



AUDITOR GENERAL

DAVID W. MARTIN, CPA



BROWARD COMMUNITY COLLEGE

Operational Audit

SUMMARY

Our operational audit for the fiscal year ended June 30, 2007, disclosed the following:

Finding No. 1: Contrary to law, some College Board members and the Interim College President had not timely filed annual statements of financial interests with the local supervisor of elections by July 1 each year.

Finding No. 2: An annual physical inventory of College-owned tangible personal property was not completed for the 2005-06 and the 2006-07 fiscal years. In addition, our review disclosed a missing property item, untagged property items, and deficiencies in the property records.

Finding No. 3: The Board of Trustees had not adopted a policy documenting the rationale and justification for assessing laboratory or special course fees. Also, the College did not retain documentation evidencing unusual costs that necessitated the fees and demonstrating that such fees did not exceed the unusual costs, and had not timely reevaluated the appropriateness of some of these fees.

Finding No. 4: College personnel did not periodically compare each procurement card's usage to credit limits, and procurement card accounts for terminated employees were not always timely closed.

Finding No. 5: Contrary to Section 1013.23(4), Florida Statutes, the College did not renew energy performance-based agreements that included requirements for a reconciliation of actual to guaranteed energy cost savings.

Finding No. 6: The College paid wireless E911 fees related to cellular telephone services for the 2006-07 fiscal year for which it was exempt.

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 five 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.

Broward Community College has campuses in Coconut Creek, Davie, and Pembroke Pines, and centers located in Dania Beach, Fort Lauderdale, Miramar, Pembroke Pines, and Weston, Florida. Additionally, credit and noncredit classes are offered in public schools and other locations throughout Broward County. The College reported enrollment of 22,089 full-time equivalent students for the 2006-07 fiscal year.

The College President during the audit period was Dr. Larry A. Calderon to November 17, 2006, and the Interim College President was Dr. Willis N. Holcombe from November 18, 2006.

The results of our financial audit of the College for the fiscal year ended June 30, 2007, 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, 2007, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Statement of Financial Interests

Pursuant to Section 112.3145(2), Florida Statutes, each local officer must file a statement of financial interests no later than July 1 of each year with the supervisor of elections. In addition, newly appointed local officers must file a statement of financial interests within 30 days from the date of appointment, except that any person whose appointment is subject to confirmation by the Senate must file prior to confirmation hearings or within 30 days from the date of appointment, whichever comes first. Section 112.3145(1), Florida Statutes, specifies that local officers for a community college include district board of trustee members, the president, and purchasing agents having the authority to make any purchases exceeding \$15,000.

Our review disclosed the following instances in which College records did not demonstrate compliance with Section 112.3145(2), Florida Statutes:

- For the 2005 calendar year statement of financial interest due July 1, 2006, two Board of Trustees (Board) members filed 79 and 387 days late. Additionally, the Interim College President, appointed on November 18, 2006, filed on April 24, 2007, or 127 days late.

- For the 2006 calendar year statement of financial interest due July 1, 2007, three Board members filed from 16 to 38 days late.

Recommendation: The College should ensure that all local officers timely file the statement of financial interests with their local supervisor of elections.

Finding No. 2: Tangible Personal Property

Broward Community College Policy 6Hx2-7.04 requires that a complete physical inventory of all tangible personal property be conducted annually, that the results of the physical inventory be compared with the property records, and that all discrepancies be traced and reconciled. Property items not located during the inventory process should be promptly reported to the custodian and a thorough investigation made. Items not located after the investigation should be reported to the appropriate law enforcement agency.

College property records indicated that tangible personal property (furniture, machinery, and equipment) totaled \$17.4 million at June 30, 2007. Our review of the College's controls over tangible personal property disclosed the following:

- The College started, but did not complete, an annual physical inventory of tangible personal property for the 2005-06 fiscal year due to problems with data accumulated during the physical inventory. For the 2006-07 fiscal year, the College contracted with an outside vendor to perform the annual physical inventory. The physical inventory was started in May 2007, but was suspended prior to completion due to vendor staffing and equipment issues. As of October 16, 2007, the College had released the vendor from contract, but had not yet contracted for new services to provide for the annual physical inventory process.

- Our selection of 30 tangible personal property items from the property records to verify their existence disclosed that 1 item could not be located; 2 items were not tagged; 1 item listed in the property records as active was disposed of in August 2006; and 1 item was observed in a location other than that stated in the property records.
- Our selection of 30 tangible personal property items to trace to the property records disclosed that 5 items were not tagged; 2 items were at a location different from that shown in the property records; and 3 items were not recorded in the property records.

