



# AUDITOR GENERAL

## WILLIAM O. MONROE, CPA



### FLORIDA KEYS COMMUNITY COLLEGE

#### Operational Audit

#### SUMMARY

The operational audit for the period January 1, 2004, through December 31, 2004, and selected transactions through February 28, 2005, disclosed the following:

**Finding No. 1:** Procedures for tangible personal property disposals needed improvement.

**Finding No. 2:** The College did not have a written methodology for determining which courses should assess a laboratory fee, and the required amount of the fee. In addition, our tests disclosed several courses for which lab fees assessed were not Board approved, not supported by documentation evidencing need for the fees, or were not assessed in the manner approved by the Board.

**Finding No. 3:** Contrary to the College's Procedures Manual, calculations of student fees for continuing workforce education courses were not made using the indirect cost rate prescribed by the Manual, and the basis for indirect rates used was not documented. In addition, the calculations of student fees for some continuing workforce education courses did not consider instructor and other direct course costs.

**Finding No. 4:** Contrary to College policy, two employees were overpaid a total of \$23,185 for accumulated unused annual or sick leave upon termination.

**Finding No. 5:** The College entered into two lease-purchase agreements for equipment in which interest rates were not stated on the signed lease documents. The interest rate for one agreement could not be determined from College

records, and the imputed interest rate for the other agreement was significantly in excess of the maximum rate authorized by law.

**Finding No. 6:** The College did not document its actual cost for several reimbursements from the Florida Department of Law Enforcement, Criminal Justice Standards and Training Commission, for the use of equipment or supplies used in domestic security training courses. In addition, the College was not entitled to reimbursements it received for lease-purchased equipment.

**Finding No. 7:** The College had not, for some professional services contracts, clearly defined the scope and described the services to be performed by the contractors, or required the contractors to obtain appropriate insurance coverage.

#### BACKGROUND

The College is under the general direction and control of the Division of Community Colleges, and is governed by State law and State Board of Education rules. A district board of trustees 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. The Board members who served during the audit period are listed on Appendix A.

Florida Keys Community College has one campus located in Key West, Florida. Additionally, credit and non credit classes are offered at other locations in Monroe County. The College reported enrollment of

675 full-time equivalent students for the 2003-04 fiscal year. The President of the College is Dr. William A. Seeker.

The results of our financial audit of the College for the fiscal year ended June 30, 2004, are presented in our report No. 2005-079.

An examination of expenditures of Federal awards administered by the College under contract and grant agreements to finance specific programs and projects is included in our Statewide audit of Federal awards administered by the State of Florida. The results of that audit for the fiscal year ended June 30, 2004, are presented in our report No. 2005-158.

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### FINDINGS AND RECOMMENDATIONS

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#### **Finding No. 1: Tangible Personal Property**

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To ensure proper accountability and safeguarding of tangible personal property, the College should maintain an adequate record of each property item. Such records should include details of all property deletions, including the date of disposition; manner of disposition (sold, donated, transferred, cannibalized, scrapped, destroyed, traded); receipt numbers and amounts received for items sold; the identity of employee(s) witnessing disposition, if cannibalized, scrapped, or destroyed; and the authority for disposition.

According to College records, during the period January 2004 through February 2005, tangible personal property valued at approximately \$485,800 was determined to be no longer useful for College purposes and approved for disposal by the Board of Trustees. Our review disclosed deficiencies in the College's property records, as follows:

- The disposition date recorded in the property records was the date that the Board approved the property for disposal and not the actual date of disposal.
- The property records did not always identify the manner of disposition. For 12 of 20

property items tested (which included video equipment, computers, marine engines, a color print processor, and a hydraulic tester), the property records contained only the notation "general disposition" as the manner of disposition.

- The property records did not disclose the identity of employee(s) that witnessed the disposition of property that had been cannibalized, scrapped, or destroyed.

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**Recommendation: The College should ensure that its tangible personal property records include details of all property disposals, including the date of disposition, the manner of disposition, and the names of employees witnessing the disposition of property that has been cannibalized, scrapped, or destroyed.**

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#### **Finding No. 2: Laboratory Fees**

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Section 1009.23(12), Florida Statutes, authorizes the Board to establish fee schedules for certain 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 services. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes the Board to establish fees in addition to tuition fees for courses and other instructional and noninstructional services that incur unusual costs. The College reported laboratory fees totaling \$152,503 for the 2003-04 fiscal year, and \$112,353 for the 2004-05 fiscal year through February 28, 2005.

