

PALM BEACH STATE COLLEGE

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:

Wendy S. Link, Chair from 8-11-09,
Vice Chair to 8-10-09
William Berger, Vice Chair from 8-11-09
Kenneth B. Kirby, Chair to 8-10-09
David H. Talley
Carolyn L. Williams

Dr. Dennis P. Gallon, President

The audit team leader was Diana G. Garza, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was Bill Allbritton, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

PALM BEACH STATE COLLEGE

SUMMARY

Our operational audit disclosed the following:

STUDENT TUITION AND FEES

Finding No. 1: The College needed to strengthen its procedures for reviewing and documenting user fees.

MOTOR VEHICLES

Finding No. 2: The College's procedures for monitoring the use of College-owned motor vehicles needed improvement.

INFORMATION TECHNOLOGY

Finding No. 3: The College's information technology security controls within the financial application and supporting environment needed improvement.

BACKGROUND

Palm Beach State 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.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the name change from Palm Beach Community College to Palm Beach State College on January 12, 2010.

The College has campuses in Lake Worth, Boca Raton, Belle Glade, and Palm Beach Gardens, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Palm Beach County. The College reported enrollment of 20,245 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

Student Tuition and Fees

Finding No. 1: User Fees

Section 1009.23(12), Florida Statutes, authorizes the Board of Trustees (Board) to establish user fees, such as laboratory fees, that are not to exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes the Board to establish user fees in addition to tuition fees for services that incur unusual costs. The Florida Department of Education, Division of Florida Colleges (DFC), issued guidelines for assessing user fees. These guidelines provide that the Board establish policies for the implementation and justification of additional user fees, defining which costs

are in excess of base instructional costs, describing the documentation required to support the fees, the time period for review of such fees, and the manner of presenting such fees to the Board for approval.

The College adopted Board Policies 6Hx-18.4.21, 6Hz-4.272, and 6Hz-4.30 establishing procedures to be used for assessing user fees. Also, the Academic Affairs Policies and Procedures manual required the preparation of a Course Special Fee Assessment Form (Form) to document the request, approval, rationale, justification, and methodology for determining these fees. College personnel prepare and submit to the Board for approval a fee manual each year that includes all user fees. Laboratory and other user fee collections totaled approximately \$2.8 million for the 2009-10 fiscal year. Our test of 30 courses and their related Forms disclosed the following that were contrary to College policies or DFC guidelines:

- Five Forms had not been timely updated. The Forms had not been updated since February 2003 for four courses and since Fall Term of 2005 for one course. Fees for these five courses ranged from \$22.50 to \$45.00. Absent procedures to periodically update these Forms, there is an increased risk that fees will not be adjusted to reflect changes in costs since the fees were initially determined.
- Two Forms did not evidence supervisory review and approval of the fee.
- One Form did not include the rationale for charging a \$35.00 laboratory fee for a computer course.

In response to our inquiry, College personnel indicated that the College is in the process of implementing a computerized database for laboratory and other user fees, which would require the entry of all information necessary to document compliance with College policies, DFC guidelines, and Florida Statutes.

Recommendation: The College should strengthen its procedures to ensure that laboratory and other user fees are calculated in accordance with College policies and DFC guidelines.

Motor Vehicles

Finding No. 2: Vehicle Records

As of June 30, 2010, the College maintained 67 motor vehicles for use by employees for off-campus or inter-campus travel while conducting official College business. The College's policies and procedures required that vehicle users submit a Campus Fleet Vehicle request form (CFV), complete a vehicle mileage log (log), and use the vehicles for official College business only. The CFV had to be completed and approved by the applicable Provost, Vice President, or Supervisor before a College vehicle was used for off-campus business travel. As similarly noted in our report No. 2009-033, our review of logs for ten vehicles disclosed the following:

- The ten logs tested did not always include required information related to the driver's name, destination, or ending odometer reading.
- For two logs, there were numerous gaps between the ending mileage on one trip and the beginning mileage on the next trip. These gaps in mileage ranged from 31 to 864 miles.
- For the ten logs tested, CFVs did not always include the vehicle number to allow reviewers to match the purpose of using the vehicle on the CFV to the proper logs.
- For the ten logs tested, CFVs were not always available for the logged trips and those that were available were not always signed by a Provost, Vice President, or Supervisor to document approval of the off-campus use of a College vehicle.

- One log included two entries logging trips from the College’s Eissey campus to Orlando totaling 711 miles, but only one CFV was provided. Additionally, the CFV includes a space for the hotel name and contact phone number for overnight trips, but this information was not included on the CFV provided.

Absent complete and accurate information on vehicle mileage logs and supporting CFVs there is an increased risk that College-owned vehicles may be used for unauthorized purposes.

Recommendation: The College should improve monitoring of vehicle mileage logs and corresponding CFVs to provide additional assurance that its vehicles are used only for official College business.

Information Technology

Finding No. 3: Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain College security controls that needed improvement in the areas of managing access privileges and protecting the confidentiality of user passwords. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the College’s data and IT resources. However, we have notified appropriate College staff of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that College data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The College should improve its security controls related to managing access privileges and protecting the confidentiality of user passwords to provide increased assurance of the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the College had taken corrective actions for findings included in our report No. 2009-033.

