

FLORIDA GATEWAY COLLEGE

Operational Audit



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	<u>County</u>
Thomas M. Riherd, II, Chair (1)	Union
Dr. Athena Randolph, Vice Chair (1)	Columbia
Robert C. Brannan, III	Baker
Donald R. Kennedy to 9-24-13	Columbia
Lindsey Lander from 9-25-13 (2)	Gilchrist
Kathryn L. McInnis	Dixie
Suzanne M. Norris (3)	Columbia
Julia Marcelle Richardson (3)	Baker
Dr. James A. Surrency to 9-24-13	Gilchrist
Dr. Miguel J. Tepedino from 9-25-13 (2)	Columbia
Vacant (4)	Dixie

Dr. Charles W. Hall, President

- Notes: (1) Board members served beyond the end of term, May 31, 2011.
(2) Board members served beyond the end of term, May 31, 2014.
(3) Board member served beyond the end of term, May 31, 2013.
(4) Position was vacant from July 1, 2013, through June 30, 2014.

The audit team leader was Gina M. Bailey, CPA, CFE, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jjmstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA GATEWAY COLLEGE

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

INFORMATION TECHNOLOGY

Finding No. 1: Some inappropriate and unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of access privileges.

Finding No. 2: College IT security controls related to logging and monitoring needed improvement.

BACKGROUND

Florida Gateway 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 President serves as the executive officer and the corporate secretary of the Board, and is responsible for the operation and administration of the College.

The College has its main campus in Lake City, Florida, and centers in Baker, Dixie, and Gilchrist Counties. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Baker, Columbia, Dixie, Gilchrist, and Union Counties. The College reported enrollment of 2,078 full-time equivalent students for the 2013-14 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2014, 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, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Information Technology

Finding No. 1: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility.

Our review of selected access privileges to the database supporting the College’s Enterprise Resource Planning (ERP) system, including finance and human resources applications, disclosed some accounts with access privileges that were inappropriate and unnecessary. Specifically, one ERP application-delivered account and one database-delivered account had the ability to grant privileges within the database to other user accounts on the database increasing the risk for inappropriate access privileges granted on the database. Six additional ERP application-delivered accounts had been granted most database system privileges in addition to the ability to grant these database system privileges to other user accounts on the database. The College’s Chief Information Officer, Database Administrator, and Business

Analyst responsible for application upgrades had the ability to utilize the access privileges granted by these accounts; however, it was unnecessary for these accounts to provide such extensive privileges. In response to our inquiry, College management removed the inappropriate database privileges from these accounts.

The existence of these inappropriate and unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of College data and IT resources. A similar finding was noted in our report No. 2012-032.

Recommendation: The College should ensure that access privileges granted by system-delivered accounts are appropriate and necessary.

Finding No. 2: Security Controls – Logging and Monitoring

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain College IT security controls related to logging and monitoring needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising College data and IT resources. However, we have notified appropriate College management of the specific issues. Without adequate security controls related to logging and monitoring, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised.

Recommendation: The College should improve security controls related to logging and monitoring to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

PRIOR AUDIT FOLLOW-UP

The College had taken corrective actions for findings included in our report No. 2012-032, except that finding No. 1 was also noted in prior audit report No. 2012-032 as finding No. 1.

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 April 2014 to September 2014 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 safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in our report No. 2012-032.
- 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, weaknesses in management’s internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant 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 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 records and transactions occurring during the 2013-14 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of 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 College 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 access privileges and separation of duties.	Tested selected access privileges to the College's Enterprise Resource Planning finance and human resources applications and database to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the application to determine whether these accounts had been appropriately assigned and managed.
IT data loss prevention.	Reviewed the College's written policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed the College's written policies and procedures, plans, and forms related to security incident response and reporting.
IT risk management and assessment.	Determined whether a written, comprehensive IT risk assessment had been developed to document the College's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT logging and monitoring controls.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
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, and maintenance of minutes).
Fund equity controls.	Determined whether the unencumbered balance in the unrestricted current fund of the College Board of Trustees' approved operating budget was below five percent of the total available fund balance at June 30, 2014, and if so, whether the College notified the Florida Department of Education, as required by Section 1011.84(3)(e), Florida Statutes. Performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available unrestricted current or auxiliary funds.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Student receivables.	Determined whether student receivables were properly authorized, adequately documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectible accounts written-off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.
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.
Distance learning fees.	Determined whether distance learning fees were assessed and collected as provided by Section 1009.23(16)(b), Florida Statutes.
Dual enrollment program.	Reviewed College policies and procedures related to the dual enrollment program. Determined, on a test basis, whether revenues collected for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Auxiliary operations contract compliance.	Examined selected auxiliary operations contracts to determine whether the College was properly monitoring compliance with the contract terms regarding fees, insurance, and other provisions. Also, performed analytical procedures to determine whether the College's auxiliary services were self-supporting.
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.	For selected employees, determined the accuracy of the rate of pay, validity of employment contracts, and certifications by supervisory personnel of employee time reports.
Terminal pay.	Reviewed the College's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the College was in compliance with Florida Statutes.
Administrative employees' compensation.	Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Presidents' compensation.	Determined whether the President's compensation was in accordance with Florida law, rules, and Board policies.
Background screenings.	Reviewed the College's policies and procedures for obtaining background screenings for personnel. Determined whether employees in sensitive positions, such as positions in direct contact with minors, had undergone the appropriate background screenings.
Eligibility for health insurance benefits.	Reviewed College policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the College had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions.
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.
Capital outlay purchases.	Tested capital outlay purchases to determine whether the asset was properly capitalized or expensed, and was an allowable use of restricted capital outlay resources.
Travel expenses.	Tested travel expenses to determine whether the travel expenses were reasonable, adequately supported, for valid College purposes, and limited to amounts allowed by Florida law.
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.
Electronic funds transfers and payments.	Reviewed College policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid College purposes. Also, determined whether such payments were for employees doing business with the College, contrary to Section 112.313, Florida Statutes.
Related-party transactions.	Reviewed College policies and procedures related to identifying potential conflicts of interest. For selected College officials, reviewed Department of State, Division of Corporation, records; statements of financial interest; and College records to identify any potential relationships that represent a conflict of interest with vendors used by the College.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Direct-support organization.	Tested payments between the College and its direct-support organization to determine the legal authority of such payments.
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EXHIBIT B
MANAGEMENT'S RESPONSE



October 31, 2014

Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin,

In compliance with your letter dated October 13, 2014 concerning our operational audit, please find the written statement of explanation and corrective actions for Florida Gateway College listed below.

Finding No. 1: Access Privileges

Recommendation: The College should ensure that access privileges granted by system-delivered accounts are appropriate and necessary.

Response: The College agrees with the recommendation. The Information Technology Department at the College will develop reports to better monitor access privileges for both system-delivered accounts as well as institution created accounts and insure their review is timely by the appropriate department manager and executive officer.

Finding No. 2: Security Controls – Logging and Monitoring

Recommendation: The College should improve security controls related to logging and monitoring to ensure the continued confidentiality, integrity, and availability of College data and IT resources.

Response: The College agrees with the recommendation. The Information Technology Department at the College will work with department managers responsible for the creation and maintenance of critical data to identify the sensitive transactions that should trigger a logged event in order for the College to monitor what could be inappropriate changes to data. If a delivered report is not available or compensating controls are not in place to identify such an event, the Information Technology Department will create a report or method for monitoring.

If you need additional information, please feel free to contact my office.

Sincerely,

Charles W. Hall, Ed.D.
President

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