On September 26, 2003, the Florida Community College Council of Business Affairs and the Florida Department of Education, Division of Community Colleges, issued guidelines for assessing laboratory fees. The guidelines provide that each local board of trustees establish policies providing justification for additional laboratory fees, defining which costs are in excess of base instructional costs, and describing the documentation required to support additional fees,

the time period for review of such additional fees, and the manner of presenting such fees to the board for approval.

College departments were responsible for determining and recommending the amount of course laboratory (lab) fees to be presented to the Board for approval. However, the College did not have a written methodology for determining which courses should assess a lab fee and the required amount of the fee. In addition, our test of 16 courses for which lab fees were assessed during the 2004 calendar year disclosed the following:

- For 3 courses, there was no evidence of Board approval for the lab fees.
- College records did not, for any of the 16 courses, adequately demonstrate the basis for assessing a lab fee. For 13 courses, supporting documentation consisting of written requests including narrative justifications for the lab fees was available. However, documentation detailing the unusual costs that necessitated the lab fees, or how the lab fees were calculated, was not available.
- For 5 courses, lab fees were assessed at different amounts or not assessed, depending on which campus the courses were being taught. For example, the lab fee for a microbiology course was \$75 at the Key West campus, \$60 at the Coral Shores campus, and \$25 at the Marathon campus. In response to our inquiry, we were advised that different amounts were charged for different locations due to differences in class delivery systems between the centers and the main campus. However, we were not provided documentation evidencing different class delivery system costs for these courses. Nor was there evidence of Board approval for differing lab fees at different campuses for these courses.

In the absence of a detailed methodology and adequate documentation of unusual costs associated with courses, the College could not demonstrate the necessity of the lab fees assessed.

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**Recommendation: The College should develop and implement a methodology for assessing laboratory fees within the guidelines provided by the Florida Community College Council of Business Affairs and the Florida Department of Education, Division of Community Colleges. The College should also retain documentation evidencing unusual costs that necessitated the lab fees, and adherence to the prescribed methodology.**

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**Finding No. 3: Student Fees – Continuing Workforce Education**

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Pursuant to Section 1009.22(3)(b), Florida Statutes, fees for continuing workforce education must be locally determined by the community college board of trustees, and at least 50 percent of the expenditures for the community college's continuing workforce education program must be derived from fees. The College reported continuing workforce education student fees totaling \$154,703 for the 2003-04 fiscal year, and \$66,194 for the 2004-05 fiscal year through February 28, 2005.

The College's Procedures Manual requires that Business Office Form No. 671 be used to calculate fees for all continuing workforce education classes to ensure that satisfactory fees are being charged to cover the expenses of the courses. The form provides that the fee calculation include actual instructor costs, other identified course costs, and the amount of \$2.10 per contact hour for indirect costs. Our review of student fees assessed for 22 continuing workforce education courses taught during the 2003, 2004, or 2005 calendar years disclosed that Business Office Form No. 671 was not used to calculate student fees. In addition, we noted the following:

- An indirect cost rate different than the \$2.10 per contact hour provided for on Business

Office Form No. 671 was used to calculate fees. For certain criminal justice training courses, and eight security courses, indirect cost rates of \$1.31 and \$2.34 per contact hour, respectively, were used. An indirect cost amount of approximately 30 percent of the total instructor and other identified course costs was used for other continuing workforce education courses. Although requested, we were not provided with a written analysis or other documentation evidencing the basis for the indirect cost rate stated in the College's Procedures Manual or the actual indirect rates used in student fee calculations.

- Student fees calculated and assessed for the above-noted criminal justice training and security courses were based on indirect costs only. Actual instructor and other direct course costs were not included in the student fee calculations for these courses. Although the College was reimbursed for all indirect and direct costs associated with these courses (see discussion in finding No. 6), the total continuing workforce education fees reported by the College would have been significantly larger if the instructor and other course costs totaling \$140,738 for the 2003-04 fiscal year, and \$135,288 for the 2004-05 fiscal year through February 28, 2005, for the criminal justice and security courses, had been included in the student fee calculations as required by the College's Procedures Manual. Accurate calculation of fees is important to ensure that correct information is reported in the College's financial statements and cost analysis reports.

