



AUDITOR GENERAL

DAVID W. MARTIN, CPA



FLORIDA KEYS 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, three College Board of Trustees members and the College's Director of Purchasing had not filed required statements of financial interest with the local supervisor of elections.

Finding No. 2: Contrary to College procedures, laboratory fees assessed for 17 of 22 courses tested were not, of record, approved by the Board of Trustees and supported by forms documenting unusual costs that necessitated the fees.

Finding No. 3: Contrary to College procedures, forms prescribed for documenting the calculation of recreation and leisure course fees were not prepared to document that such fees were at least equal to the full cost of instruction.

Finding No. 4: Contrary to College procedures, calculations of student fees for continuing workforce education courses were not made using the prescribed form and indirect cost rate. Also, our tests disclosed instances in which calculated fees, or costs used to calculate fees, were not supported by College records.

Finding No. 5: The College needed to enhance its procedures for documenting the approval of, and basis for, fee exemption scholarships.

Finding No. 6: College procedures did not require verification of employment history and experience, verification of professional license status, or contact with personal references for newly-hired employees.

Finding No. 7: The College did not require fingerprint checks for employees in positions of special trust or of a sensitive nature.

Finding No. 8: Our tests disclosed instances in which College records did not document that instructors met the requirements established in the approved salary schedule or position descriptions.

Finding No. 9: Instructional overload compensation for full-time employees and adjunct instructor compensation were paid without benefit of time reports certified by appropriate supervisory personnel.

Finding No. 10: The College needed to enhance its procedures to ensure that full-time faculty work schedules were complete and accurate.

Finding No. 11: Contrary to law, the College did not always procure goods or services using a competitive selection process or properly document that such procurements were exempt from competitive selection requirements.

Finding No. 12: The College needed to enhance its procedures to ensure that payments to the College's construction manager were in accordance with contract terms. In addition, for some professional services contracts, the College did not require the contractors to obtain appropriate insurance coverage.

Finding No. 13: The College did not document the propriety of approximately \$65,000 of expenditures of specific State appropriations.

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.

Florida Keys Community College has one campus located in Key West, Florida. Additionally, credit and noncredit classes are offered at other locations in Monroe County. The College reported enrollment of 722 full-time equivalent students for the 2006-07 fiscal year.

The President of the College during the audit period was Dr. William A. Seeker.

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. A final statement of financial interests must be filed within 60 days after leaving the public position for the period between January 1 of the year in which the person leaves and the last day of office or employment.

Our audit disclosed the following instances of noncompliance with Section 112.3145(2), Florida Statutes:

- As of July 30 2007, two members of the College Board of Trustees (Board) appointed on June 23, 2005, and April 5, 2007, respectively, had not filed the required statements of financial interests with the supervisor of elections. The Board member appointed on June 23, 2005, had filed a 2006 calendar year statement with the Florida Commission on Ethics on June 4, 2007, in connection with membership on another board; however, the Board member was also required to file a 2006 calendar year statement with the local supervisor of elections by July 1, 2007. The Board member appointed on April 5, 2007, was required to file a 2006 calendar year statement by May 5, 2007.
- A Board member appointed on June 27, 2006, did not file a 2005 calendar year statement. The Board member resigned on January 18, 2007, and on May 21, 2007, filed the 2006 calendar year statement with the supervisor of elections for the period from January 1, 2007, to January 18, 2007.
- A College employee with purchasing agent responsibilities (Director of Purchasing) hired for the position on June 2, 2002, had never

filed a statement of financial interests with the supervisor of elections. According to College personnel, the employee was not advised of the need to file statements of financial interest. On July 27, 2007, subsequent to our inquiries, the employee filed a 2006 calendar year statement with the supervisor of elections.

Recommendation: The College should ensure that local officers are advised of the statement of financial interests filing requirements, and ensure that all local officers timely file the statements with their local supervisor of elections.

Finding No. 2: Laboratory 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 students receiving the services. 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 College reported laboratory fee collections totaling \$427,778 for the 2006-07 fiscal year.

College Procedure No. 77.3, Lab/Community Service Fees, established guidelines for calculating and assessing noncredit course fees and for charging students enrolled in certain courses a laboratory fee. The procedure required that specific forms be completed documenting the request and justification for course specific fees. The completed forms were to document that the amounts of laboratory fees assessed did not exceed the unusual costs of services provided, and were required to be approved by the College Board of Trustees (Board).

