

# NORTH FLORIDA COMMUNITY COLLEGE

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## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

	<u>County</u>
Michael R. Williams, Chair from 8-18-09	Madison
Dr. William L. Brothers, Vice Chair from 8-18-09 (1)	Suwannee
John C. Maultsby, Jr., Chair to 8-17-09	Madison
Albert Thomas, Jr., Vice Chair to 8-17-09	Jefferson
Richard B. Davis, Jr., from 7-15-09	Hamilton
Linda F. Gibson (1)	Madison
Brantly W. Helvenston, IV (1)	Suwannee
Verna M. Hodge to 7-14-09 (2)	Hamilton
Ricky N. Lyons from 7-15-09 (3)	Lafayette
Lester D. Padgett	Taylor

Mr. John Grosskopf, President

- Notes: (1) Board member served beyond the end of their term, May 31, 2010.
- (2) Board member served beyond the end of her term, May 31, 2009.
- (3) Board member position was vacant from July 1, 2010, to July 14, 2010, until the appointment of member.

The audit team leader was Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jjmstultz@aud.state.fl.us](mailto:jjmstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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**NORTH FLORIDA COMMUNITY COLLEGE**

**SUMMARY**

**Our operational audit disclosed the following:**

**CONTRACTUAL SERVICES**

**Finding No. 1: Improvements were needed in monitoring of payments to architects to ensure they are made in accordance with contract terms.**

**INFORMATION TECHNOLOGY**

**Finding No. 2: The College needed to establish written policies and procedures for certain information technology (IT) functions.**

**Finding No. 3: The College’s IT disaster recovery plan lacked certain key provisions and had not been tested.**

**BACKGROUND**

North Florida 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 nine members appointed by the Governor and confirmed by the Senate.

The College has its main campus in Madison, Florida, and a special purpose center in Monticello, Florida, designated as the Green Industries Institute. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Madison, Hamilton, Jefferson, Lafayette, Suwannee, and Taylor Counties. The College reported enrollment of 941 full-time equivalent students for the 2009-10 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2010, 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, 2010, will be presented in a separate report.

**FINDINGS AND RECOMMENDATIONS**

**Contractual Services**

**Finding No. 1: Architect Payments**

On January 28, 2008, the Board contracted with an architect to perform architectural services for the Colin P. Kelly Gymnasium (Gym) Remodel and Addition project for a fee of \$378,254. The contract with the architect states in Paragraph 1.2 that “The Architect/Engineers Basic Services for the Project will consist of those described in Article 3, and include structural, mechanical, and electrical engineering services, as well as architectural services.” Paragraph 11.1 of this contract specifies that when the Board pre-authorizes special consultants to perform services not included in the basic services, the Board will reimburse the architect for the approved costs.

During the 2009-10 fiscal year, the architect requested and received reimbursements of \$50,007 for consulting services not included in the basic services. College personnel and the supporting documentation for the payments indicated

that these services were for civil engineering and threshold inspections, which were excluded from the Architect/Engineers Basic Services as defined in the architect contract. However, although requested, we were not provided documentation evidencing that the Board pre-authorized these services.

We also noted that the architect's invoices included an additional 10 percent fee totaling \$5,001 for architect administration and coordination consulting services billed to the College. However, this fee was not provided for in the contract. Subsequent to our audit inquiry, the Board, on April 21, 2010, approved the additional consulting services, including the 10 percent fee for architect administration and coordination.

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**Recommendation:** The College should improve its procedures for monitoring payments to architects to ensure that payments are made in accordance with the architect's contract and all additional services are pre-authorized by the Board as required by contract.

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<b>Information Technology</b>
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**Finding No. 2: Written Policies and Procedures**

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Each information technology (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.

As similarly noted in our report No. 2009-132, our audit disclosed that the College lacked written policies and procedures for the following IT functions:

- Requesting, prioritizing, and authorizing system changes.
- Administration of user identification codes (IDs), vendor-supplied IDs, guest accounts, and security devices (such as routers and firewalls).
- Prohibiting the sharing of administrative IDs.
- Denial of administrator rights on workstations used by end users.
- Access privileges granted and responsibilities of help desk staff.
- Provision of least privilege for user access based on job function.
- Network and system administration.
- Change, storage, and communication of administrative passwords.
- Database administration.

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 written policies and procedures to document management's expectations for the performance of the above-listed IT functions.