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**Recommendation:** The College should prepare an analysis of actual indirect costs for use in determining indirect cost amounts to be included in calculations of student fees for continuing workforce education courses. The College should also ensure that student fees for continuing workforce education courses are calculated in accordance with the College's Procedures Manual to ensure that correct information is reported in the College's financial statements and cost analysis reports.

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**Finding No. 4: Terminal Pay for Accumulated Unused Annual Leave and Sick Leave**

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Pursuant to Section 1012.865, Florida Statutes, College policies<sup>1</sup> provide for employees to earn annual and sick leave. Such policies provide that full-time, twelve-month Administrative/Professional Specialist employees receiving administrative contracts (excluding the President and Deans' level employees) will earn annual leave at the rate of 22 days per year and, upon termination, retirement, or death, such employees or their beneficiaries will be paid for a maximum of 44 days of earned and unused annual leave. For sick leave accumulated after July 1, 1995, Administrative/Professional Specialist employees (excluding the President and Vice President) will be paid for 25 percent of earned and unused sick leave, and the payment cannot exceed a maximum of 60 days of unused leave.

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<sup>1</sup> Rules 6Hx-8-7(3).08 "Sick Leave Use and Accrual," 6Hx-8-7(3).11 "Annual Leave Use and Accrual," and 6Hx-8-7(3).10 "Final Pay Upon Termination, Retirement, Death or Transfer."

Our testing of terminal pay for accumulated unused annual leave and sick leave for five employees who terminated during the audit period disclosed that the terminal payments for two Administrative/Professional Specialist employees were not calculated in accordance with College policies. One employee who retired under the Florida Retirement System, and another employee who resigned, received terminal annual leave payments totaling \$13,860 and \$7,029, respectively, although they were not eligible for annual leave benefits because their administrative employment contracts for the 2003-04 fiscal year, and employment contracts for earlier fiscal years, were for periods of employment that were less than twelve-months. The terminal annual leave payments were reported as compensation to the Florida Department of Management Services, Division of Retirement, and may affect the calculation of retirement benefits payable now, or in the future, to the former employees. The employee who retired was also overpaid \$2,296 for unused sick leave because the benefit calculation was at 50 percent of the unused sick leave accumulated after July 1, 1995, instead of at the 25 percent rate provided for by College policy.

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**Recommendation:** The College should ensure that terminal pay for accrued unused annual and sick leave is calculated and paid in accordance with College policies. Additionally, the College should take appropriate action to recover the overpayments from the former employees, and contact the Florida Department of Management Services, Division of Retirement, regarding the overpayments for terminal annual leave.

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**Finding No. 5: Capital Leases**

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Pursuant to Section 1013.15(2)(b), Florida Statutes, the College is authorized to lease-purchase educational facilities, including buildings and equipment. Section 1013.15(2)(c)4., Florida Statutes, requires that the maximum interest rate under any

lease-purchase agreement be calculated in accordance with Section 215.84, Florida Statutes.

During the audit period, the College entered into lease-purchase agreements for the purchase of a marine side scan sonar system and an underwater camera/remote operating vehicle (ROV) system. The agreements provided for seven equal monthly payments and a \$1 buyout after the seventh payment. Minimum lease payments totaled \$35,894 for the side scan sonar system and \$17,500 for the ROV system. Stated interest rates were not shown on the signed lease agreements; however, College records indicate an imputed interest rate of 29.59 percent for the side scan sonar system lease. College records did not include information sufficient to calculate an imputed interest rate for the ROV system lease. The interest rate for the side scan sonar system is significantly in excess of the maximum interest rate of 7.41 percent, authorized by Section 215.84, Florida Statutes. The total minimum lease payments would have been \$2,483.55 less if the actual interest rate of the lease purchase agreement had been limited to the maximum rate authorized by law.

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**Recommendation:** The College should ensure that future lease-purchase agreements clearly state the applicable interest rates, and that such rates do not exceed the authorized maximum rates calculated pursuant to Section 215.84, Florida Statutes.

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**Finding No. 6: Florida Domestic Security Training Initiative**

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As provided by Florida Department of Law Enforcement (FDLE) Rule 11B-18.004(14)(b), Florida Administrative Code, the College operates a public criminal justice training school certified by the FDLE Criminal Justice Standards and Training Commission (CJSTC). During the 2003-04 fiscal year, and the 2004-05 fiscal year through February 28, 2005, the College provided eight 80-hour Anti-Terrorism/Port

Security domestic security training courses, with total enrollment of 183 students.

