



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



LAKE-SUMTER COMMUNITY COLLEGE

Operational Audit

SUMMARY

Our operational audit for the fiscal year ended June 30, 2006, disclosed the following:

Finding No. 1: The College's controls over tangible personal property needed improvement.

Finding No. 2: The College had not developed a methodology to ensure that the parking fee was based on the costs of providing the parking services and charged only to users of the service.

Finding No. 3: The College, when issuing credit cards to employees, did not always obtain from the employees signed written receipts evidencing custody of the credit cards.

Finding No. 4: College policies and procedures did not provide for adequate monitoring of the use of cellular telephone (cell phone) usage. As such, the College did not report to the Internal Revenue Service the taxable value of cell phone services as income for employees who did not make an adequate accounting of the business use of their assigned cell phones.

Finding No. 5: Vehicle usage logs prepared for College vehicles did not contain evidence of supervisory review, and did not always indicate the College business for which the vehicles were being used.

BACKGROUND

The College is under the general direction and control of the Florida Department of Education, 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 nine members appointed by the Governor and confirmed by the Senate. The Board members who served during the audit period are listed in Appendix A of this report.

Lake-Sumter Community College has campuses in Leesburg, Clermont, and Sumterville, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Lake and Sumter Counties. The College reported enrollment of 2,312 full-time equivalent students for the 2005-06 fiscal year.

The President of the College during the audit period was Dr. Charles R. Mojock.

The results of our financial audit of the College for the fiscal year ended June 30, 2006, will be presented in a separate report.

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, 2006, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Tangible Personal Property

To ensure proper accountability and safeguarding of tangible personal property, the College should annually make a complete physical inventory of property, compare the results of the inventory with the property records, and reconcile all discrepancies. College personnel should not conduct physical inventories of property for which they are assigned custody. Property items not located during the inventory process should be promptly reported to the custodian and a thorough investigation made, and items not located after the investigation should be reported to the appropriate law enforcement agency.

The College reported approximately \$3 million of tangible personal property (furniture, machinery, and equipment) at June 30, 2006. Our audit disclosed that the College's controls over tangible personal property needed improvement, as follows:

- The College provided for an annual physical inventory of all tangible personal property during the 2005-06 fiscal year; however, it was conducted by departmental personnel who were also assigned custodial responsibility for the items inventoried.
- The 2005-06 fiscal year physical inventory disclosed 13 property items, with acquisition costs totaling approximately \$30,925, that could not be located during the inventory process. Although requested, we were not provided documentation evidencing that these items had been investigated, or that items still missing after investigation had been reported to the appropriate law enforcement agency.
- Our review of the tangible personal property records disclosed that 5 of 40 items tested were located in locations other than those stated in the property records. Also, 2 of 20 items we selected at random from various campus

locations were not properly recorded in the property records (one of these items was shown in the records under an incorrect item description and location, and the other item had never been added to the records). A similar finding was noted in our report No. 2005-004.

Under the above conditions, there is an increased risk that property items may become lost, stolen, or otherwise not properly accounted for.

Recommendation: The College should ensure that the annual physical inventory is conducted by someone other than the property custodians; properly investigate all missing items and report items still missing after investigation to the appropriate law enforcement agency; and ensure that property records accurately reflect the locations of property items.

Finding No. 2: Parking Fees

Section 1009.23(12), Florida Statutes, authorizes each community college board of trustees to establish certain user fees, including parking fees, that cannot exceed the cost of the services provided and can only be charged to persons receiving the services. The College assessed a parking fee of one dollar per credit hour.

Since all students do not use the parking facilities, the College may be assessing a user fee to persons not receiving the service. Additionally, it is not apparent how a fee assessed on a per credit hour basis could equate to the cost of the parking services provided, and College records did not adequately document that the amount of parking fees charged did not exceed the actual costs of providing parking services. A similar finding was noted in our report Nos. 2005-004 and 03-010.

Recommendation: The College should develop a methodology to ensure that the parking fees do not exceed the actual cost of providing the parking services and that the fee is charged only to users of the service.

Finding No. 3: Credit Card Purchases

The College provided credit cards to authorized employees to procure gasoline, goods, and materials. College Administrative Procedure No. 6-27 establishes procedures for the assignment and utilization of the College's credit cards, and requires that a signed receipt be obtained from the cardholder prior to the release of any credit card. As of February 2006, the College had issued 47 credit cards, representing card accounts with 11 different vendors, to 15 employees.

Our test of 10 credit cards disclosed that the College, prior to releasing credit cards to cardholders, and contrary to College Administrative Procedure No. 6-27, had not obtained signed receipts from the cardholder for 5 of the 10 cards tested. The absence of signed receipts for credit cards makes it difficult to assign responsibility for credit card charges.

Recommendation: The College should require signed receipts prior to releasing credit cards to cardholders.

Finding No. 4: Cellular Phones

The College provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to College records, 33 employees were assigned cell phones during the 2005-06 fiscal year at a total cost of approximately \$22,000.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee

substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the College to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of such a record.

The College had not developed and implemented policies and procedures requiring employees to submit records substantiating the business use of cell phones, or requiring that cell phone bills be routinely checked to determine whether any personal calls were made. As such, the College should have reported to the Internal Revenue Service the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the College had not included the value of these services in the income reported on the 2005 calendar year W-2 forms for these employees.

Recommendation: The College should establish and implement policies and procedures to document the business use of cell phones and to require reviews of cell phone bills to determine personal calls made and reimbursement thereof. In the absence of implementation of these policies and procedures, the College should report appropriate amounts in income to the IRS in accordance with Federal requirements. In connection with the development of policies and procedures, and any corrective actions, the College should confer with the IRS.

