

VALENCIA COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

	<u>County</u>
Bertica M. Cabrera Morris, Vice Chair to 2-20-12, Chair from 2-21-12 (1)	Orange
Maria C. Grulich Toumazos, Vice Chair from 2-21-12	Osceola
Raymer F. Maguire, III, to 12-21-11, Chair to 12-21-11 (2) (3)	Orange
Jerry D. Buchanan	Orange
Guillermo Hansen from 12-22-11 (4)	Osceola
Lori Kifer Johnson	Orange
Lewis M. Oliver, III (2)	Orange
Fernando J. Perez from 12-22-11	Orange
Jo Quittschreiber (5)	Osceola

Dr. Sanford C. Shugart, President

- Notes: (1) Board member served beyond the end of term,
May 31, 2011.
- (2) Board member served beyond the end of term,
May 31, 2010.
- (3) Chair position was vacant from December 22, 2011,
through February 20, 2012.
- (4) Position was vacant from July 1, 2011, through
December 21, 2011.
- (5) Board member served beyond the end of term,
May 31, 2012.

The audit team leader was Christina T. Rider, CPA, and the audit was supervised by Brenda C. Racis, 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.

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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

VALENCIA COLLEGE

SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board needed to enhance its written policies and procedures relating to electronic funds transfers.

Finding No. 2: The College had not provided training to its employees for implementing an identity theft prevention program, contrary to Section 114 of the Fair and Accurate Credit Transactions Act of 2003.

Finding No. 3: The College needed to enhance its textbook affordability policies to ensure that students can obtain textbooks and course materials for the lowest and best price within acceptable quality.

STUDENT TUITION AND FEES

Finding No. 4: The College's procedures for reclassifying out-of-state students to Florida residents for tuition purposes needed improvement.

CONSTRUCTION ADMINISTRATION

Finding No. 5: The College needed to enhance its construction administration procedures.

INFORMATION TECHNOLOGY

Finding No. 6: The College had not timely deactivated the information technology access privileges of several former employees.

BACKGROUND

Valencia 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 eight members appointed by the Governor and confirmed by the Senate. The College President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

Pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the name change from Valencia Community College to Valencia College effective July 1, 2011.

The College has campuses in Kissimmee, Orlando, and Winter Park, Florida, and two centers and a criminal justice institute located in Orlando, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Orange and Osceola Counties. The College reported enrollment of 31,531 full-time equivalent students for the 2011-12 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2012, 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, 2012, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each college board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between colleges and other entities.

According to College records, approximately \$332 million of electronic funds transfers were made to various financial institutions and vendors for the purposes of transfers, investments, and payments of expenses during the 2011-12 fiscal year. Board Policy 6Hx-28:6-01.1, Receipt and Deposit of Funds, authorizes, by electronic or other medium, the receipt or transfer of public funds to, from, or within its established bank accounts for purposes of investment or direct deposit of funds, provided that adequate internal control measures are established and maintained. Although the College's written procedures include accounting and control procedures relating to electronic transfers of funds, the procedures had not been adopted by the Board and did not address the need for, or use of, electronic signatures when conducting electronic transactions between the College and other entities. While the College had established controls over electronic transactions, the lack of Board approval of accounting and control procedures related to electronic payments increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes.

Recommendation: The Board should enhance its written policies and procedures to address accounting and control procedures related to the use of electronic funds transfers, including the use of electronic signatures.

Finding No. 2: Identity Theft Prevention Program

In response to increasingly pervasive risks associated with the custodianship of sensitive information, Section 114 of the Fair and Accurate Credit Transactions Act of 2003 (Act) expanded on the Federal Trade Commission's (FTC) Fair Credit Reporting Act of 1970 to provide clear guidance to businesses and other organizations that process certain personal information that places them at high risk for identity theft. The Act was implemented by the Red Flags Rule (Rule), which went into effect November 1, 2008, and enforcement of the Rule began on January 1, 2011. The Rule requires financial institutions and creditors that hold consumer accounts designed to permit multiple payments or transactions or any other account for which there is a reasonable foreseeable risk of identity theft to develop and implement an identity theft prevention program (Program) for new and existing covered accounts. The Rule requires the College Board to approve the initial written Program. The Program should be designed to detect, prevent, and mitigate identity theft through the identification of warning signs, or "red flags" in day-to-day operations. Additionally, the Rule requires that the College train staff, as necessary, to effectively implement the Program. The Program must be appropriate for the College's size and complexity and the nature and scope of its operations and must contain reasonable policies and procedures to: (1) identify relevant patterns, practices, and specific forms of activity, the red flags, that signal possible identity theft for the covered accounts; (2) detect red flags; (3) respond

appropriately to any red flags detected to prevent and mitigate identity theft; and (4) ensure the Program is updated periodically to reflect changes in risks for identity theft.