A special appropriation (Domestic Security Special Appropriation) by the Florida Legislature to finance the Florida Domestic Security Training Initiative is administered through the CJSTC Criminal Justice Professionalism Program. From this appropriation, the CJSTC reimbursed the College for costs incurred in connection with the domestic security training courses. The College was reimbursed a total of \$167,591 for the 2003-04 fiscal year, and \$183,311 for the 2004-05 fiscal year through February 28, 2005.

Our review disclosed reimbursements to the College for the use of College-owned equipment and supplies in connection with these courses, for which College records did not substantiate the cost basis for such reimbursements, as follows:

Description of Costs For Which the College was Reimbursed	Amount Per Course
Dry Dive Suits, 12 each per course	\$1,400
Full Face Masks, 12 each per course	\$1,000
Scuba Tank Air Refills	\$2,399
Specialized Dive Equipment Cleaning Chemicals	\$200
Scuba Tank Air Refill Filters	\$200
Pontoon Boat	\$50 per day
Tethers, 8 each	\$800
Communication Equipment, 4 each per course	\$200
Side Blocks, 8 each per course	\$200

In response to our inquiry, College personnel prepared detailed lists of specific costs associated with the above-noted courses. However, amounts included on such lists were estimates and not referenced to specific purchase orders, vendor invoices, or other documentation substantiating such amounts.

The College was also reimbursed \$41,008 for a side scan sonar system, and \$20,296 for an underwater camera/remote operating vehicle (ROV) system,

acquired by the College pursuant to lease-purchase agreements (see discussion in finding No. 5). Although the College’s reimbursement request to the CJSTC described these lease-purchases as “Rental Equipment Costs,” they actually represent equipment purchases. This appears to be contrary to a Florida Department of Law Enforcement directive<sup>2</sup> that “Capital Outlay Property” not be purchased and funded from the special appropriation.

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**Recommendation: The College should ensure that the cost basis for reimbursements submitted to the CJSTC is adequately documented in its public records. The College should also contact the CJSTC to determine whether it should refund to the CJSTC the amounts it was reimbursed for the lease-purchased equipment.**

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**Management Response and Auditor Clarification**

*The College, in response to this finding regarding reimbursement for the cost of the side scan sonar system acquired through lease-purchase, stated that the original lease for such equipment did not include an option to purchase, and the vendor offered an option to purchase after the funded courses were completed. However, the original lease agreement dated May 21, 2004, which was prior to the College’s submittal of a claim for reimbursement for the lease payments, stated that the lease was a “finance lease” and was structured in a manner different than for operating lease agreements, and the present value of the minimum lease payments (based on the*

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<sup>2</sup> Letter dated March 3, 2004, from the Commissioner of the Florida Department of Law Enforcement to the Director of the College’s Institute of Criminal Justice.

*maximum interest rate authorized by law) exceeded the amount the College would have had to pay to purchase the equipment outright. These lease characteristics indicate that this transaction was in effect a purchase of the equipment with financing of the acquisition through the lease payments. Regardless of the College's original intentions regarding the acquisition of this equipment, the College ultimately purchased the equipment and was reimbursed for the cost of the purchased equipment. As such, the College should contact the CJSTC to determine whether it should refund to the CJSTC the amounts it was reimbursed for the equipment.*

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#### **Finding No. 7: Professional Services Contracts**

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Our review of 14 written contracts for professional services, for which the contractors were paid a total of \$148,781 during the period from January 1, 2004, through February 28, 2005, disclosed that College procedures for contracting for professional services needed improvement, as follows:

- Five written contracts with three different private companies for professional consulting services for several College underwater diving courses did not define the scope or describe the services to be preformed.
- Written contracts with private companies and individuals for professional services did not require that the contractors maintain insurance coverage, such as professional liability and workers' compensation insurance. Services to be provided by these contractors included consulting services for College diving courses, conducting criminal justice training courses, professional services as Medical Director for the College's Emergency Medical Services training program, and architectural/engineering services.

In the absence of a clearly defined scope, and a description of services to be performed, the College's

ability to ensure completion of agreed-upon services is limited. Requiring contractors that provide professional services to maintain certain insurance coverage helps limit the College's exposure to various risks of possible loss as a result of accident or injury during the performance of the contracted services, especially when contractors are involved in the presentation of high risk courses such as underwater diving and certain law enforcement training courses.

