

COLLEGE OF CENTRAL FLORIDA

Operational Audit



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Dr. James D. Henningsen, President

Note: (1) Board member served beyond the end of term, May 31, 2014.

The audit team leader was Debra L. Hulse, CPA, and the audit was supervised by Philip B. Ciano, CPA. For the information technology portion of this audit, the audit team leader was Shawn McCormick, CPA, 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 jimstultz@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.

COLLEGE OF CENTRAL FLORIDA

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: The College did not require background checks and fingerprinting for all employees and contractors who have direct contact with children.

PURCHASING

Finding No. 2: The College needed to enhance its procedures to ensure the timely cancellation of purchasing card accounts.

STUDENT ENROLLMENT

Finding No. 3: The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

INFORMATION TECHNOLOGY

Finding No. 4: Improvements were needed in College access controls to ensure that information technology (IT) access privileges were appropriate.

Finding No. 5: College IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

BACKGROUND

The College of Central Florida (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 seven 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, a special-purpose center, and a museum located in Ocala, Florida; a campus located in Lecanto, Florida; and a special-purpose center located in Chiefland, Florida. Additionally, credit and noncredit classes are offered in various physical locations throughout Citrus, Levy, and Marion Counties. The College reported enrollment of 5,904 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

Board Policies

Finding No. 1: Background Checks and Fingerprinting

Although not specific to colleges, Florida Statutes provide for criminal history checks, including fingerprinting, for employees in positions of special trust or of a sensitive nature. For example, Section 409.175, Florida Statutes, requires owners, operators, employees, and volunteers working in summer camps providing care for children to undergo a Level 2 background screening as prescribed in Chapter 435, Florida Statutes. A Level 2 background screening as prescribed by Section 435.04, Florida Statutes, includes fingerprinting for statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation. Section 110.1127, Florida Statutes, requires that persons occupying certain State employment positions, because of special trust or responsibility or sensitive location of those positions, be subject to a security background check, including fingerprinting, as a condition of employment. Section 1012.32(2)(a), Florida Statutes, requires personnel hired to fill positions requiring direct contact with students in any district school system or university lab school to undergo a Level 2 background screening, as required by Section 1012.465, Florida Statutes, or Section 1012.56, Florida Statutes.

The College established an administrative procedure to implement Board Policy No. 6.00, *Hiring*, which specifies that pre-employment background checks are required for applicants in certain functional areas of the College. Level 1 background screenings (local and State criminal history) are required for employees of the Appleton Museum, Conference Services (cashier), Human Resources, Information Technology, Plant Operations, Public Safety, Purchasing, and Student and Enrollment Services (which includes athletics, admissions, and financial aid) departments. Level 2 background screenings are required for employees of the Child Care, Criminal Justice, and Business Office departments. The College’s administrative procedure to implement Board Policy 6.27, *Volunteer Program*, requires that volunteers working in the departments listed above undergo the same level of background checks as required for employees, and volunteers working with children must undergo a Level 2 background screening.

Although many employees and volunteers are required to undergo background screenings, College administrative procedures did not require Level 2 background checks for certain employees and contractors who have direct contact with children, such as summer camp operators and employees of a contractor that operates the College’s swimming facility. When College employees and contractors who have direct contact with children are not required to have criminal background checks, there is an increased risk that individuals with unsuitable backgrounds may have access to children.

Recommendation: The College should require criminal background checks, including fingerprinting, for all employees and contractors in positions of special trust or responsibility, or of a sensitive nature, including those who have direct contact with children.

Purchasing

Finding No. 2: Purchasing Cards

The College administers a purchasing card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. The College uses P-cards to expedite low dollar purchases of goods and services. P-cards are subject to the same rules and regulations that apply to regular College purchases, and the College has established administrative procedures to provide users with additional guidance on how to properly use the P-cards. The administrative procedures require that on termination of employment, the employee must surrender their P-card to either the purchasing agent or Director of Purchasing who will then destroy the P-card. The agreement with the bank requires the College to immediately notify the bank to close the P-card account and, until the College notifies the bank, the College is responsible for all charges to the account after the employee’s termination.