Finding No. 5: College-Owned Vehicles

As of February 2006, the College had nine motor vehicles that were used by College employees to perform official College business. College Administrative Procedure No. 7-09 requires each operator of a College-owned motor vehicle to

complete a vehicle usage log. Our review of vehicle usage logs disclosed the following:

- Vehicle usage logs for the nine vehicles had not been signed to evidence review by supervisory personnel. A similar finding was noted in our report No. 2005-004.
- Although vehicle usage logs indicated the name, department, destination, dates and times, and mileage, the purpose of the trip was not included for six of the nine vehicles. The destination entered on the vehicle usage log, in some instances, implied a college-related purpose, such as travel to another college campus; however, we were unable, in many instances, to determine that the vehicles were used for official College business.

Under these conditions, there is an increased risk that College-owned vehicles may be used for unauthorized purposes.

Recommendation: The College should ensure that vehicle usage logs are timely reviewed for completeness and approved by supervisory personnel. Additionally, the College should modify the vehicle usage logs to indicate the official College business being served by the vehicle usage or implement alternate procedures for determining that the vehicles are used only for official College business.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this operational audit were to obtain an understanding and make overall judgments as to whether College internal 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 internal controls and administration of accounting records, budgetary controls, cash and investments, student receivables, construction projects, capital

assets, student activity and services fees and other selected revenues, purchasing processes, selected expenditures and contractual arrangements, and human resources and employee compensation for the fiscal year ended June 30, 2006.

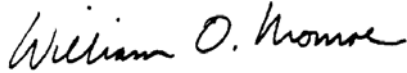
This audit was conducted in accordance with applicable Generally Accepted Government Auditing Standards.

PRIOR AUDIT FINDINGS

As part of our current audit, we determined that the College had taken corrective actions for findings included in our report No. 2005-004, except as noted in finding Nos. 1, 2, and 5 of this report.

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 of this report.

This audit was coordinated by Christina T. Rider, CPA, and supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@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; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

APPENDIX A
LAKE-SUMTER COMMUNITY COLLEGE'S BOARD OF TRUSTEES

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

| <u>Board Member</u> | <u>County</u> |
|--------------------------------|----------------------|
| Jacqueline V. Talley, Chair | Lake |
| Carole Y. Winter, Vice Chair | Sumter |
| Jon A. Simpson | Sumter |
| Linda K. Cavanaugh | Sumter |
| Richard D. Childers | Sumter |
| Raymond Gilley | Lake |
| Joe M. Norman | Lake |
| Margo S. Odom from 8-03-05 (1) | Lake |
| William R. Pruitt | Lake |

Note: (1) Position remained vacant from July 1, 2005, through August 2, 2005.

APPENDIX B
MANAGEMENT RESPONSE

Lake Sumter

COMMUNITY COLLEGE

February 5, 2007

Mr. William O. Monroe, CPA
Auditor General
State of Florida
G 74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe,

The attached is Lake-Sumter Community College's response to the preliminary and tentative findings and recommendations pertaining to the Operational Audit of Lake-Sumter Community College for the fiscal year ended June 30, 2006.

Should you have any questions on any of our responses please don't hesitate to contact me at 352-365-3525.

Sincerely,



Richard M. Scott
Vice President of Administrative Services
Lake-Sumter Community College

RMS/lga

Cc: Charles R. Mojock, Ed.D.
Brenda Racis
John Froman

Attachment

LEESBURG CAMPUS
9501 U.S. Hwy. 441, Leesburg, FL 34788
352-787-3747 • FAX: 352-365-3501

SOUTH LAKE CAMPUS
1250 N. Hancock Rd., Clermont, FL 34711
352-243-5722 • FAX: 352-243-0117

SUMTER CAMPUS
1405 C.R. 526A, Sumterville, FL 33585
352-568-0001 • FAX: 352-568-7515

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Operational Audit Findings and Responses

Finding No. 1: Tangible Personal Property

Recommendation: The College should ensure that the annual physical inventory is conducted by someone other than the property custodians; properly investigate all missing items and report items still missing after investigation to the appropriate law enforcement agency; and ensure that property records accurately reflect the locations of property items.

Response: We agree. The annual inventory process has been through a thorough review with regard to the items mentioned in this audit. Proper procedures will be put in place to address physical inventories by other than property custodians, timely investigation of any missing items, and ensuring that paperwork is completed when property is moved.

Finding No. 2: Parking Fees

Recommendation: The College should develop a methodology to ensure that the parking fees do not exceed the actual cost of providing the parking services and that the fee is charged only to users of the service.

Response: The College understands the concerns raised in the audit and is working on a new methodology to assess parking fees at its campuses.

Finding No. 3: Credit Card Purchases

Recommendation: The College should require signed receipts prior to releasing credit cards to cardholders.

Response: We agree. All credit card holders have been required to sign a new agreement on any credit cards in their possession or any new ones issued going forward.

Finding No 4: Cellular Phones

Recommendation: The College should establish and implement policies and procedures to document the business use of cell phones and to require reviews of cell phone bills to determine personal calls made and reimbursement thereof. In the absence of implementation of these policies and procedures, the College should report appropriate amounts in income to the IRS in accordance with Federal requirements. In connection with the development of policies and procedures, and any corrective actions, the College should confer with the IRS.

Response: We agree. The College is working on a new policy for cell phones which will be implemented as soon as practical in order to be in full compliance with the IRS.

Finding No. 5: College-Owned Vehicles

Recommendation: The College should ensure that vehicle usage logs are timely reviewed for completeness and approved by supervisory personnel. Additionally, the College should modify the vehicle usage logs to indicate the official College business being served by the vehicle usage or implement alternate procedures for determining that the vehicles are used only for official College business.

Response: We agree. All vehicle logs will be modified to record the purpose of any trip within College guidelines and they will be reviewed for completeness by the proper College authority.