Failure to conduct timely physical inventories, maintain accurate property records, and to otherwise provide for adequate accountability over tangible personal property increases the risk that loss, theft or unauthorized use of property could occur and not be detected in a timely manner.

Recommendation: The College should continue its efforts to provide for an annual physical inventory and ensure that all property items are properly tagged and accurately recorded in the property records.

Finding No. 3: Student User Fees

Section 1009.23(12), Florida Statutes, authorizes each community college board of trustees to establish user fees, including laboratory fees. Such user fees cannot exceed the cost of the services provided and may only be charged to persons receiving the service. State Board of Education Rule 6A-14.054(6), Florida Administrative Code, authorizes each board of trustees to establish user fees in addition to tuition fees for services that incur unusual costs.

The Florida Community College Council of Business Affairs and the Florida Department of Education,

Division of Community Colleges, have issued guidelines for assessing additional laboratory, special course, and other user fees. The guidelines provide that each local board of trustees establish policies for the implementation and justification of additional user fees, defining which costs are in excess of base instructional costs, and describing the documentation required to support the fees, the time period for review of such fees, and the manner of presenting such fees to the board for approval.

Laboratory and other student user fee collections totaled approximately \$3.3 million for the 2006-07 fiscal year. Our review of the College's procedures for assessing student user fees disclosed that the College had a written methodology for determining which courses should assess a laboratory or special course fee and the amount to be charged. These Curriculum Committee procedures required that a Course Special Fee Form (Form) be completed documenting the request, approval, rationale, and justification for laboratory and course special fees. The rationale and justification was to include a detailed list of the special or unusual costs involved. However, contrary to the above-noted guidelines, these procedures had not been adopted as College policy by the Board of Trustees.

In addition, our test of 20 courses for which laboratory or special course fees were assessed during the 2006-07 fiscal year disclosed the following:

- For 4 courses, the Board of Trustees had not, of record, approved the laboratory or special course fees, contrary to Section 1009.23(12), Florida Statutes.
- For 19 courses, we requested, but were not provided, a Form or other documentation evidencing that the assessment of the laboratory or special course fee was necessary due to unusual costs incurred by the course. In these instances, the College had not demonstrated that the laboratory or special course fees assessed during the audit

period did not exceed the costs of the services provided.

- For 17 courses, College personnel had not, of record, reevaluated the unusual costs associated with the laboratory or special course fees assessed for these courses since the fees were established between August 1986 and May 1999. In the absence of a more current evaluation of the unusual costs associated with courses, the College cannot be assured that the fees are appropriate.

Recommendation: The Board of Trustees should adopt the Curriculum Committee procedures. The College should also retain documentation evidencing unusual costs that necessitate lab or special course fees and demonstrating that such fees do not exceed the unusual costs. In addition, the College should reevaluate the appropriateness of such fees on a timely basis.

Finding No. 4: Procurement Cards

The College administers a procurement card program, by which it issues procurement cards to employees to procure certain goods and services. The primary objective of the program is to accelerate the ordering, receiving, and payment processes without the use of the standard requisition and purchase order system by delegating limited purchasing authority to the cardholders. The College had active procurement cards issued to 425 employees as of June 30, 2007. During the 2006-07 fiscal year, procurement card charges totaled approximately \$1.8 million.

According to the College's Procurement Card Program Procedures manual, the department head is responsible for the assignment of procurement cards to an employee based on the duties related to the employee's position and for any changes in the assignment of the procurement cards. The College's Procurement Card Program Procedures manual did not require, and College personnel did not, of record,

periodically compare each procurement card user's actual usage to credit limits to evaluate the necessity of employees having procurement cards and the appropriateness of their credit limits. Such periodic comparisons would enhance the College's ability to determine the need to renew a procurement card account for an employee or to modify the employee's spending limits, and would decrease the risk of misuse of procurement cards or of purchases exceeding budget constraints.

The College's Procurement Card Program Procedures manual designates the department head as being responsible for canceling procurement cards of terminating employees by notifying the bank and forwarding the procurement card to the Program Administrator. As similarly noted in our report Nos. 2006-056 and 2004-043, our review disclosed that procurement card accounts were not always timely closed for terminated employees. Of the eight employees terminated during the 2006-07 fiscal year who were assigned procurement cards, the procurement card accounts for three of these employees were not closed until 90 to 255 days after termination. Also, the procurement card account for an employee who terminated employment on June 30, 2006, and was rehired on January 8, 2007, was never closed. No charges were made with these procurement cards after the three employees terminated, or during the termination period of the one employee that was rehired; however, untimely closing of procurement cards for terminated employees increases the risk of unauthorized procurement card usage.