We reviewed P-card accounts for ten employees who terminated employment during the 2013-14 fiscal year. Although the College was able to document that these employees’ P-cards were returned to the College’s Purchasing Department and destroyed, the College did not notify the bank to cancel the P-card account for five of the former employees until after our inquiry, or 95 to 263 days after the employees’ termination date.

Our examination of P-card activity for these five former employees disclosed that no purchases were made after the employees terminated employment. However, the untimely cancellation of P-card accounts increases the risk of unauthorized P-card usage.

Recommendation: The College should enhance procedures to ensure that P-card accounts of former employees are timely cancelled.

Student Enrollment

Finding No. 3: Adult General Education

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The College received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 120, required that each college report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that colleges develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2013-14 fiscal year, the College reported to the FDOE 19,613 instructional contact hours for 196 students enrolled in 77 adult general education classes during the Fall, Spring, and Summer terms. Our review of 2,999 hours reported for 30 students enrolled in 27 adult general education classes during the Fall and Spring terms disclosed that contact hours were under reported by 1,540 hours for 21 students. These students were enrolled in 11 of the 27 classes tested. These errors occurred primarily in the Fall semester due to College personnel reporting actual

attendance hours rather than the students' scheduled hours, contrary to FDOE procedures. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the College report accurate data.

Recommendation: The College should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The College should also determine the extent of adult general education class hours misreported for the 2013-14 fiscal year and contact the FDOE for proper resolution.

Information Technology

Finding No. 4: 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 inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of the IT and application end-user duties whereby only the responsible end-users can originate or correct transactions and initiate changes to data files and IT employees are restricted from performing end-user functions. Periodic reviews of IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their assigned job responsibilities and that the assigned access privileges enforce an appropriate separation of incompatible responsibilities.

Our tests of selected access privileges to the College's enterprise resource planning system, including finance, human resources, student, and supporting database, disclosed that improvements were needed in granting access privileges to certain IT resources. Specifically:

- IT access privileges within the College's finance and human resources applications were controlled by assigning employees access to menus and groups. The menus and groups assigned were stored in each employee's login directory. College personnel indicated that they had begun developing a process for extracting the groups and menus assigned to users; however, although requested, we were not provided with a listing of the application functions granted by menus, including submenus, and groups assigned to each employee. Consequently, College records did not demonstrate the appropriateness of employee IT access privileges assigned within the applications or that the College had an effective process in place for maintaining and reviewing employee access to the applications. Absent the ability to review access privileges, there is an increased risk that College personnel may not timely detect and address inappropriate or unnecessary access privileges, should they exist. In response to our inquiry, College management indicated that individual user access was reviewed using institutional knowledge and manual controls outside of the application. College management also indicated that they are continuing to work on expanding the employee access reports to provide a listing of the application functions granted by menus and groups assigned to each employee.
- Four accounts used for various technical support-related activities had unnecessary network administrator access privileges. Network administrator access privileges are typically limited to employees who are responsible for performing network administrator duties or services that require complete access to network resources. When complete network administrator access privileges are unnecessarily granted, the risk is increased that unauthorized or unintentional network and database hardware, software, or configuration changes may occur and not be timely detected. In response to our inquiry, College management indicated

that during the redesign of the network directory, they removed the network administrator privileges from two of the accounts and disabled the other two accounts.

A similar finding was noted in our report No. 2013-054.

Recommendation: The College should continue its efforts to implement procedures for the periodic review of access privileges and remove any inappropriate or unnecessary access privileges detected.

Finding No. 5: Security Controls - User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain College security controls related to user authentication and logging and monitoring of system activity, 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 user authentication and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of College data and IT resources may be compromised. A similar finding was communicated to College management in connection with our report No. 2013-054.

Recommendation: The College should improve IT security controls related to user authentication and logging and monitoring of system activity 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. 2013-054, except that finding Nos. 4 and 5 were also noted in prior audit report No. 2013-054 as finding Nos. 4 and 8, respectively.