As a result of its student lending activity, the College meets the definition of a creditor as defined by the FTC and, as such, must comply with the Rule. On October 27, 2009, the Board amended Policy 6Hx28:7B-04, Financial Information Security, to include adoption of an Identity Theft Prevention Program (ITPP) to address the requirements of the Rule. Section 11 of the ITPP provides that College personnel responsible for implementing the Program shall receive training for the detection of Red Flags and the responsive steps to be taken when a Red Flag is detected. However, as of June 30, 2012, the College had not provided the required training to College employees who have access to accounts or personally identifiable information. In these circumstances, the College or its students could be at increased risk of identity theft due to the sensitive nature of information that is obtained, held, and processed through the student lending process. In addition, noncompliance with the Rule could result in monetary penalties from the FTC.

In response to our inquiry, College personnel informed us that a training program for applicable employees is being developed with implementation in the Fall of 2012.

Recommendation: The College should continue its efforts to provide training to employees as required by the Red Flags Rule.

Finding No. 3: Textbook Affordability

Section 1004.085(3), Florida Statutes, requires that colleges post on their Web sites, as early as is feasible, but not less than 30 days prior to the first day of class for each term, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, State Board of Education (SBE) Rule 6A-14.092(3), Florida Administrative Code (FAC), requires colleges to collect and maintain, before textbook adoption is finalized, written or electronically transmitted certifications from course instructors attesting that all textbooks and other instructional items ordered will be used, particularly each individual item sold as part of a bundled package, and to document the extent to which a new edition differs significantly and substantively from earlier versions, along with the value of changing to a new edition. The SBE created the Textbook Affordability Workgroup (Workgroup), which has issued recommendations for textbook affordability for students. These recommendations included a provision that each college develop and monitor policies and guidelines for textbook adoption.

The College had procedures in place to ensure the posting of textbook lists 30 days prior to the first day of class; however, improvements relating to textbook affordability are needed, as noted below:

- The College had policies relating to course textbooks and related materials; however, these policies were last updated in November 1992, and did not include all requirements of Section 1004.085, Florida Statutes, or SBE Rule 6A-14.092(3), FAC. For example, the policies did not require that textbooks be listed on the College's website at least 30 days prior to the start of class. In response to our inquiry, College personnel stated that new policies are being developed and are anticipated to be approved by the Board in Fall 2012.
- SBE Rule 6A-14.092(3), FAC, requires that in the textbook adoption process, the intent to use all items ordered, particularly each individual item sold as part of a bundled package, is to be confirmed by the course instructor or the academic department offering the course before the adoption of course materials is finalized. Our inquiries relating to five courses taught in Fall 2011, disclosed that such certifications had not been obtained from faculty or department heads.
- The College's current policies appear to be contrary to the Workgroup recommendations. The Workgroup noted that one best practice to reduce textbook costs would be to use course-wide adoptions for courses with

many sections. However, Colleges policies permit faculty at each of the College’s campuses to adopt different sets of textbooks or instructional materials for the same course, and when more than one professor is teaching a course, two sets of textbooks or instructional materials may be adopted per campus. The College now has four campuses where core courses are taught and will soon add another campus, so current policies would allow for up to ten different sets of textbooks per course, and as a result, textbook costs for a single course may vary greatly. For example, the following table demonstrates, for three basic courses, the wide variation in total cost of textbooks.

Course	Cost of New			Cost of Used		
	Textbooks and Materials			Textbooks and Materials		
	High	Low	Difference	High	Low	Difference
Biology 2094C	\$ 416	\$ 215	\$ 201	\$ 312	\$162	\$ 150
Humanities 2250	172	46	126	129	34	95
Economics 2013	178	101	77	133	75	58

As noted above, the costs of new or used textbooks and course materials for students enrolled in these three courses may differ by as much as \$201 for new and \$150 for used for the same classes, depending upon the course section for which students were enrolled or campus the students attended.

Updating policies and procedures to reflect the requirements of Section 1004.085, Florida Statutes, SBE Rule 6A-14.092(3), FAC, and recommendations of the Workgroup would assist the College in improving textbook affordability for its students.

Recommendation: The College should update its textbook affordability policies and procedures and monitor compliance to ensure that textbooks and required course materials are consistently available to its students at the lowest and best prices within acceptable quality.