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**Recommendation: The College should ensure that all professional services contracts clearly define the scope and describe the services to be preformed by the contractors. Additionally, the College should make a determination as to the types and limits of insurance coverage that should be maintained by contractors providing professional services, and include those insurance requirements in all professional service contracts.**

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#### **SCOPE, OBJECTIVES, AND METHODOLOGY**

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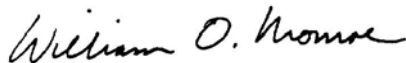
The objectives of this operational audit were to obtain an understanding and make overall judgments as to whether College management controls promoted and encouraged compliance with applicable laws, administrative rules, and other guidelines; the economic and efficient operation of the College; the reliability of financial records and reports; and the safeguarding of assets. Specifically, we reviewed management controls and administration of accounting records and management reporting, cash and investments, capital assets, student fees, employee compensation and benefits, faculty hours, purchasing card program, contractual agreements, expenditures of student activity and service fees, non-Federal grants and appropriations, information technology, student enrollment and cost analysis reporting, and the criminal justice training program for the period January 1, 2004, through December 31, 2004, and selected transactions through February 28, 2005.

**PRIOR AUDIT FINDINGS**

As part of our current audit, we determined that the College had substantially corrected the deficiencies noted in our report No. 2004-042.

**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.



William O. Monroe, CPA  
Auditor General

**MANAGEMENT RESPONSE**

The College's response is included as Appendix B.

This audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was coordinated by James A. Bell, CPA, and supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsaurebeck@aud.state.fl.us](mailto:tedsaurebeck@aud.state.fl.us) or by telephone at (850) 487-4468.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site at [www.state.fl.us/audgen](http://www.state.fl.us/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**APPENDIX – A**  
**FLORIDA KEYS COMMUNITY COLLEGE’S BOARD OF TRUSTEES**

Members of the College’s District Board of Trustees who served during the audit period are listed below:

**Board Member**

Brian C. Schmitt, Chair  
Carey D. Goodman, Vice Chair  
Kathryn S. Bisceglia from 2-27-04  
Frank H. Butler  
Elena G. Spottswood

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APPENDIX – B  
MANAGEMENT RESPONSE



**DR. WILLIAM A. SEEKER**  
**PRESIDENT**

December 14, 2005

William O. Monroe, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Subject: Preliminary Audit Findings

Dear Mr. Monroe:

In response to your request, and pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, the enclosed response to your tentative and preliminary audit findings is being forwarded.

We appreciate your comments and recommendations. Should you require any additional information, please let us know.

Sincerely,

William A. Seeker


WAS/hg

Cc: District Board of Trustees

Enclosure

Bcc: Maureen Crowley, Jean Mauk, Lisa Weinshank, Bob Smith, Nancy Bunch, Doug Pryor, Michael McPherson

KEY WEST

  
WILLIAM A. SEEKER CAMPUS  
5901 COLLEGE ROAD - KEY WEST, FL 33040  
305-296-9081

MIDDLE KEYS CENTER

  
P.O. BOX 501178 - 900 SOMBRERO BEACH ROAD  
MARATHON, FL 33050  
305-743-2133

UPPER KEYS CENTER

  
P.O. DRAWER 600 - 89951 U.S. HIGHWAY 1  
TAVERNIER, FL 33070  
305-852-8007

**\*\*\*\*\*PRELIMINARY AND TENTATIVE AUDIT FINDINGS\*\*\*\*\*****OPERATIONAL AUDIT**

For the Period January 1, 2004 through December 31, 2004

And Selected Transactions through February 28, 2005

Florida Keys Community College Response

**Finding No.1: Tangible Personal Property**

Florida Keys Community College procedures for tangible personal property have been updated to reflect the recommendations made by the state auditors. A property tag is removed from all equipment slated for disposal and verified by the Director of Purchasing to ensure that it matches the information we have in our database. This adheres to our written procedure number 24.3 for Disposal of College Property, which was approved June 13, 2001.

The College's Banner System records the actual date that disposal is approved by the District Board of Trustees, which also follows our previously written procedure. Due to the variety of items that are disposed of in the course of the year, the actual date of disposal did vary depending upon the type of disposition required. We now, however, use the Property Transfer or Disposition Form to record the actual disposal date for our records.

We have also revised our report to the District Board of Trustees to reflect the most applicable description for the disposition of the item whether it is cannibalized, scrapped, or destroyed, and the employee responsible for disposition.

