its Board meeting of June 24, 2003 to approve facility usage and fees, the Board Policy in this regard (dating from 1977), however, was not changed. A committee has been charged with reviewing and revising all outdated Board policies.

Since the Director of Diving is most familiar with the equipment usage, wear and tear and maintenance costs associated with the diving facility, it is most appropriate for him to determine the charges assessed to cover the expenses for compressors, air tank recharges, regulator expenses, masks, wetsuits, etc., all specific areas that only someone familiar with the operation would be knowledgeable about. A worksheet was prepared using the standard hourly usage fees for facilities at that time.

The four percent increase in the cost of the contract from year to year, as cited in the Memorandum of Understanding, was not within the terms of the contracts since all of the contracts cited were for the initial fiscal year, not multiple year contracts. Subsequent contracts for 2009-10 reflected the 4% increase.

Although insurance coverage was cited as similar to a previous finding, it is a different type of insurance representing different conditions. In that audit, FKCC was the prime contractor with the Army Corps of Engineers and had subcontracted with a company which was to provide training for the Army Corps members. The College was asked to ensure that the subcontractor provide professional liability insurance to cover its instructors in conducting the training as a subcontractor (on behalf) of FKCC. Therefore, our subsequent contract with this firm (as our subcontractor) contained the provision requiring such professional liability coverage. Thus, the College had made this adjustment and was in compliance with this finding.

Since this firm is now the prime contractor working directly for and with the Army Corps of Engineers, the latest contract is only for the rental of facilities and therefore does not expose the College to the same level of "professional" liability. We concur, however, that statements requiring general liability coverage should be incorporated into our facility rental contracts, and we have made revisions to include requirements for general liability coverage required and amounts.

Payments were received at the conclusion of the contracts with this company, due to the fact that contracts with the Federal government (in this case with the Army Corps of Engineers) are performed on a cost reimbursement basis. Payment of services from the Federal Government is received after services are rendered. Requiring this firm to "pre pay" would be cost prohibitive and jeopardize the long-standing (and profitable) contractual arrangement the College has had with this entity in providing this essential training to the Army Corps of Engineers. In action approved at the same Board meeting referenced above, the Board approved that "all fees, including insurance, are payable in advance unless special circumstances dictate otherwise." Although special circumstances applied in this case, again, we will revise the Board policy regarding this approval authority.

Finding #9 – Promotion and Public Relations Expenses

We concur with this finding. The Executive Director of the President's office was verbally authorized by the previous Presidents to sign off on the President's Activity Fund forms. This unwritten procedure had been in place for 30 years. The Executive Director manages the budget for the President's Activity fund and constantly interacts with the President in the compilation, reconciliation and submission of expenses. Procedures have been put into place whereby the President now signs all President Activity Forms.

Finding #10 – Purchasing Cards

We concur with this finding. The College had already identified deficiencies prior to the start of this audit.

The College has completed a thorough review of its P-Card Procedures in an effort to reduce risk and increase internal controls. As part of this review the following changes were implemented.

New Controls:

1. Daily spending limits on all P-Cards except Executives and Purchasing of \$1,000.00.
2. Transactional spending limits on all P-Cards except Executives and Purchasing of \$1,000.00.
3. Failure to submit a completed monthly reconciliation as per Procedure 23.4 by the due date each month will result in suspension of P-Card until the reconciliation is

received. Card holders with multiple offenses will be disciplined in accordance with Procedure 51.3.

4. All existing and new card holders will be required to complete online P-Card training.
5. The use of lost receipts forms will only be allowable with Presidential approval.
6. The College is implementing an online travel and Expense system that will improve travel reimbursement errors related to P-Card expenses.

The Business Office recognized the deficiencies with card holders not following procedures and made recommendation to correct them. The Business Office rejected incomplete reconciliations for lost receipts, lack of detailed receipts, and lack of signatures, but still had to enter expenses to close out the months in a timely manner.

Board policies and procedures will also be clarified and modified. Misunderstanding of Board policy stating that travel vouchers shall be used for reimbursement led some to believe that travel vouchers were not required if no reimbursement was requested. All travelers will be required to submit travel vouchers and such vouchers will not be accepted if not signed. Additionally, lost receipt forms, permissible under past College procedures in lieu of receipts, did not provide incentives for people to retain their receipts. Lost receipt forms will be only allowable with Presidential approval.

Although we feel that it is possible that the 36 P-card number represented cumulative total cards issued for the entire year, we feel that this is most likely inclusive of cards issued for people replacing employees who had left the College (and terminated their cards). Therefore this number may not be reflective of the total number of cards active at any given time. The College has since reduced its active number of P-Cards to 18.

We are taking steps to require individuals who incurred expenses for gasoline (\$50) and employee overpayments (\$170) to reimburse the College.

The College feels that with the implementation of the new Procedures and controls implemented these deficiencies have been resolved.

Finding #11 – Social Security Numbers

We concur with this finding. The reference to Social Security Numbers in the Vendor Registration form has been deleted. Where vendors' Tax ID numbers are the same as their social security number, a statement on how and why this is collected will be made. The Office of Workforce Development and Community Outreach revised the Test Request Form and Registration Form by removing the Social Security Number and replacing it with Student Identification Number. For specific exams that require a Social Security Number (CJBAT), a FDLE notification is given to each examinee prior to requesting the number.

Finding #12 - Information Technology - Security Awareness Training

We concur with this finding. The College acquired the services of a web based company that provides the recommend Security Awareness training. A procedure is being developed to ensure that all new employees complete the training. The College will also require existing employees to review and accept annually.

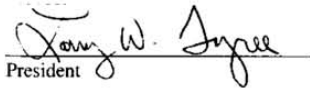
Finding #13 – Information Technology – Access Controls

We concur with this finding. Access to Federal awards in the Banner/Oracle database is granted to employees in the Financial Aid department, and to three employees in the Information Technology Department: the Director of IT as the primary database administrator; the Assistant Director of IT as the secondary database administrator; the Supervisor, Web Services acts as backup should the Director and Assistant Director be unreachable. All other access has been removed.

Finding #14 - Information Technology - Removal of Access Privileges

We concur with this finding. The College has instituted a process where the Human Resources Department notifies the Information Technology Department immediately if an employee is terminated with cause, or weekly when termination date is known in advance. In return, the Information Technology Department notifies the Human Resources Department that specific access privileges have been removed.

Sincerely,



President

Lawrence W. Tyree, Ed.D.
Interim President