

# BREVARD COMMUNITY COLLEGE

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## Operational Audit

For the Fiscal Year Ended  
June 30, 2008



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

James W. Handley, Chair to 7-16-07 (1)  
C.R. "Rick" McCotter, III, Interim Chair from 7-17-07  
to 7-24-07, Vice-Chair to 7-24-07  
James Theriac, Chair from 7-25-07  
Alberta K. Wilson, Vice-Chair from 7-25-07  
Stephen G. Charpentier from 5-07-08  
James H. Richey from 7-17-07 to 4-02-08 (2)  
Dixie N. Sansom

Dr. James A. Drake, President

Notes: (1) Board member served beyond the end of  
his term, May 31, 2007.  
(2) Position remained vacant until replaced.

The audit team leader was Robyn D. Bishop, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://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.

## BREVARD COMMUNITY COLLEGE

### SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

**Finding No. 1:** The College does not have a written policy for communicating and reporting known or suspected fraud.

**Finding No. 2:** The College did not, of record, verify subcontractor licensure prior to commencement of work on construction projects.

**Finding No. 3:** The College did not ensure that annual safety inspections were performed by a certified inspector.

**Finding No. 4:** Procedures over child care centers enrollment, fees, and records needed improvement.

### 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 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.

Brevard Community College has campuses in Cocoa, Melbourne, Palm Bay, and Titusville, Florida. Additionally, credit and noncredit classes are offered through a virtual campus, a center located at the Kennedy Space Center, dual enrollment courses in public schools, and one private school in Brevard County. The College reported enrollment of 10,825 full-time equivalent students for the 2007-08 fiscal year.

The results of our financial audit of the College for the fiscal year ended June 30, 2008, will be presented in a separate report. In addition, the Federal awards administered by the College are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2008, will be presented in a separate report.

### FINDINGS AND RECOMMENDATIONS

#### **Finding No. 1: Policies for Reporting Fraud**

The College had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputations of persons suspected of fraud but subsequently exonerated. Further, in the absence of such written policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

In response to our inquiries, the College indicated that such policies are currently being developed.

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**Recommendation:** The College should continue its efforts to develop policies for detection, prevention, and reporting fraud.

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**Finding No. 2: Subcontractor Licensure Requirements**

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Chapter 489, Florida Statutes, establishes certain licensing requirements for specialty subcontractors such as electrical, air conditioning, plumbing, and roofing contractors. Verification of subcontractor licenses provides the College with additional assurances that subcontractors working on College facilities meet the qualifications to perform the work for which they are engaged.

The College's Facilities Planning office is responsible for construction administration, which includes monitoring contractor activities, implementing construction related procedures, and ensuring compliance with applicable State laws. Our review of the College's administration of the Building Number 4 construction project, on the Cocoa Campus, with a projected cost of \$5,073,382 disclosed that College personnel had not, of record, verified that the project's subcontractors were appropriately licensed. College personnel advised us that they had relied on the construction manager to perform the licensure verification.

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**Recommendation:** The College should improve its monitoring procedures for construction projects to include verification of subcontractor licensure prior to commencement of work on a project.

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**Finding No. 3: Annual Safety Inspection**

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Section 1013.12(5)(a), Florida Statutes, requires that each community college provide for the periodic inspection of each educational and ancillary plant to determine compliance with standards of sanitation, casualty, and fire safety prescribed by State Board of Education rules. Sections 4.4(5) and 5 of the State Board of Education publication, *State Requirements for Educational Facilities – 1999*, require that such inspections be done annually. Further, fire safety inspections are required to be made by persons certified by the Division of State Fire Marshal to conduct fire safety inspections in public educational and ancillary plants, and the inspections and corrective action plans are to be presented to the College Board of Trustees.

The College provided for the required inspections of its facilities during the 2007-08 fiscal year by an inspector employed by the College. However, the College could not provide documentation showing that it had, of record, verified that the inspector was certified by the Division of State Fire Marshal to conduct the fire safety inspections. Thus, the College has limited assurance that it had complied with applicable fire code regulations or that all fire safety deficiencies were identified. The College also was unable to provide evidence that the reports and corresponding corrective action plans had been presented to the Board of Trustees.

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**Recommendation:** The College should develop written policies and procedures to ensure that annual safety inspections are performed by certified inspectors and presented, with corrective action plans, to the Board of Trustees.

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**Finding No. 4: Child Care Center Enrollment Fees and Records**

The College has five Child Care Centers (Centers) throughout Brevard County that offer child care service. During the 2007-08 fiscal year, the Centers reported revenues totaling \$925,332. Families completed an Annual Enrollment Form and signed an Annual Financial Agreement that established the child’s schedule, weekly rate, grant supplements, and any additional fees, such as for late pick-up. Families paid the weekly fees in advance at the Centers or at one of the College’s Business Offices. The charges and payments were recorded into the College’s accounts receivable accounting system.

Our review of child care records, at two of the five centers, disclosed the following:

- The College had incorrectly posted charges to the accounts receivable records for 8 of 11 families tested. Typically, this occurred when the Centers were closed for holidays or in-service (planning) days. For example, one family’s account record had not been credited for six holidays during the 2007-08 fiscal year. Subsequent to our inquiry, the College recorded credits totaling \$791 to the accounts of the eight families.
- Additionally, we noted that one of the Centers did not have a current Annual Financial Agreement on file to document the families’ fees and responsibilities for four of the five families tested at that Center.