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 from March 2010 to August 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. 2009-033. 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 access controls.	Tested select application access privileges to determine whether access privileges granted to sensitive finance and human resources applications were appropriately granted and authorized.
IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Procedures for sensitive and confidential information.	Examined written policies, procedures, and Board of Trustees Rules governing the proper storage, handling, transmission, use, and format of sensitive and confidential information.
IT security incident response and reporting.	Examined written policies, procedures, and Board of Trustee Rules related to reporting suspected IT and responding to such incidents.
Procedures to timely prohibit former employees' access to electronic data files.	Tested access privileges for employees who terminated employment during the audit period and verified that the College timely terminated access privileges.
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 of the purpose of collecting their social security numbers.
Student receivables.	Determined adequacy of the College's policies and procedures used to write-off student receivables.
Procedures for property deletions and disposals.	Examined Board minutes related to approval of surplus property deletions and disposals, obtained a listing of surplus property items awaiting Board approval for disposal as of June 30, 2010, and reviewed control procedures with applicable College personnel.
Auxiliary operations contract compliance.	Examined selected auxiliary operation contracts to determine whether the College was properly monitoring compliance with the contract terms regarding fees, insurance, and other provisions.
Mandatory and nonmandatory transfers.	Tested transfers made between funds to determine the propriety of transfers of restricted moneys between funds.
Direct-support organization.	Tested payments, transfers, and loans between the College and its direct-support organization to determine the purpose and legal authority of such payments, transfers, and loans.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procedures for calculating laboratory and user fees.	Reviewed the College's procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and user fees and examined supporting documentation to determine whether the College properly calculated these fees.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in accordance with Section 1009.21, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.
Contracts paid from appropriated State funds requirements of Section 1012.83(2), Florida Statutes.	Examined the College President's and other senior management's employment contracts and verified that the contracts limit any settlements, to be paid from appropriated State funds, to the amount of the annual salary.
Procurement policies and procedures.	Tested transactions subject to competitive bids and 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.
Construction management policies and procedures.	Tested construction projects in progress during the audit period to determine whether the College monitored the selection process of subcontractors by the construction manager.
Procedures for limiting wireless communication devices.	Reviewed policies and procedures to determine whether the College limited the use of, and documented the level of service for, wireless communication devices.
Procedures for monitoring motor vehicle utilization.	Tested vehicle logs for completeness, supervisory review, and use of logs to schedule preventative maintenance.
Annual safety inspections.	Obtained copies of the most recent annual life safety, fire safety, and sanitation inspection reports and determined whether the deficiencies noted were timely corrected.

**EXHIBIT B
MANAGEMENT'S RESPONSE**



**PALM BEACH STATE
COLLEGE**

OFFICE OF
THE PRESIDENT

4200 Congress Avenue
Lake Worth, FL 33461-4796

561-868-3501 TEL
561-868-3504 FAX

November 1, 2010

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

Dear Mr. Martin:

On October 21, 2010, we received the preliminary and tentative audit findings and recommendations for Palm Beach State College Operational Audit administered by the State of Florida for the fiscal year ended June 30, 2010. The recommendations identified in the audit will be used to improve the operations of the College in the future.

Our responses to the findings are attached. Please contact Mr. Richard A. Becker, Vice President of Administration and Business Services, at (561) 868-3137, if additional information is needed.

Sincerely,

Dennis P. Gallon, Ph.D.
President

Attachment

cc: District Board of Trustees
Richard A. Becker

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE



Palm Beach State College responses to the
Auditor General's Operational Audit of
Palm Beach State College
for the fiscal year ended June 30, 2010

STUDENT TUITION AND FEES

Finding No. 1: The College needed to strengthen its procedures for reviewing and documenting user fees.

Palm Beach State College has completed a review of all course laboratory fees attached to courses. The fees are now recorded in an electronic database with categories and calculation methodologies of what expense each fee is offsetting. All new course fees are also recorded and approved through this process. All course fees will be completely reviewed on a three-year cycle. Course fees may be reviewed before that time as needed due to an increase or decrease in expense associated with the course.

MOTOR VEHICLES

Finding No. 2: The College's procedures for monitoring the use of College-owned motor vehicles needed improvement.

Palm Beach State College has taken the following corrective actions to improve the monitoring of College fleet vehicles and to insure said vehicles are utilized solely for College business:

- All fleet vehicles assigned to the respective campuses as well as the vehicle designated for district use will be under the control of and dispatched exclusively by security personnel at the respective campuses. This action will insure a complete and accurate account of the vehicles use to include its mileage.*
- The College has adopted an improved vehicle log which includes a destination and purpose section to make certain the fleet vehicles are used exclusively for College business.*

INFORMATION TECHNOLOGY

Finding No. 3: The College's information technology security controls within the financial application and supporting environment needed improvement.

Palm Beach State College has taken the appropriate action to improve its financial application and supporting environment.