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 August 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. 2013-054.
- 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 authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested access privileges over the network and database to determine the appropriateness based on employee job duties and adequacy with regard to preventing the performance of incompatible duties.
IT logging and monitoring.	Determined whether the College had procedures and reports in place 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.
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 written policies and procedures related to security incident response and reporting.
IT deactivation of employee access.	Reviewed College procedures that prohibited former employees’ access to electronic data files. Tested the access privileges of former employees to determine whether the access privileges had been timely deactivated.
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.
Direct-support organization.	Tested payments, transfers, and loans between the College and its direct-support organization to determine the legal authority of such payments, transfers, and loans.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
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.
President's 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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Rebate revenues.	Determined whether rebate revenues received from the purchasing card program were allocated to the appropriate College funds.
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.
Earmarked capital project resources.	Determined, on a test basis, whether Public Education Capital Outlay (PECO) and other restricted capital outlay expenditures were expended in compliance with the restrictions imposed on the use of these resources. Determined whether PECO funds were properly encumbered by the required reversion date.
Insuring architects.	Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for architects. For selected construction projects, determined whether the architect provided evidence of the required 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

Scope (Topic)	Methodology
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the College reported instructional and contact hours in accordance with Florida Department of Education requirements.

EXHIBIT B
MANAGEMENT'S RESPONSE



College of Central Florida
Office of the President

November 3, 2014

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

Dear Mr. Martin:

The following is our response to the preliminary and tentative findings in the operational audit for the College of Central Florida for the Fiscal Year Ended June 30, 2014.

Finding No. 1: The college did not require background checks and fingerprinting for all employees and contractors who have direct contact with children.

As noted by the auditor, the college performs Level 1 (local and state criminal history) and Level 2 background checks and fingerprinting in certain operational areas of the college: Appleton Museum, Conference Services (cashier), Human Resources, Information Technology, Plant Operations, Public Safety, Purchasing, Student and Enrollment Services (which includes athletics, admissions, and financial aid), Child Care, Criminal Justice, and Business Office departments.

The college takes the safety and security of the campus community seriously and is expanding its procedures to require Level 2 criminal background checks, including fingerprinting, for all employees and contractors in positions of special trust or responsibility, or of a sensitive nature, including those who have direct contact with children.

Finding No. 2: The college needed to enhance its procedures to ensure the timely cancellation of purchasing card accounts.

As noted by the auditor, the college documented that these employees' P-cards were returned to the college's Purchasing Department and destroyed and that no purchases were made after the employees terminated employment.

Due to the retirement of the college's Director of Purchasing, the cancellation of the P-cards with the bank was not completed during the transition to a new director. This has been corrected.

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– an equal opportunity college –

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

David W. Martin, CPA
State of Florida

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November 3, 2014

Finding No. 3: The College needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

As noted by the auditor, the underreporting of clock hours occurred primarily in the fall semester. In accordance with auditor recommendation, the college determined the extent of adult general education class hours misreported and contacted the FDOE for proper resolution. The total amount of underreported clock hours was 2,041, which translates into 2.4 full-time equivalent (FTE) credits. This does not impact the college financially as FTE for this program is not currently used to provide funding.

Finding No. 4: Improvements were needed in college access controls to ensure that information technology (IT) access privileges were appropriate.

During the previous audit, the college developed reports listing each user's starting system access level by each functional area. After review, the auditors requested additional hierarchical and roll-up detail that listed every individual system screen or function that is accessible by a user. Due to system limitations with the college's ERP software, this additional detail is not available. The college is working with the software vendor to explore the development of reports and possible software changes that could be at a substantial cost to the college.

Finding No. 5: College IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

The College will take appropriate action that it deems necessary to address the auditor recommendations. We are not disclosing specific details in this response to avoid the possibility of compromising college data and IT resources.

Sincerely,

COLLEGE OF CENTRAL FLORIDA


James D. Henningsen, Ed.D.
President