Student Tuition and Fees

Finding No. 4: Student Residency Status

Section 1009.21, Florida Statutes, states, in part, that students shall be classified as residents or nonresidents for the purpose of assessing tuition. According to this Statute, to qualify as a resident for tuition purposes, legal residence must be established and maintained in Florida for at least 12 months immediately prior to his or her initial enrollment in an institution of higher learning. Section 1009.21(6)(a), Florida Statutes, states, in part, that for tuition purposes, a person who is classified as a nonresident for tuition purposes may become eligible for reclassification as a resident if that person or his or her parent (if that person is a dependent child) presents clear and convincing documentation that supports permanent legal residency in Florida for at least 12 consecutive months rather than temporary residency for the purpose of pursuing an education. Such documentation may include evidence of full-time permanent employment for the prior 12 months or the purchase of a home in Florida, and residence therein, for the prior 12 months while not enrolled in an institution of higher education. SBE Rule 6A-10.044, FAC, establishes the documentation requirements for determining the reclassification of students as Florida residents for tuition purposes and requires that a minimum of three documents, as prescribed in the Rule, be presented to the institution as evidence for a change in residency for tuition purposes.

The College undergraduate tuition rate for each semester hour for nonresidents was \$375 and for Florida residents was \$99 during the 2011-12 fiscal year. Our test of 25 students’ records disclosed 4 students that were reclassified from non-Florida resident status to Florida resident status for tuition purposes during the 2011-2012 academic year.

These 4 students attended the College as nonresident (out-of-state students) for several terms prior to being reclassified as a Florida resident. In response to our request for documentation evidencing the reason the College changed the residency status for these students, we were provided documents evidencing that the students resided in Florida during the 12 months prior to their reclassification as a Florida resident. However, we were not provided evidence that the students were not residing in Florida for the sole purpose of pursuing an education, such as evidence of full-time permanent employment for the prior 12 months or the purchase of a home in Florida, and residence therein, for the prior 12 months while not enrolled in an institution of higher education. A similar finding was noted in our report No. 2011-025.

Absent documentation evidencing that students are qualified to be reclassified to Florida resident status, there is an increased risk that the College may not properly assess tuition at the appropriate rate.

Recommendation: The College should enhance its procedures to ensure that documentation is maintained to support the reclassification of students from non-Florida residents to Florida residents for tuition purposes, including the four students noted above.

Construction Administration

Finding No. 5: Competitive Selection of Subcontractors

Pursuant to Section 1013.45(1)(c), Florida Statutes, authorizes the College to contract for the construction or renovation of facilities with a construction management entity (CME). Chapter 489, Florida Statutes, establishes certain licensing requirements for specialty subcontractors such as electrical, air conditioning, plumbing, and roofing contractors. The College's Facilities Planning Office is responsible for construction administration, which includes monitoring contractor activities, implementing construction-related procedures, and ensuring compliance with applicable State laws.

In March 2011, the College entered into a CME contract for Building Number 4 (Project) on the Osceola Campus. An amendment to the contract was approved by the Board for a guaranteed maximum price (GMP) of \$35,224,167 in September 2011. Under GMP contracts, the College may realize cost savings if the cost of construction is lower than the GMP. As such, a GMP contract requires close monitoring by College personnel to ensure that the cost of construction is adequately documented.

As of June 30, 2012, the College had reported expenses of \$24,302,343 relating to this contract. The contract provided that the CME was responsible for selecting subcontractors and would submit a list of potential subcontractors to the College.

College personnel informed us that they did not attend subcontractors' bid openings or monitor the bid tabulation process for selecting subcontractors, and that this is the CME's responsibility. However, in the absence of procedures to monitor the CME's bid opening and bid tabulation process, there is an increased risk that College records will not demonstrate the proper handling of bids in the event of a challenge and that the College may not realize potential cost savings by obtaining the lowest and best prices for subcontractor services, consistent with acceptable quality and performance.

Recommendation: The College should enhance its procedures to provide for monitoring of the CME's subcontractor selection process.

Information Technology

Finding No. 6: Timely Deactivation of Access Privileges

Effective information technology (IT) access controls include provisions for the timely deactivation of employee access privileges when employment terminations occur. Prompt action is necessary to ensure that former employees' IT access privileges are not misused by the former employees or others to compromise data or IT resources.

Our test of 13 employees who terminated employment from the College during the 2011-12 fiscal year disclosed that application access privileges for 5 former employees remained active for 30 to 71 days after termination of employment. Although application access had been removed for all individuals tested, when the access privileges of former employees are not timely deactivated, the risk is increased that the access privileges could be misused by the former employees or others.

Recommendation: **The College should ensure that access privileges of former employees are timely deactivated.**

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2011-025, except finding No. 4 was also noted in prior audit report No. 2011-025, as finding No. 2.