Our test of 22 courses for which laboratory fees were assessed during the 2006-07 fiscal year disclosed 17 courses, with laboratory fees ranging from \$10 to

\$879.95 per course, for which we requested, but were not provided, evidence of Board approval and a completed form, or other documentation, evidencing that the fee was necessary due to unusual costs incurred by the course. In these instances, the College had not demonstrated that the fees assessed during the audit period did not exceed the costs of the services provided. A similar finding was noted in our report No. 2006-082.

Recommendation: The College should ensure that all laboratory fees are Board approved and supported by forms that document the unusual costs that necessitated the fees.

Finding No. 3: Recreation and Leisure Course Fees

State Board of Education Rule 6A-14.054(4), Florida Administrative Code, provides that each board of trustees shall establish fees for recreation and leisure time instruction that generate annual revenue at least equal to the full cost of such instruction. College personnel were required to prepare the form prescribed by College Procedure No. 77.3 to document that fees assessed for recreation and leisure courses were at least equal to the full cost of such instruction. The College reported recreation and leisure fee collections totaling \$189,862 for the 2006-07 fiscal year.

Our review of eight noncredit recreation and leisure courses offered during the 2006-07 fiscal year disclosed that College personnel had not prepared the required forms for documenting the basis for the fees assessed for these courses. For two of the courses, we were able to determine from College records that the fees assessed were at least equal to the full cost of instruction. Our review of College records for the other six courses disclosed the following:

- For three of the courses (ESL Basics Level 2 Part 1, Functional Ceramic Dinnerware II, and Intermediate Yoga), per student fees

assessed were \$17.75, \$23.45, and \$24.57 less, respectively, than the costs of instruction supported by College records.

- For three other courses (Painting III, Ceramic I, and Wheel Throwing), College records did not identify and document any of the costs included in the calculation of the student fees.

Documentation of the actual costs of instruction is necessary to ensure that student fees assessed for recreation and leisure courses are at least equal to the full cost of instruction.

Recommendation: The College should ensure that forms documenting the costs associated with recreation and leisure course fees are prepared and supported by underlying documentation.

Finding No. 4: Continuing Workforce Education Course Fees

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 \$120,562 for the 2006-07 fiscal year.

College Procedure No. 67.1 prescribed a Business Office Form to 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 continuing workforce education courses disclosed the following:

- The prescribed Business Office Form (Form) was not used to calculate continuing workforce education fees. Also, an indirect cost rate different than the \$2.10 per contact hour provided for on the Form was used to calculate fees. For certain criminal justice training courses, an indirect cost rate of \$1.31 per contact hour was used. An indirect cost amount of 30 percent of the total instructor and other identified course costs was used for other continuing workforce education courses. College records did not include a written analysis or other documentation evidencing the basis for the indirect cost rate stated on the Form or the actual indirect cost rates used in student fee calculations. A similar finding was noted in our report No. 2006-082.
- Our test of student fees assessed for 10 continuing workforce education courses disclosed the following:
 - For 7 of the 10 courses tested, student fees ranged from \$4.50 more, to \$18.75 less, than the fee amounts shown on the College's records of fee calculations. College records did not include documentation explaining and justifying these differences.
 - For 1 of the 10 courses tested (APV 0201 – Applied Voice, Individual Lessons), College records did not include a written calculation or other documentation of costs for the \$280 student fee charged.

Recommendation: The College should prepare an analysis of actual indirect costs for use in determining indirect cost amounts to be included in student fee calculations for continuing workforce education courses. Also, the Business Office Form prescribed by College Procedure No. 67.1 should be used to document the calculation of, and to substantiate the costs associated with, continuing workforce education fees. In addition, whenever actual fees charged are different than calculated fees, the differences should be explained and justified in the College records.

