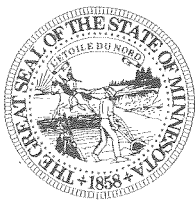


**COMMUNITY COLLEGE SYSTEM
NORTHLAND COMMUNITY COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1986**

SEPTEMBER 1987

**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Gerald Christenson, Chancellor
Community College System

Members of the Community College Board

Dr. T. Alex Easton, President
Clearwater Community College Region

Mr. Allen Nichols, Provost
Northland Community College

Audit Scope

We have completed a financial and compliance audit of Northland Community College (NCC) for the three years ended June 30, 1986, except for those programs and activities further described in the Scope Limitations section of this letter. Section I provides a brief description of the college's activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on May 22, 1987.

We have issued a separate management letter to the Community College System, dated March 26, 1987, which includes the audit of major federal programs administered by NCC for the fiscal year ended June 30, 1986.

The objectives of the audit were to:

- study and evaluate major Northland Community College internal accounting control systems, including a review of tuition and other receipts, payroll, disbursements, imprest cash, and federal student financial aid;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapter 136, Community College Board policies and procedures, and other finance-related laws and regulations; and
- evaluate the recording and reporting of financial transactions on the statewide accounting system.

Representative Phillip J. Riveness, Chairman
Members of the Legislative Audit Commission
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Page 2

Management Responsibilities

The management of NCC is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of NCC is also responsible for the college's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by NCC. The purpose of our testing of transactions was to obtain reasonable assurances that NCC had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Scope Limitations

We did not audit major federal programs at NCC for the two fiscal years ended June 30, 1985. Major federal programs were audited by a private CPA firm for those years. We did not review the work done by other auditors on the federal programs and have placed no reliance on their work.

As part of this audit, we evaluated internal controls and conducted certain compliance tests relating to major federal programs at NCC for fiscal year 1987. This audit work was done as a part of our statewide audit of the State of Minnesota's fiscal year 1987 financial statements and federal programs. Additional testing of these programs, including tests of student eligibility and compliance, will be completed after September 30, 1987.

Conclusions

Our study and evaluation disclosed the issues raised in Section II, recommendations 1-17 concerning Northland Community College's system of internal accounting control, in effect on April 30, 1987, which, in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial activities of the college may occur and not be detected within a timely period.

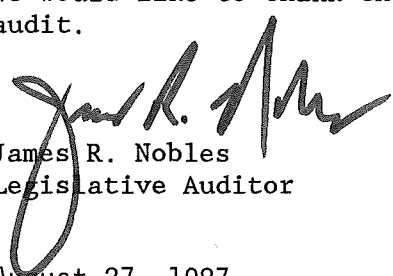
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Dr. Gerald Christenson, Chancellor
Members of the Community College Board
Dr. T. Alex Easton, President
Mr. Allen Nichols, Provost
Page 3

In our opinion, subject to the effects, if any, of the federal programs which we did not audit as described in the Scope Limitations section of this letter, for the three years ended June 30, 1986, NCC administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

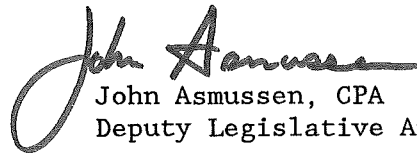
In our opinion, for the three years ended June 30, 1986, NCC properly recorded, in all material respects, its financial transactions on the statewide accounting system.

The recommendations included in this audit report are presented to assist the college in improving accounting procedures and controls. We will be monitoring and reviewing college progress on implementing these recommendations.