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**Finding No. 3: Disaster Recovery Plan**

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An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure, or a natural disaster. A disaster recovery plan should identify 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 IT disaster recovery plan. However, the plan lacked certain key provisions and details to facilitate a smooth recovery in the event of an actual disruption of IT operations, as follows:

- The plan did not include specific processes and procedures to be followed to affect the recovery and restoration of financial, payroll, student records, and other critical applications.
- The plan did not identify critical IT applications and systems with a prioritization.
- The plan did not clearly identify disaster recovery team members and their respective roles and responsibilities.
- The plan did not provide for periodic testing to determine operability nor had the College tested the plan.

The lack of these key provisions in and periodic testing of the disaster recovery plan increases the risk that the College may be unable to continue critical operations, or maintain availability of IT data and resources, in the event of a disruption of IT operations.

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**Recommendation:** The College should revise its disaster recovery plan to include the specific processes and procedures as cited above. The College should also periodically test the plan in a simulated exercise to ensure that the plan will operate effectively to permit critical operations to continue in the event of a disruption of IT operations.

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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. 2009-132.

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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 from February 2010 to September 2010 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. 2009-132. 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 2009-10 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.
IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT disaster recovery plan.	Determined whether the College had a disaster recovery plan and had recently tested the plan.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the College's fraud policy and related procedures.
Statement of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the College President, Board members, and purchasing agents filed statements of financial interest in accordance with law.
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.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Student meal reimbursements.	Tested payments for student meal reimbursements to determine whether payments were adequately supported and all unused funds were promptly returned to the College.
Minimum teaching hours and office hours for College faculty.	Tested faculty and examined College records to verify that faculty met minimum teaching hours required by Section 1012.82, Florida Statutes, or were assigned alternative responsibilities, and were available during posted office hours.
Mandatory and nonmandatory transfers.	Tested transfers made between funds to determine the propriety of transfers of restricted moneys between funds.
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.
Procedures for contractual agreements.	Determined whether payments for contractual services were pursuant to Board-approved contracts and were in accordance with contract terms.
Construction contracts.	For a selected major construction project, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of law.

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

Scope (Topic)	Methodology
Procedures for insuring architects and engineers.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for architects and engineers. Examined recent construction projects to determine whether evidence of the required insurance was provided.
Use of state sales tax exemption for direct purchase of construction materials.	Tested significant construction projects to determine whether the College made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
Textbook affordability.	Examined supporting documentation to determine whether the College's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



October 21, 2001

Mr. David W. Martin  
Auditor General, State of Florida  
C74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

This letter is in response to our receipt of the list of preliminary and tentative findings and recommendations made to North Florida Community College as a result of the operational audit for the fiscal year ending June 3, 2010. There were three findings in this report.

**Finding No. 1 – Improvements are needed in monitoring of payments to architects to ensure that they are in accordance with contract terms.**

As noted in the narrative of the findings, the Board of Trustees of North Florida Community College did approve, retroactively, the 10 percent fee for architect administration and coordination. However, when providing oversight of future contract payments additional care will be taken to ensure that they are in accordance with contract terms.

**Finding No. 2 – The College needs to establish policies and procedures for certain information technology (IT) functions.**

North Florida Community College has in place policies and procedures covering IT functions. However, as noted in the audit findings, documentation is not adequate for certain critical functions. These policies and procedures are currently being expanded to adequately cover performance of IT functions.

**Finding No. 3 – The College's IT disaster recovery plan lacked certain key provisions and had not been tested.**

Because of financial constraints, formulation and testing of a complete disaster recovery plan is ongoing. The current administrative data processing programs and files are backed up on a daily basis and stored securely. A close relationship exists between the IT department at NFCC and that of St. Johns River Community College, as we have worked together closely after migrating to the same IT platform a number of

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**EXHIBIT B (CONTINUED)  
MANAGEMENT'S RESPONSE**

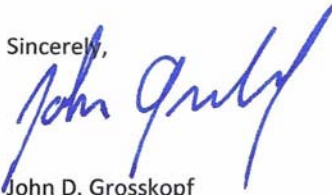
Mr. Martin

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years ago. An agreement exists between the two departments for assistance, including the provision of the necessary space, hardware and programs, for continuity of critical functions during a disaster situation. However, the IT department is currently retrofitting a remote location to serve as a mirror image site for backup of all functions, allowing immediate use of that site should a disaster occur.

As always, we appreciate the professional manner in which the audit was conducted. We look forward to continued growth in accountability based on the recommendations given and will continue to work to ensure compliance with all state statutes and rules.

Sincerely,



John D. Grosskopf  
President

Cc: Cathy Bandy