Finding No. 5: Student Fee Exemptions

The College awarded student scholarships totaling \$60,606 for the 2006-07 fiscal year related to the 40 full-time equivalent (FTE) student fee exemptions authorized by Section 1009.25(3), Florida Statutes. The scholarships were awarded to high school graduates that had participated in the College's Reach-Out Program (CROP), Practical Academic and Cultural Education Program (PACE), Minority Scholarship Program, and President's Special Scholarship (students selected by the President). Our review disclosed that the College needed to enhance its procedures for documenting the approval of, and basis for, these scholarships, as follows:

- Pursuant to State Board of Education Rule 6A-14.054(13), Florida Administrative Code, when registration fees are waived by a board of trustees, a community college must retain a list of persons for whom fees are waived, documentation supporting the waivers, and the amount of fees waived. Lists of students awarded CROP, PACE, and Minority scholarships for the 2006-07 fiscal year were prepared by the Vice-President, Student Affairs (PACE and Minority scholarships), and the College Reach-Out Program Director (CROP scholarships); however, College records did not evidence that the lists were approved by the Board. Subsequent to our

inquiry, the 40 FTE student fee exemptions awarded during the 2006-07 fiscal year were presented to the Board and approved at its June 25, 2007, meeting.

- College Procedure No. 74.23, President's Special Scholarship, dated March 7, 2006, provided that the President's Special Scholarships were need-based and that applicants must complete a College application for the scholarship. Our review disclosed that seven President's Special Scholarships totaling \$3,583, that were included on the list of 40 FTE student fee exemptions awarded for 2006-07 fiscal year, were not supported by completed applications. In these instances, College records did not document that the students were qualified to receive the scholarships.

Recommendation: The College should establish procedures to ensure timely Board approval of student fee exemptions. The College should also ensure that completed applications documenting eligibility are kept on file for all President's Special Scholarship awards.

Finding No. 6: New-Hire Verification Procedures

The College's new-hire verification procedures did not include routinely contacting prior employers to verify employment history and experience. In addition, our test of five employees hired during the 2006-07 fiscal year disclosed that for two of the employees, College personnel had not verified the professional license status. For one of these employees, a copy of the license was in the employee's personnel file; however, we requested, but were not provided, a copy of the other employee's license.

College procedures requiring verification of employment history and experience, and verification of professional license status, as a condition of employment would provide assurance that employees

meet minimum qualifications for the position, and assist in determining salary and related responsibilities.

Recommendation: The College should implement procedures requiring verification of employment history and experience, and verification of professional license status, for newly-hired employees. The College should also ensure that documentation evidencing that such procedures were performed is retained in employees' personnel files.

Finding No. 7: Fingerprinting Checks

Although not specific to community colleges, Florida Statutes provide for criminal history checks, including fingerprinting, for employees filling positions of special trust or responsibility, or of a sensitive nature. For example, Section 110.1127(1), Florida Statutes, requires that persons occupying certain State employment positions, because of special trust or responsibility or the sensitive locations of those positions, be subject to a security background check, including fingerprinting, as a condition of employment. Similarly, Section 1012.32(2)(a), Florida Statutes, requires personnel hired to fill positions requiring direct contact with students in any district school system or laboratory school to undergo background screening, including fingerprinting, upon employment and every five years thereafter.

College procedures required background checks for employees; however, fingerprinting checks were not required for employees in positions of special trust or of a sensitive nature, such as employees in the areas of finance and information technology, and College employees who have direct contact with children of the Monroe County District School Board through dual enrollment and other programs conducted at College and District School Board facilities.

Recommendation: The College should require fingerprinting checks for all employees in positions of special trust or of a sensitive nature.

Finding No. 8: Employee Compensation

Effective employment practices include adoption of position descriptions that specify minimum education and experience requirements to ensure that employees have the required skills to adequately perform their duties, and faculty have the minimum credentials required by the Southern Association of Colleges and Schools. Pursuant to Section 1001.64(18), Florida Statutes, the Board approved an instructional salary schedule establishing pay rates for each position. Pursuant to Board Rule No. 6Hx-8-7(1).12, position descriptions for instructional personnel as approved by the President are maintained by the human resources office. The instructional salary schedule and position descriptions established minimum education requirements that instructors had to meet to receive the rate of pay established for their position.

Our test of compensation paid to 15 employees disclosed 2 instructional personnel for which College records did not document that the instructors met the educational requirements for their position and pay rate. One instructor, who was paid at the Master's/Highly Technical level of \$478 per credit hour, was required to have a Bachelor of Science degree. The other instructor, who was paid at the Associate's Degree/Assistant Instructor level of \$410 per credit hour, was required to have an Associate's degree. College records indicated that neither of the employees had college degrees.