We would like to thank the NCC staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

August 27, 1987

NORTHLAND COMMUNITY COLLEGE

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
AGENCY RESPONSE	12

AUDIT PARTICIPATION

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Ken Vandermeer, CPA	Auditor-in-Charge
Chris Buse	Staff Auditor
John Wicklund	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following officials of the Clearwater Region, Northland Community College, and the Community College System at an exit conference which was held on May 22, 1987:

Dr. T. Alex Easton, Clearwater Region President
Allen Nichols, NCC Provost
Jerry Winans, NCC Business Office Manager
Jerry Jarosch, Community College System Internal Auditor

NORTHLAND COMMUNITY COLLEGE

I. INTRODUCTION

Northland Community College is under the management and control of the Minnesota State Board for Community Colleges and the immediate supervision of a provost. Northland is part of the Clearwater Community College Region which includes two other northwestern Minnesota community colleges who share a regional administration. Dr. T. Alex Easton is the president of the Clearwater Community College Region. During fiscal years 1984, 1985 and 1986, the years of our audit, Mr. Allen Nichols was the provost at Northland Community College.

Operations of the college are financed mainly by student tuition and fees and state appropriations from the General Fund. Major operating activities of the college are accounted for through the statewide accounting system. Minn. Stat. Chapter 136 exempts certain community college activities from Department of Finance budgetary control, including the use of SWA. The majority of these activities, including federal financial aid programs and auxiliary enterprises, are accounted for through manual records and local bank accounts. These off-SWA activities are generally referred to as All College Fund activities. The All College Fund operates under policies and procedures established by the Board.

During fiscal years 1984-1986, Northland collected \$1,502,740 in tuition and spent \$5,332,051 for general operations through the statewide accounting system as follows:

<u>Fiscal Year</u>	<u>Tuition Receipts</u>	<u>Percent of Total Community College System</u>	<u>General Operating Expenditures</u>	<u>Percent of Total Community College System</u>
1984	\$ 452,132	1.7%	\$ 1,565,606	2.1%
1985	\$ 473,975	1.8%	\$ 1,842,897	2.2%
1986	\$ 576,633	2.0%	\$ 1,923,548	2.2%

The full time equivalent student enrollment for the school years covered by this audit, as recorded by the community college, was as follows:

<u>Quarter</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
Fall	422.6	502.7	478.5
Winter	410.3	504.1	487.1
Spring	390.27	461.0	505.5
Summer I & II	20.4	45.2	27.1

NORTHLAND COMMUNITY COLLEGE

II. CURRENT FINDINGS AND RECOMMENDATIONS

Duties are not adequately separated in the receipts process at Northland Community College.

Tuition and other miscellaneous fees are collected at the NCC business office. Two college employees, the business manager and the assistant manager, are responsible for all receipt functions. They are the only two employees of the NCC business office. Since the assistant manager spends the majority of her time each day in the bookstore, most duties relating to cash receipts are concentrated with the business manager. These duties include running the cash register, posting transactions to the student registration system, ringing out the cash register, reconciling daily cash amounts, depositing the cash receipts, and resolving disputed amounts.

An inadequate separation of duties exists whenever one person has complete control over an entire process or transaction cycle. Such control could allow errors or irregularities to not be detected and corrected. The small staff at NCC precludes a complete separation of duties, however, major duties should be separated. At a minimum, the NCC provost or vice-provost should review the reconciliation of cash receipts, including the daily cash report and the student registration system. This would independently verify that the cash on hand agrees with the cash register totals and the total of tuition posted to the student registration system. Also, someone outside the business office should review all monthly bank statement reconciliations for reasonableness. In addition, someone other than the business manager should review disputed items.

RECOMMENDATION:

1. Incompatible receipts functions at NCC should be separated.

Receipts are not deposited promptly nor are they properly safeguarded.

Northland Community College (NCC) collects a variety of receipts including tuition, fees, and bookstore sales. Depending on type, the receipts are deposited either in a state treasury depository account or in local bank accounts such as the All College Fund or the Auxiliary Enterprise Fund. Minn. Stat. Section 16A.275, which applies to state treasury deposits, and Community College Board policy, which applies to local account receipts, generally require that receipts totaling greater than \$250 should be deposited daily. However, there is consistently a lag of 1 to 3 days at NCC between the time receipts come in and the time they are deposited.