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 February 2012 to August 2012 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:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2011-025.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management’s internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, general agreements, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit’s findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring during the 2011-12 fiscal year. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

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 user authentication.	Reviewed selected network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT data loss prevention.	Determine whether there were current written security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT disaster recovery plan.	Determined whether a comprehensive disaster recovery plan was in place and had been recently tested.
IT security incident response and reporting.	Reviewed written policies, procedures, plans, and forms related to security incident response and reporting.
IT physical access controls.	Reviewed the data center's physical access controls to determine whether vulnerabilities existed.
Board and committee meetings.	Reviewed Board and committee minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, maintain minutes).
Internal audit function.	Determined whether the internal audit process followed professional requirements and provided for peer review of reports issued.
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.
Identity theft prevention program (Red Flags Rule).	Reviewed the College's policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
Student loans.	Determined whether the College had established procedures for students that transferred from other institutions of higher education, to verify that the student was not in default on student loans or was not past due on a student receivable.
Donation, acquisition, or construction of capital assets involving outside entities.	Reviewed documentation for donation, acquisition, or construction of capital assets involving an outside entity and determined whether such transactions and agreements were appropriate.
Florida residency determination and tuition.	Tested student registrations to determine whether the College documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21 and 1009.22, Florida Statutes, and State Board of Education Rule 6A-10.044, Florida Administrative Code.

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

Scope (Topic)	Methodology
Bookstore cash collections.	Reviewed collection procedures at bookstores to determine the effectiveness of the College’s collection procedures and tested daily cash collection.
Student activity and service fees.	Reviewed amount of the activity and service fee assessments to determine that the fees did not exceed 10 percent of the total tuition fee rates.
Laboratory and other user fees.	Reviewed the College’s procedures and determined whether they were approved by the Board of Trustees. Tested laboratory and other user fees and examined supporting documentation to determine whether the College properly calculated these fees.
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.
Personnel and payroll.	Tested payroll transactions to determine the accuracy of the rate of pay, validity of employment contracts, 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, necessary background checks, etc.
Overtime payments.	Reviewed College policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.
Terminal pay.	Reviewed the College’s rules and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay. Additionally, reviewed severance pay provisions in contracts entered into after July 1, 2011, to determine whether the College was in compliance with Florida Statutes.
Administrative employees’ compensation.	Reviewed administrative employees’ compensation to determine whether compensation exceeded limits provided in Florida law.
President’s compensation.	Determined whether the President’s compensation was in accordance with Florida law, rules, and Board policies.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with College policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Travel expenses.	Tested executive foreign and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for College purposes.
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.

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

Scope (Topic)	Methodology
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with College policies and procedures and provisions of laws and rules. Also, for construction management contracts, determined whether the College monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager.
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.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources.
Florida College System Program Fund.	Reviewed expenditures from the Florida College System Program Fund to ensure such funds were not expended on the education of State or Federal inmates.
Electronic payments.	Reviewed College policies and procedures related to electronic vendor payments and tested supporting documentation to determine whether selected electronic payments were properly authorized and supported.
Procurement of goods and services.	Reviewed College policies and procedures related to the procurement of goods and services to ensure that competitive vendor selection processes were used. Tested disbursements to determine whether purchase orders were issued prior to the College incurring an obligation for the goods or services. Tested purchases subject to competitive bids or proposals to determine compliance with bid requirements.
Direct-support organizations – conflicts of interest.	Determined whether the College had established policies and procedures to avoid potential conflicts of interest with vendors who also made donations to the College’s direct-support organization.

EXHIBIT B
MANAGEMENT'S RESPONSE

VALENCIA COLLEGE

November 9, 2012

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

Dear Mr. Martin:

Pursuant to Section 11.45(4) (d), Florida Statutes, Valencia College is submitting to you a written statement of explanation, including our current and proposed corrective actions, in response to the preliminary and tentative findings of your operational audit for the fiscal year ended June 30, 2012.

Finding No. 1: Enhance Policies and Procedures re: Electronic Funds Transfers

Valencia is in the process of updating its policy for receipt and deposit of funds to include the required language for electronic funds transfers.

Finding No. 2: Training for Employees re: Identify Theft Prevention

Valencia is in the process of developing the necessary training program.

Finding No. 3: Textbook Affordability

Valencia is in the process of revamping its textbook selection process in an effort to make textbooks and collateral material more affordable.

Finding No. 4: Reclassification of Out-of-State Students to Florida Residents

Valencia is in the process of notifying all authorized personnel of the requirements needed to authenticate residency and supporting documentation.

Finding No. 5: Construction Administration Procedures

While this is not required by law or rule, Valencia has implemented the practice of monitoring the bid opening and bid tabulation process for construction management entities.


EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

David W. Martin
November 9, 2012
Page 2

Finding No. 6: Deactivation of Information Technology Access of Former Employees

Valencia has put into place an automated system that will deactivate employee access to information systems automatically once an employee is marked for termination.

Sincerely,


Sanford C. Shugart
President