In response to our inquiry, College personnel advised us that certifications held by the two instructional employees and related work experience credentialed (qualified) them as instructors for their assigned courses and levels of pay. However, College records did not document the criteria or methodology used to qualify the instructors and establish the levels of pay, and the approved salary schedule or position descriptions for these employees did not indicate that certifications or work experience could be substituted for required education.

Recommendation: The College should ensure that all employees are paid consistent with approved position descriptions and pay rates.

Finding No. 9: Payroll Certifications

Instructional overload compensation for full-time College employees and adjunct instructor compensation were paid on a credit hour or contact hour basis for instructional services and on an hourly basis for noninstructional services. Such compensation, which totaled approximately \$390,000 during the 2006-07 fiscal year, was not documented by after-the-fact time reports certified by appropriate supervisory personnel.

Adequate supporting documentation for time worked is necessary to properly manage and monitor employee work efforts. Without benefit of time reports certified by appropriate supervisory personnel, there is an increased risk that employees may not perform the duties for which they are paid.

Recommendation: The College should implement procedures requiring time worked by all employees to be documented by time reports certified by appropriate supervisory personnel.

Finding No. 10: Full-Time Faculty Work Schedule

Board Rule No. 6Hx-8-7(2).02 and the College's 2006-07 fiscal year salary schedule required that full-time instructional faculty spend a minimum of 35 hours per week in activities directly related to their assigned responsibilities. Faculty had to schedule a minimum of 30 hours per week on campus plus an additional 5 hours on discretionary duties, on or off campus, as requested by the Vice-President/Instructional Division or Dean, Instructional Affairs. The 30 campus hours had to consist of 15 classroom contact hours, 10 office hours during which time faculty were to be available to students, and 5 on campus hours. The College used a

Schedule of Faculty form to document required activities during the 35 hours, which provided for a detailed listing of assigned responsibilities, including classroom contact hours, office hours, campus hours, and other hours, Monday through Sunday from 8:00 a.m. to 10:00 p.m.

The Schedule of Faculty forms were prepared by instructors; however, there was no requirement for supervisory personnel to review and approve the forms or for full-time faculty work schedules to be compared to overload work schedules. In addition, our test of employee compensation, which included seven instructional faculty, disclosed the following:

- One full-time instructor was paid additional overload compensation for teaching courses during campus and office hours assigned for regular full-time activities shown on the instructor's full-time Schedule of Faculty form, as follows:
 - One continuing education course was taught during a time period that conflicted with scheduled campus and office hours for each of seven Fridays during Term I (total of 5.5 hours).
 - One continuing education course was taught during a time period that conflicted with scheduled campus and office hours for each of seven Fridays during Term II (total of 6 hours).
 - Three credit courses were taught during a time period that conflicted with scheduled campus hours of 1 hour each Tuesday and Thursday (total of 34 hours) during Term II.

College personnel advised us that the instructor did teach the overload classes, indicating that the hours shown on the Schedule of Faculty were not accurate.

- The Term I Schedule of Faculty for one instructor showed, as a portion of the

instructor's regular full-time activities, classroom instruction for a course taught each Monday and Wednesday from 10:00 a.m. to 12:00 p.m. However, other College records showed that the course had been cancelled. College records did not indicate whether other activities were assigned to the instructor in place of the cancelled course.

- Although full-time faculty are required to schedule 10 office hours each week, the Schedule of Faculty for one instructor listed only 7 office hours scheduled for Term I and 8 office hours scheduled for Term II. College records did not show that other work had been assigned to the instructor to fulfill the required 35 hours per week.
- For two full-time instructors, 6 hours required to be worked as Program Director and Program Advisor, respectively, were not shown on their Term I and Term II Schedule of Faculty forms.

Without the benefit of complete and accurate faculty schedules, there is an increased risk of noncompliance with Board Rule No. 6Hx-8-7(2).02 or that full-time faculty may not perform the duties for which they are paid. In addition, the lack of supervisory approval of Schedule of Faculty forms and failure to compare full-time faculty work schedules to overload work schedules increases the risk of conflicting work assignments or salary overpayments.