This lag in depositing becomes more severe because of the lack of physical security over receipts during the time they are held at NCC. The NCC business office uses a cash register. At night, money is removed from the register and stored in a small, portable safe located near the cash register. A key to both the cash register and the safe is kept by the business manager. However, the key is often left on a desk in the business office,

NORTHLAND COMMUNITY COLLEGE

sometimes when no one is present. Since the business office is physically adjoined to faculty offices, unauthorized staff or students could enter the business office and obtain the key, possibly accessing the money and business office records.

RECOMMENDATION:

2. NCC should improve security over incoming receipts by promptly depositing receipts and securing the key to the cash register and safe at all times.

Internal controls over Northland Community College disbursements, including imprest cash, need to be improved.

Northland Community College (NCC) spent approximately \$1.9 million for general operations through the statewide accounting system (SWA) during fiscal year 1986. These disbursements included both direct payments to vendors and reimbursements to the college for imprest cash payments made locally, pursuant to applicable Community College Board policies and Department of Finance policies and procedures. The NCC imprest cash account is used for a variety of payments including tuition refunds, non-employee purchased services, miscellaneous local purchases, and employee advances.

Internal controls over disbursements are inadequate due to several weaknesses in NCC procedures, including the following:

- Duties relating to both disbursements through SWA and imprest cash disbursements are not adequately separated. In both cases, one individual, the business manager, has complete control over the disbursement process. For disbursements through SWA, incompatible duties include authorization of purchase orders, authorization of payments, and receipt of incoming goods, which are all currently done by the business manager. For imprest cash disbursements, bank reconciliations are performed by the business manager who prepares deposits and authorizes payments. Separation of duties in these areas would provide independent verification of work performed, and would increase the likelihood that both intentional and unintentional errors are detected.
- Separation of duties over imprest cash check signing is also inadequate. Imprest cash checks require two authorizing signatures, one of which is the NCC business manager. The other authorized signers are the Clearwater Region president, the NCC provost, and the vice-provost. However, the business manager keeps a signature stamp of one of the other authorized signers. In addition, in five cases, imprest cash checks were honored by the bank with only one authorizing signature, even though two signatures are required. Because of these two situations, there is sometimes no independent review of imprest cash checks written and signed by the business manager. In order to provide better

NORTHLAND COMMUNITY COLLEGE

control over these checks, two signatures should be obtained for all imprest cash checks. Also, the signature stamp should not be kept by the business manager. The use of the stamp should be delegated to an independent person not involved in the imprest cash process. The stamp should be used by this independent person in the absence of the original signer.

- Adequate documentation supporting disbursements is not always obtained. This supporting documentation included purchase requisitions, student signatures for reimbursement requests, and written approvals from the Office of the Chancellor for imprest cash disbursements over \$1500. Documentation to properly support payments is required by Community College Board Policy and is essential in order to provide adequate review and approval of payments.
- Authorizing signatures have not always been obtained for certain disbursements. Signatures were missing from purchase requisitions, especially from some NCC departments, from some imprest cash pay orders, and from reimbursement requests prepared by the business manager. Documents supporting disbursements should be properly reviewed and signed to assure that the disbursement is valid and all related support has been reviewed.
- Receiving reports or other evidence of receipt of goods have not always been obtained. To provide an effective audit trail and to ensure that payments are correct, packing slips should be retained to serve as proof that the goods were received. Signed and dated receiving reports are also required by Department of Finance Operating Procedure 06:05:01. If a packing slip is not included in the shipment, a receiving document should be prepared. In either case, the document used should be signed and dated by the person receiving the goods to indicate approval for payment. The receiving report should be matched against the vendor invoice before payment is made.

RECOMMENDATIONS:

3. NCC should improve internal control relating to disbursements by providing the following separations of duties:
 - someone other than the business manager should authorize purchases and receive incoming goods;
 - someone independent of the receipt and disbursement process should perform either imprest cash bank reconciliations or review and approve the reconciliations; and
 - someone other than an authorized imprest cash check signer should keep the signature stamp and approve in the authorized signer's absence.