**Recommendation:** The College should develop procedures to ensure charges for child care fees are correctly posted in the accounting records. Credits should include adequate explanation of the reasons for the credits. In addition, the College should ensure that all necessary applications and forms have been completed and retained for all students to document the family’s fees and responsibilities.

**PRIOR AUDIT FOLLOW-UP**

The College had taken corrective actions for findings included in our report No. 2007-082.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to: (1) 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 records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the College had taken corrective actions for findings included in our report No. 2007-082. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing College personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the College's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

Management's response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation relating to the College's information technology security awareness and training program.
Procedures to timely prohibit terminated employees' access to electronic data files.	Sampled employees who terminated during the audit period and examined documentation to determine whether the College timely terminated computer access privileges.
Fraud policy and related procedures.	Examined written policies and procedures, and examined supporting documentation relating to the College's fraud policy and related procedures.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes).	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Fingerprinting and background checks for personnel in a position of special trust or that had direct contact with children.	Reviewed College procedures to determine if the College had identified positions of special trust or of a sensitive nature and had implemented fingerprinting and background checks.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the College had provided individuals with a written statement as to the purpose of collecting social security numbers, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008.
Electronic fund transfers.	Reviewed procedures related to electronic fund transfers and sampled transactions to determine whether the electronic fund transfers were properly authorized, processed, and documented.
Student accounts receivable.	Selected a sample of student accounts receivable to determine whether the College's transactions were properly supported and recorded in compliance with College policies and procedures.
Adoption of capital outlay budget.	Examined annual budget and Board of Trustee minutes to determine whether the College's capital outlay budget was adopted in accordance with Section 1013.61, Florida Statutes.
Cash collection procedures at child care centers.	Reviewed collection procedures at selected locations and tested child care centers collections to determine the effectiveness of the College's collection procedures.
Tuition for baccalaureate courses.	Compared tuition fees charged for baccalaureate courses to amounts authorized to ensure that these fees were less than 85 percent of tuition and out-of-state fees charged by the nearest public university.

**EXHIBIT A (Continued)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
User and special course fees.	Selected a sample of laboratory, user, and special course fees to determine whether the College properly calculated these fees.
Student activity and service fees assessed.	Verified the activity and service fee did not exceed 10 percent of the total tuition fee.
Procedures for payroll transactions.	Selected a sample of College employee compensation payments to determine whether such payments were in accordance with College rules and procedures and paid at the correct rate of pay.
Purchasing card procurement policies and procedures.	Selected a sample of transactions to determine whether the purchasing card program was administered in accordance with College policies and procedures.
Construction subcontractor licensure requirements.	Examined supporting documentation to determine whether the College verified subcontractor licenses for major construction projects.
Procedures for monitoring payments made in accordance with construction manager contracts.	Examined procedures to determine if the College verified that payment requests from the construction manager were supported by adequate documentation.
Procedures for insuring architects and engineers.	Examined the major construction projects in progress to determine whether architects and engineers engaged during the audit period had required insurance.
Use of State sales tax exemption for direct purchases of materials.	Examined recent construction projects to determine if the College made use of its sales tax exemptions to make direct purchases of construction materials or documented its justification for not doing so.
Procedures for monitoring cellular telephone usage and compliance with related IRS reporting requirements.	Determined whether the College either provided for compliance with IRS substantiation requirements for cellular telephone usage or, for the most recent calendar year, reported the value of cellular telephone services provided to employees as income for those employees.
Travel to a terrorist state.	Examined the College's travel records and made inquiry of key personnel to determine if funds were used for travel to a terrorist state.
Annual safety inspection reports.	Examined annual safety inspection reports to determine whether the College complied with the buildings life safety, fire safety, and sanitation standards prescribed by the State Board of Education.

EXHIBIT B  
MANAGEMENT'S RESPONSE



President  
James A. Drake, Ph.D

Board of Trustees  
James Theriac, Chair  
Alberta K. Wilson, Vice Chair  
Stephen G. Charpentier  
C.R. "Rick" McCotter III  
Dixie N. Sansom

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March 2, 2009

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

Dear Mr. Martin:

The following is the response to the preliminary and tentative findings of your operational audit of the Brevard Community College for the fiscal year ended June 30, 2008.

Finding No. 1 – Policies for Reporting Fraud

Brevard Community College Board Policy Governance Manual section 200.7 includes a Code of Ethics for College Employees, and section 312 of the college Procedure Manual addresses proper employee conduct. Although there is no Florida Statute that requires a policy for communicating and reporting known or suspected fraud, the college has drafted procedures that identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigations, and consequences for fraudulent behavior.

Finding No. 2 – Subcontractor Licensure Requirements

In order to ensure the currency of licenses of subcontractors working on College facilities, the college will enhance its monitoring procedures to include verification of subcontractor licenses when subcontractors are hired by its construction manager.

Finding No. 3 – Annual Safety Inspection

The college has modified its procedures for performing annual safety inspections and has enlisted the services of certified inspectors from the Florida Community College Risk Management Consortium to perform the annual sanitation, casualty, and fire safety inspections. The certified individual will submit their report to college personnel who will in turn present the completed report to the Board of trustees. The completed report will include a plan of corrective action and a schedule for all repairs as prescribed by the Statute by June of each fiscal year.

Finding No. 4 – Child Care Center Enrollment Fees and Records

In response to the finding, the college is revising its procedures for assessing charges and credits for child care fees in its accounting records. These revisions will take advantage of the latest technology to centralize record-keeping functions and provide enhanced customer service to child care clients.

Cordially,

*James A. Drake*  
Dr. James A. Drake  
President