Recommendation: The College should enhance its procedures to ensure that the Schedule of Faculty forms accurately reflect all responsibilities assigned to full-time faculty. The forms should be reviewed for completeness and accuracy and approved by appropriate supervisory personnel, and any schedule changes should be reflected on the forms and additional responsibilities should be assigned whenever courses are cancelled. In addition, full-time faculty work schedules should be compared to overload work schedules.

Finding No. 11: Competitive Procurement

State Board of Education (SBE) Rule 6A-14.0734, Florida Administrative Code, requires colleges to publicly solicit competitive offers (i.e., competitive sealed bids, proposals, or replies) from at least three sources for purchases exceeding a specified threshold, unless otherwise exempt. During the 2006-07 fiscal year through June 19, 2007, the competitive procurement threshold was \$25,000.¹ The SBE Rule lists several purchasing actions that are not subject to a competitive procurement process, such as emergency or sole source purchases.

Our review disclosed several purchases that were made between July 2006 and March 2007 without benefit of a properly documented competitive selection process, or exemption, as discussed below.

During the 2006-07 fiscal year, the Board approved several contracts for hurricane damage repairs and renovations related to hurricanes Dennis, Katrina, and Wilma. These contracts were approved as emergency procurements and no attempt was made, of record, to publicly solicit competitive offers. However, the contracts were entered into from 8 to 17 months after the College facilities incurred the hurricane damage indicating that there was no urgency in entering into the contracts. As such, there was no apparent basis

¹ Effective June 20, 2007, the threshold was increased to \$50,000.

for these purchases being treated as emergency procurements. The contracts were as follows:

- Purchase of doors and frames (\$26,690), contractor services for installation of doors and frames (\$29,384), and contractor services to paint exterior of campus buildings (\$322,895).
- Purchase of theater stage lift (\$167,000), theater sound system (\$59,740), theater lighting fixtures (\$25,540), scaffolding for theater repairs (\$41,000), and theater fly rail rigging system repairs (\$42,850). College personnel advised us that in addition to being considered emergency purchases, these purchases were made from sole source vendors; however, the basis or justification for considering the vendors to be the sole source was not documented in the College's records.
- Purchase of theater seating (\$57,330), exterior paint for the campus buildings (\$34,899), roof repairs (\$32,000), and contractor services for theater repairs (\$286,368). College personnel advised us that the construction manager (CM) responsible for overseeing repairs to the theater and various other campus buildings had solicited bids. However, documentation provided to the College by the CM consisted only of copies of quotes (two each) for the theater seating and roof repairs, and one of the two quotations for the roof repairs was received after the College had issued a purchase order for the repairs. We were not provided documentation evidencing that the CM had solicited bids for these purchases.

The College also entered into a contract for the purchase of roll-up shutters (\$41,496) without benefit of a competitive selection process. College personnel advised us that the purchase was made from a sole source vendor; however, the basis or justification for

considering the vendor to be the sole source was not documented in the College's records.

Absent use of a competitive selection process for the procurement of goods or services, or documentation that such procurements are exempt from competitive selection requirements, the College cannot be assured that it is obtaining goods and services at the best price consistent with acceptable quality.

Recommendation: The College should ensure that goods and services are procured using a competitive selection process as required by SBE Rules, or properly document that such procurements are exempt from competitive selection requirements. The College should also ensure that the CM solicits bids in accordance with the construction manager's written contract.

Finding No. 12: Professional Services Contracts

Our review of 10 written contracts for professional services and related payments on those contracts disclosed that procedures for the contracting and payment of professional services needed improvement, as follows:

- The written contract with the College's construction manager (CM) provided that compensation would be paid at the rate of \$65 per hour for pre-construction and construction phase services, and that compensation for additional services² would be three percent of total construction costs. Our review of payments to the CM during the 2006-07 fiscal year disclosed that, in addition to payments calculated at three percent of project costs, lump sum amounts were also billed for certain projects. We

² Additional services are any services not otherwise included in the written contract, including, for example, services required because of changes in the project scope; services in connection with public hearings or legal proceedings; and services in connection with the selection, procurement, or installation of furniture, furnishings, and related equipment.

noted seven payments totaling \$6,500 that were billed at lump amounts of \$1,000 and \$500. College records did not show the basis (hourly rate or the hours and dates actually worked) for the amounts paid. As such, College records did not demonstrate that these payments were consistent with the terms of the written contract.