NORTHLAND COMMUNITY COLLEGE

4. NCC should obtain and retain documentation to properly support all disbursements.
5. NCC should obtain authorizing signatures on all required forms before payments are made.
6. A packing slip or receiving report should be obtained and kept to document that goods were actually received. All packing slips and receiving reports should be signed and dated by the person receiving the goods.

Advances for payroll and travel are not handled properly.

Northland Community College had an authorized imprest cash amount of \$5000 until May, 1985, when the amount was increased to \$10,000. NCC also has the authority to borrow up to \$5000 from the auxiliary enterprise account during peak periods. Applicable Board Policies and Department of Finance Policies and Procedures allow NCC to pay travel and payroll advances to employees through their imprest cash account. For travel, advances are allowed for anyone in travel status, provided repayment of the advance is made within 30 days of when the travel was completed. For payroll, employees may only receive an advance if the employee's check is delayed or issued in error. The payroll advance must be repaid when the corrected payroll check is issued to the employee.

In the following cases, NCC deviated from established policies relating to advances:

- Advances for both payroll and travel were made out of the auxiliary enterprise fund, rather than from imprest cash. This has resulted in a loss of interest to the auxiliary enterprise fund, as well as allowing NCC to exceed their authorized borrowing limit from the auxiliary enterprise fund.
- Approval was not obtained from the Office of the Chancellor before payroll advances were made, as required by Community College Board policy V.01.01.
- Employees were not required to sign repayment agreements for payroll advances received. These repayment agreements are required by Department of Finance Policy 07:04:19. The agreement acknowledges the employee's responsibility to repay the advance and could be used to enforce collection, if necessary.
- Employees do not repay travel and payroll advances on a timely basis. NCC has not established a system for monitoring these advances and repayments. A ledger of all advances should be maintained. Such a ledger could be used to record when advances were given, projected return dates, repayment dates, and steps taken to collect.

NORTHLAND COMMUNITY COLLEGE

RECOMMENDATION:

7. NCC should better control payroll and travel advances by:
 - paying all advances out of imprest cash, rather than the auxiliary enterprise account;
 - obtaining Chancellor's Office approval for all payroll advances;
 - requiring all employees who receive a payroll advance to sign a repayment agreement; and
 - setting up a process to monitor outstanding advances and repayments, and to pursue timely collection.

Cash management of the student financial aid account needs to be improved.

For the period from July 1, 1986 through May, 1987, NCC received approximately \$450,000 from the Federal Department of Education for PELL Grants, federal college work-study, Supplemental Educational Opportunity Grants (SEOG), and National Direct Student Loans (NDSL). Under provisions of U.S. Treasury Circular 1075, drawdowns of federal cash may be requested in advance provided they are limited to the immediate cash needs of the program. NCC has been drawing federal cash using the treasury check method, whereby they receive a check after they submit a request to the Department of Education. All federal student financial aid transactions at NCC are processed through one separate local bank account.

In two areas, cash management over financial aid needs to be improved. They relate to collateral for cash balances which exceed the FDIC limit and the timing of the college match for NDSL.

On several occasions during fiscal year 1987, the cash balance in the student financial aid account exceeded the deposit insurance provided at the bank through the FDIC. For example, in August 1986, a deposit was made that brought the cash balance in the account to approximately \$209,000. The bank balance exceeded the \$100,000 insurance limit for the next 35 days. No collateral was requested from the bank for the amount of deposits that exceeded the \$100,000 insurance coverage limit. Minn. Stat. Sections 118.005 and 118.01 require in part, that public funds held on deposit in state or national banks must be protected from loss. Also, a Community College Board policy, number 11.11, requires colleges to monitor bank accounts and to request collateral from the bank when deposits exceed FDIC insurance coverage. No one at NCC was monitoring the financial aid account to ensure that deposits were adequately protected.