**Finding No. 2: Laboratory Fees**

Florida Keys Community College has a methodology in place for assessing laboratory fees within the guidelines provided by the Florida Community College Council of Business Affairs and the Department of Education, Division of Community College.

The College's written procedure was updated June 22, 2005 to reflect required documentation evidencing unusual costs that may include, but are not limited to equipment costs, expendables, maintenance of equipment, extraordinary personnel requirements, etc. Procedures for calculating and assessing fees are provided in detail and required to be re-evaluated on an annual basis for accuracy.

**Finding No. 3: Student Fees – Continuing Workforce Education**

The College has an established worksheet for calculating Continuing Workforce Education (CWE) fees that was developed several years ago, primarily for the Criminal Justice Institute, and implemented for our CWE courses. The indirect cost per contact hour is indicated on the form, but it was not properly applied.

The indirect cost charged for the CWE courses for Anti-terrorism/Underwater Port Security were based on the actual costs as documented by the course needs. We did not create a separate worksheet for these courses, but one has been developed as a result of this issue.

The College's student fees for Continuing Workforce Education courses have been charging indirect costs of 30% with a variety of fluctuating direct costs depending upon the course being offered. The Director of Continuing Education has developed a written procedure for the various forms of courses being offered, so that we can document and standardize the format for charging indirect costs.

**Finding No.4: Terminal Pay for Accumulated Unused Annual Leave and Sick Leave**

Although the two employees under review worked nine months for Fiscal Year 2003-2004, and thus less than a twelve month period, these employees were determined by the College to be full-time. These employees had the benefit package of fulltime employees including health insurance, leave accrual, and fulltime creditable service in the Florida Retirement System (FRS).

According to the FRS Employer Handbook, (FRS Rule Reference: Sections 60S-2.002(4) and 6.001(28), (45), and (65), F.A.C.), "A work year of service credit is usually 12 months of a plan year, except that some employees of school boards, community colleges, state universities and certain non-school board employees, whose total employment is to provide services to a school board for the school year only, have a work year consisting of less than 12 months. The shortest approved work year is 9 months."

The College does note that the College's Final Pay Policy, Rule No.6Hx-7-(3).10, is too specific in its definition of fulltime, defining it as 12 months. The College is revising its policy to simply state 'fulltime', so that the definition of fulltime in this policy aligns with the FRS definition of one year of creditable service, which is a minimum of 9 months.

Both these employees were funded through private donations by two different organizations to perform work and fill positions of a specialized nature for a 9 month work period on a fulltime basis. In applying their benefit packages, the College consistently and appropriately considered these employees to be fulltime.

The College concurs that the one employee who retired under the FRS, was overpaid in the amount \$2,296, for unused sick leave because the benefit calculation was at 50% as a faculty member, instead of at the 25% rate for Administrative / Professional Specialists, provided for by College policy. The specialized nature of the employment condition of this employee made the position category somewhat unclear to the employee calculating the terminal pay.

When we learned of the error, we immediately revised the procedure for calculating payouts. Now, a memo clearly stating the category and payout is completed for the position, and the Director of Human Resources and the Director of Accounting review the entire documentation before approval is given.

We have initiated a request for the overpayment of funds from the retired employee and are revising the College's Final Pay Policy for clarification.

**Finding No. 5: Capital Leases**

Our intent in leasing the equipment for the Anti-terrorism/Port Security course was specifically to obtain the exact equipment that law enforcement personnel would use in the field and provide the proper training for it. The interest rate, though somewhat high, was the cost of doing business in this very exacting vocation.

Due to the cutting-edge nature of this specialized area of Homeland Security, and the specificity of the equipment needed for this type of training, it was considered to be a sole source supplier. We will, of course, strictly adhere to the statutory requirements with all future contracts.

**Finding No. 6: Florida Domestic Security Training Initiative**

The College entered into a lease agreement for the equipment specified for the Anti-terrorism/Port Security courses funded by the Criminal Justice Standards and Training Commission. The original lease agreement did not include an option to purchase. The vendor subsequently offered it after the funded courses were completed, so the buyout was not charged to the Appropriation Fund.

**Finding No. 7: Professional Services Contracts**

The contracts for professional consulting services for the College's underwater diving courses have evolved over time from individuals to companies. The types of services do vary and we have already implemented an enhanced description of the scope of work to be performed in every contract. An indemnification and hold harmless agreement has been added to our contracts and must be signed by the contractor providing the services before a contract can be issued.