- In our report No. 2006-082, we noted that 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. Our review of professional services contracts entered into during the 2006-07 fiscal year disclosed that the College still did not require contractors (except for the CM) to maintain certain insurance coverage to help limit the College's exposure to various risks of possible loss as a result of personal injury during the performance of the contractual services. Services provided by these contractors included consulting for College diving courses and criminal justice training courses. In response to the prior audit finding, the College modified professional service contracts to include a statement that, "The Contractor agrees to fully indemnify, save, and hold harmless the College and its employees from and against claims, demands, suits, or judgments (including costs and attorneys' fees), which arise as a result of services provided by the Contractor, ..." However, even with this statement, the College is exposed to risk of possible loss as a result of personal injury to students, College employees, and others during the performance of these types of services.

Recommendation: The College should establish procedures necessary to ensure that CM billings contain information sufficient to show that amounts billed are in accordance with contract terms. 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.

Finding No. 13: Specific State Appropriations

The Florida Legislature allocated the College funds totaling \$444,158 and \$156,344, for the 2005-06 and 2006-07 fiscal years, respectively, from the specific appropriation, Critical Jobs Initiative – State Board of Education, Jobs for Florida's Future. Funds allocated for the 2005-06 fiscal year specific appropriation were to be used to expand the College's Distance Nursing Program, whereas funds allocated for the 2006-07 fiscal year specific appropriation were to be used to provide additional personnel, grant management support, and instructional/laboratory equipment to accommodate the increase enrollment of 12 nursing students in the Upper Keys. Project agreements with the Florida Department of Education prescribed the specific uses of the funds.

2005-06 Specific Appropriation

Our review of 2006-07 fiscal year expenditures from the 2005-06 fiscal year specific appropriation disclosed that College records did not document that the following expenditures totaling \$26,245, were authorized or provided for under the project terms and conditions:

- Full-time nursing faculty salary payments totaling \$5,846 for instructors for two nursing courses, student advising, and work related to National League of Nursing accreditation.
- Full-time nursing faculty salary payments totaling \$2,065 for instructor for video conferencing course presented at the

College's three campuses, instructor for a nursing course at the Key West campus, and instructor for an on-line (virtual) nursing course.

- Full-time nursing faculty salary payments totaling \$8,837 for instructor for a nursing course at the Key West campus, instructor for a nursing video conferencing course presented at the College's three campuses, course coordinator, and a project assignment.
- Adjunct salary payments totaling \$910 for instructor of a nursing course at the Key West Campus.
- Adjunct salary payments totaling \$455 for course coordination of a course titled Clinical Nursing II.
- Regular full-time salary payments totaling \$1,925 for a staff assistant in the Key West Campus nursing office whose job duties included office receptionist.
- A portion of the regular full-time 11-month salary and benefits of the Dean of Health Professions totaling \$6,207.

Our review of project expenditures from the 2005-06 fiscal year specific appropriation also disclosed that several salary amounts totaling \$9,777 were not documented by employee time sheets showing the dates and times worked or after-the-fact payroll certifications.

2006-07 Specific Appropriation

Our review of expenditures from the 2006-07 fiscal year specific appropriation disclosed that regular full-time salary payments totaling \$17,186 for a staff assistant in the Key West Campus nursing office, whose job duties included office receptionist, were not provided for under the project terms and conditions. Our review also disclosed several salary amounts totaling \$11,783 that were not documented by employee time sheets showing the dates and times worked or after-the-fact payroll certifications.

Because College records did not adequately evidence that these funds were properly spent for authorized activities, the above salary payments totaling \$36,022 and \$28,969 from the 2005-06 and 2006-07 fiscal years specific appropriations, respectively, represent questioned costs subject to disallowance by the Florida Department of Education.

Recommendation: The College should establish and implement procedures to ensure salary expenditures are adequately documented and are in accordance with project terms and conditions. The College should also document to the Florida Department of Education the allowability of these questioned costs or restore these funds to the programs.