Recommendation: The College should modify the Procurement Card Program Procedures manual to establish procedures requiring periodic comparisons of usage to credit limits to evaluate the appropriateness of procurement card assignments and credit limits. The College should also ensure that procurement card accounts for terminated employees are closed in a timely manner.

Finding No. 5: Energy Performance-Based Agreements

Beginning in April 1997, the College entered into several energy performance-based agreements with a contractor (Company) to acquire energy conservation equipment and to have certain energy conservation measures undertaken. The energy management equipment cost \$12,975,539, with payments to be made through December 2013. Pursuant to Section 1013.23(4), Florida Statutes, the performance-based agreements included a guarantee by the Company that annual energy cost savings would meet or exceed the amortized cost of the energy conservation measures. Also, an annual cost savings monitoring services agreement between the Company and the College required the Company to provide to the College quarterly reconciliations of actual to guaranteed energy cost savings. Pursuant to Section 1013.23(4)(d), Florida Statutes, the Company is liable for any annual energy cost savings shortfall.

The College received quarterly reconciliation reports through June 2006, but did not receive reconciliation reports for the 2006-07 fiscal year. Upon inquiry, we were informed that the College did not renew with the Company the annual cost savings monitoring services agreement requiring quarterly reconciliation reports, although the College continued to make payments for the related equipment. Absent such reconciliations, the College would be unable to identify any annual energy cost savings shortfall that may occur.

Subsequent to our inquiry, the College entered into a cost savings monitoring services agreement in May 2007 to obtain (retroactively) the required reports for the 2006-07 fiscal year.

Recommendation: The College should ensure that the contract provisions of Section 1013.23(4), Florida Statutes, are followed for the life of the energy performance-based agreements.

Finding No. 6: Wireless E911 Fee

Pursuant to Section 365.172(8)(a), Florida Statutes, each home wireless telephone service provider must collect a monthly wireless E911 fee from each customer at the rate of 50 cents per month for each service number. For purposes of this Section, state and local governments are not considered customers.

Although the College was exempt from wireless E911 fees, it was billed for and paid \$1,837 for these fees related to cellular telephone services for the 2006-07 fiscal year.

Recommendation: The College should request that the cellular telephone service provider remove exempt fees from the College's bills and seek credit for exempt fees previously paid.

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, rules, regulations, contracts, and grant agreements; 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, cash and investments, capital assets, decentralized collections, student laboratory and user fees, human resources, purchasing card program, capital outlay and construction projects, communication charges, and insurance for the fiscal year ended June 30, 2007.

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. 2006-056, except as noted in finding No. 4 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.



David W. Martin, CPA
Auditor General

MANAGEMENT RESPONSE

The College's response is included as Appendix B of this report.

This audit was coordinated by Frank P. Bravate, and supervised by Ida Marie Westbrook, 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 and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/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
BROWARD COMMUNITY COLLEGE'S BOARD OF TRUSTEES

Members of the College's Board of Trustees who served during the 2006-07 fiscal year are listed below:

Board Member

Levi G. Williams, Jr., Vice-Chair to 7-25-06,
Chair from 7-26-06

Lourdes L. Garrido, Vice-Chair from 7-26-06

Georgette Sosa Douglass, Chair to 7-25-06

Cheryl W. Krause (1)

Paul C. Tanner (1)

Note: (1) Board Member continued to serve
after term ended.

APPENDIX B
MANAGEMENT RESPONSE



**BROWARD
COMMUNITY
COLLEGE**

We keep you thinking.

Office of the President • Willis Holcombe Center • 954 - 201-7401 • Fax 954 - 201-7357

WILLIS HOLCOMBE CENTER
111 East Las Olas Blvd.
Fort Lauderdale, FL 33301

November 30, 2007

**INSTITUTE FOR
ECONOMIC DEVELOPMENT**
111 East Las Olas Blvd.
Fort Lauderdale, FL 33301

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

**A. HUGH ADAMS
CENTRAL CAMPUS**
3501 S.W. Davie Road
Davie, FL 33314

Dear Mr. Martin:

Please find Broward Community College's responses to the preliminary and tentative findings from the operational audit for the fiscal year ended June 30, 2007.

NORTH CAMPUS
1000 Coconut Creek Blvd.
Coconut Creek, FL 33066

Thank you for the opportunity provided by your office to continue to improve the College's operations.

**JUDSON A. SAMUELS
SOUTH CAMPUS**
7200 Hollywood/Pines Blvd.
Pembroke Pines, FL 33024

Sincerely,

J. David Armstrong, Jr.
President

PINES CENTER
16957 Sheridan St.
Pembroke Pines, FL 33331

WESTON CENTER
4205 Bonaventure Blvd.
Weston, FL 33332

Cc: Ms. Lourdes Garrido, Chairperson
Broward Community College District Board of Trustees

MIRAMAR CENTER
7451 Riviera Blvd.
Miramar, FL 33023

Enclosure

TIGERTAIL LAKE CENTER
580 Gulfstream Way
Dania Beach, FL 33004

Finding No. 1:

Contrary to law, some College Board members and the Interim College President had not timely filed annual statements of financial interests with the local supervisor of elections by July 1 each year.