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, budgetary controls, information technology, cash and investments, student receivables, capital assets, student fees, purchasing processes, selected expenditures and contractual arrangements, human resources and employee compensation, and non-Federal grants and appropriations 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. 2006-082, except as noted in finding Nos. 2, 4, and 12 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 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 tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

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APPENDIX A
FLORIDA KEYS 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

Ed Scales, Vice-Chair from 7-25-06 to 6-24-07,

Chair from 6-25-07 (1)

Dr. Ann L. Henderson, Vice-Chair from 6-25-07

Carey D. Goodman, Chair to 6-24-07

Brian C. Schmitt

Spencer Slate from 4-5-07 (2)

Ed Yacovone to 1-17-07 (2)

- Notes: (1) Board did not have a Vice-Chair until reorganization meeting held on July 25, 2006.
- (2) The Board member position remained vacant from January 18, 2007, through April 4, 2007.

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APPENDIX B
MANAGEMENT RESPONSE



Dr. Jill Landesberg-Boyle
5901 College Rd
Key West, FL 33040
305-294-5059

February 21, 2008

Mr. David W. Martin
Auditor General
G74 Claude Pepper Bldg.
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to these audit findings. As a new administrative team, we recognize that these findings of background information will be extremely valuable for us going forward as we tighten our operational controls and procedures. The following are Florida Keys Community College's responses to the preliminary and tentative findings associated with the operational audit for the fiscal year ended June 30, 2007 and selected actions taken in this regard.

Finding No. 1: Three Board of Trustees members and Director of Purchasing had not filed statements of financial interest with the supervisor of election.

The College agrees with the finding. All Board of Trustees members and the College's Director of Purchasing have since filed the required statements and have been placed upon the County Supervisor of Elections list to receive automatic updates. The listing of individuals are updated and supplied by the Executive Director of the President's Office and sent to the Office of Elections. The Office of Elections then notifies the appropriate individuals that their annual statements of financial interest were required. Additionally, the Executive Director of the Presidents Office announces to the Board at the subsequent meeting after she receives notification from the State that statements of financial interest are due.

Finding No. 2: Laboratory fees assessed for 17 of 22 courses tested were not, of record, approved by the Board of Trustees and supported by forms documenting unusual costs that necessitated the fees.

The College agrees with the finding. Although the College annually reviews lab and special fees as part of the annual budget process, the new administration clearly recognizes the need to document such fees and has had several conversations about this topic. In this regard, a new comprehensive lab fee policy was put into effect. All lab fees are now being reviewed by the controller and assistant comptroller in face to face meetings with the individual cost centers. Each area is required to thoroughly justify any lab fee requests vis-à-vis pricing implications and revenue production to ensure that prices are reasonable while still covering all of its intended expenses. New forms indicating the course fee pricing, total amounts, supplies and materials covered and intended use have been circulated and are required with any request for lab fee assessments.

Finding No. 3: Procedures, forms prescribed for documenting the calculation of recreation and leisure course fees were not prepared to document that such fees were at least equal to the full cost of instruction.

The College agrees with the finding. The President has also discovered this to be an area of concern and is committed to changing this practice. Cross-listing of courses, student classification issues and course costs has received top priority. Additionally we are looking at development of such recreation and leisure courses from an auxiliary enterprise capacity. In so doing, pricing and streams of revenue have also been considered as the College is dedicated to offering all courses to at least cover all of our expenses. Procedurally, newly revised forms have been created combining continuing workforce education and Recreation and Leisure for course offerings in the schools to ensure that the full cost of instruction is included in the calculation.

Finding No. 4: Calculations of student fees for continuing workforce education courses were not made using the prescribed form and indirect cost rate. Also, our tests disclosed instances in which calculated fees, or costs used to calculate fees, were not supported by College records.

The College agrees with the finding. Newly revised forms such as the continuing education course proposal and course fee calculation worksheet have been created combining continuing workforce education and Recreation and Leisure for course offerings in the schools to ensure that the full cost of instruction is included in the calculation. All such forms are required to be submitted and approved by the Provost. The forms also include indirect cost and market adjustment calculations to arrive at a per-student and hourly rate per-student. The controller's office is in the process of securing a Federal indirect cost rate which will serve as consistent rate to be applied to all grants and CWE courses.