Recommendation:

The College should ensure that all local officers timely file the statement of financial interests with their local supervisor of elections.

Response:

Acknowledged. As of the date of this response all required personnel have filed the current year statements and all identified delinquent filings have been remedied and presented to your office. In the future the President's Office will coordinate the annual filing process to ensure compliance with the statutes.

Finding No. 2:

An annual physical inventory of College-owned tangible personal property was not completed for the 2005-06 and the 2006-07 fiscal years. In addition, our review disclosed a missing property item, untagged property items, and deficiencies in the property records.

Recommendation:

The College should continue its efforts to provide for an annual physical inventory and ensure that all property items are properly tagged and accurately recorded in the property records.

Response:

Acknowledged. The college has formulated a comprehensive plan to address all of the issues presented in this finding. To address the issues described, the college has identified the need for the purchase and implementation of a new fixed asset software system, adoption of enhanced fixed asset policies and procedures and the hiring of a dedicated employee to monitor, control and account for the College's tangible personal property. By April of 2008 we fully expect to have all of the aforementioned in place and operational. We will then conduct a complete annual physical inventory and reconciliation during the fourth quarter of the fiscal year. The college has been moving forward on all of the aforementioned initiatives. An RFP for the new fixed asset software system has been completed and is currently being evaluated by committee. A fixed asset consultant has been brought on board to help guide us through the entire process. A Fixed Asset Accountant position has been approved and will be filled in the next two months. Enhanced policies and procedures have been formulated. These will be completed and implemented once our new software system has been identified. We expect that all of the above initiatives will fully address all the findings by June 30, 2008.

Finding No. 3:

The Board of Trustees had not adopted a policy documenting the rationale and justification for assessing laboratory or special course fees. Also, the College did not retain documentation evidencing unusual costs that necessitated the fees and demonstrating that such fees did not exceed the unusual costs, and had not timely reevaluated the appropriateness of some of these fees.

Recommendation:

The Board of Trustees should adopt the Curriculum Committee procedures. The College should also retain documentation evidencing unusual costs that necessitate lab or special course fees and demonstrating that such fees do not exceed the unusual costs. In addition, the College should reevaluate the appropriateness of such fees on a timely basis.

Response:

Acknowledged. The college has drafted a new policy to address the above findings. The policy will require an annual review of all special course and laboratory fees and the rationale for assessing such fees. This new policy is currently in final revision and is expected to be presented to the Board for approval within the next couple of months.

Finding No. 4:

College personnel did not periodically compare each procurement card's usage to credit limits, and procurement card accounts for terminated employees were not always timely closed.

Recommendation:

The College should modify the Procurement Card Program Procedures manual to establish procedures requiring periodic comparisons of usage to credit limits to evaluate the appropriateness of procurement card assignments and credit limits. The College should also ensure that procurement card accounts for terminated employees are closed in a timely manner.

Response:

Acknowledged. The college has established a new procedure to address procurement card limits. This procedure creates seven levels of "profiles" or tiers, which will be used to set spending limits based upon need and position within the organization. To address the issue of the timely closing of procurement cardholder accounts the college has implemented a separation clearance procedure which will facilitate the timely closing of procurement card accounts when a notice of separation has been received by Human Resources.

Finding No. 5:

Contrary to Section 1013.23(4), Florida Statutes, the College did not renew energy performance-based agreements that included requirements for a reconciliation of actual to guaranteed energy cost savings.

Recommendation:

The College should ensure that the contract provisions of Section 1013.23(4), Florida Statutes, are followed for the life of the energy performance-based agreements.

Response:

Acknowledged. The college has entered into an agreement with Siemens to provide energy cost savings analysis and reports on behalf of the college. The agreement was formalized in July of 2007. All outstanding reports and analyses have been completed and the findings presented to your office and current year quarterly reports are up-to-date. The agreement provides for future reports and analysis through June 30, 2008, with annual renewal periods.

Finding No. 6:

The College paid wireless E911 fees related to cellular telephone services for the 2006-07 fiscal year for which it was exempt.

Recommendation:

The College should request that the cellular telephone service provider remove exempt fees from the College's bills and seek credit for exempt fees previously paid.

Response:

Acknowledged. The college is currently working with the cellular telephone services providers to recoup all past monies paid in regards to the E911 fees. Currently and in the future the college will no longer remit E911 fees.