Finding #5. The College needed to enhance its procedures for documenting the approval of, and basis for, fee exemption scholarships.

The College partially agrees with this finding. Procedures have been modified and Board approval and documentation is now required for all scholarships. However the list of students awarded the CROP, Minority and PACE scholarships was presented to and approved by the Board of Trustees at its June 25, 2007 meeting.

Finding #6. College procedures did not require verification of employment history and experience, verification of professional license status, or contact with personal references for newly-hired employees.

The College partially agrees with this finding. This verification activity has been done but not documented. HR has since implemented employment history and verification checks as well as contacting all personal references for newly hired employees. Initial verification of professional licensure is the responsibility of HR however, making sure that the licensure remains current is the responsibility of the individual department. Provisions will be made for notification and inclusion of professional licensure in their job description section of the evaluation requesting that the verification of the certificate is still current.

Finding #7. The College did not require fingerprint checks for employees in positions of special trust or of a sensitive nature.

The College agrees with this finding. As this has not been mandated, however, we have not implemented. However the new administration is considering this for those employees in positions of "special trust".

Finding #8. Our tests disclosed instances in which College records did not document that instructors met the requirements established in the approved salary schedule or position descriptions.

The College agrees with this finding. In addition to the method indicated on page 12 of the Annual Salary Schedule, the HR office will also perform a job experience/certification matrix on instructors who do not hold education requirements. The college is going back and reviewing all 23 faculty and 80 adjuncts to ensure requirements established in the salary schedule or position descriptions have been met.

Finding #9. Instructional overload compensation for full-time employees and adjunct instructor compensation were paid without benefit of time reports certified by appropriate supervisory personnel.

The College agrees with this finding. Faculty and adjunct load letters and master payroll schedules are produced on a semester basis and submitted to Human Resources. Load letters are initialed by the provost or supervisor of that department at the beginning of

each term. Adjunct payrolls (which include Faculty overloads) are approved by the Provost at the beginning and the end of each term.

Finding #10. The College needed to enhance its procedures to ensure that full-time faculty work schedules were complete and accurate.

The College agrees with this finding. The Provost is putting together a gridded schedule of daily activities for all full-time faculty and adjuncts to track class time, office hours and overload. Signatures on required documents are required to ensure that faculty work schedules accurately reflect the time that faculty actually are working.

Finding #11. Contrary to law, the College did not always procure goods or services using a competitive selection process or properly document that such procurements were exempt from competitive selection requirements.

The College agrees with this finding. Although the projects cited were all emergency related projects that received blanket Board authorization under Board policy, due to storage problems of construction materials vis-à-vis the time for construction repairs being made, certain construction repair orders were made at a later date. It was accurately stated that contracts were actually executed with a sole source provider several months after the damage was incurred. Procedures are now in place to coordinate such future emergency claims will be placed through our Director of Purchasing in accordance with state statutes.

Finding #12. The College needed to enhance its procedures to ensure that payments to the College's construction manager were in accordance with contract terms. In addition, for some professional services contracts, the College did not require the contractors to obtain appropriate insurance coverage.

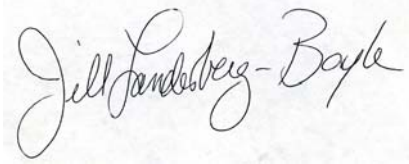
The College agrees with this finding. All future contracts now require that contractors obtain appropriate insurance and all payments will be made in accordance with contract terms. The construction manager for projects the College will undertake in the future has since been replaced.

Finding #13. The College did not document the propriety of approximately \$65,000 of expenditures of specific State appropriations.

The College agrees with this finding. It was correct that documentation for certain expenditures for these grants were inadequate. Conversation with the FDOE at the time and an email to the department from the Florida Department of Education that stated the College had the authority to move funds between approved line items in the budget, led staff to believe that expenditures were adequately documented and in accordance with project terms and conditions.

Through the efforts of the new Director of Nursing, careful monitoring and daily tracking of requisitions and documentation of expenditures have since been put into place.

Sincerely,

A handwritten signature in black ink that reads "Jill Landesberg-Boyle". The signature is written in a cursive style with a light blue background behind the text.

Dr. Jill Landesberg-Boyle
President