Also, cash management must be improved concerning the matching requirements for NDSL. Federal regulations require colleges that draw federal funds for the NDSL program to contribute a one ninth matching amount at the same time or earlier than the federal contribution. The first portion

NORTHLAND COMMUNITY COLLEGE

of the federal NDSL contribution for fiscal year 1987 was deposited on September 30, 1986. However, the college matching amount for fiscal year 1987, a total of \$1111, was not deposited by NCC until April 1987. NCC should comply with federal regulations over the NDSL program and deposit the college contribution at the same time or earlier than the federal contribution.

RECOMMENDATIONS:

8. Cash balances in the financial aid account should be analyzed on a regular basis, particularly after large deposits. Collateral should be requested from the bank when balances are expected to exceed FDIC deposit insurance coverage, in accordance with Board policy.
9. The college matching amount for the NDSL program should be deposited in a timely manner according to program regulations.

An independent reconciliation of financial aid grants awarded to aid disbursed is not performed.

The Director of Financial Aids at NCC is responsible for calculating and authorizing financial aid awards. A financial aid check authorization is prepared and forwarded to the business office. The clerk in the business office then prepares the financial aid checks. Checks must be signed by both the Business Manager and the Provost and are then disbursed to students from the business office. Although we were told that a list of financial aid disbursements prepared by the business office was compared to the financial aid awards to verify the accuracy of the disbursements, this reconciliation is not documented. A reconciliation of grants awarded to aid disbursed is important to verify that only approved students received financial aid. In addition, the totals of the financial aid disbursements list are not reconciled to the financial aid disbursement totals as reported on the Federal Cash Transactions Report. The Federal Cash Transactions Report is sent to the Department of Education to document the sources and uses of federal funds.

An adequate system of checks and balances in internal controls would exist if the financial aids office would formally document the reconciliation of business office disbursements to the financial aid awards. Signed copies of these reconciliations should be kept on hand to provide an audit trail.

RECOMMENDATION:

10. The NCC financial aids director should reconcile the business office list of financial aid disbursements to the financial aid awards. In addition, the total amount of disbursements reported by the business office should be reconciled to the Federal Cash Transactions Report. These reconciliations should be documented in writing.

NORTHLAND COMMUNITY COLLEGE

Internal controls over college work study time reporting need to be improved.

The U.S. Department of Education provides funds annually to Northland Community College (NCC) for the federal college work study (CWS) program. NCC uses CWS funds to provide employment to eligible students to assist them in meeting their financial need. The federal authorization may only be used to pay college work study wages and an administrative cost allowance. In fiscal year 1986, the federal government gave NCC \$70,336 for CWS.

Institutions receiving federal CWS money must retain program and fiscal records to certify that each student has worked and earned the amount being paid. This certification must detail the actual hours the student worked and state whether the work was performed in a satisfactory manner. The certification must be signed by the student's supervisor. In order to comply with these federal regulations, NCC requires the use of detailed student time reports.

There are several problems with NCC's current CWS documentation and system of internal control:

- one student time report had 14 additional hours added to reimburse the student for meals, which are not an eligible cost under the CWS program;
- all student time reports with other than full hours were rounded to the next highest full hour. This allows some students to consistently be paid for more hours than were actually worked;
- many student time reports were not signed by their supervisors to indicate that the work was done and the hours charged were appropriate;
- in several cases, supervisors completed time reports for students without the students' review or signature; and
- some students submitted time reports in batches rather than on the biweekly time reporting cycle.

These problems indicate that there are weaknesses in the system of internal controls over college work study funds. To verify the existence of students and the accuracy of the time reports, students should complete their own time reports and submit them to their supervisors on a timely basis. Both students and supervisors should sign the time reports to certify the hours listed were the actual hours worked. Hours should not be added in lieu of reimbursement for other expenses incurred by students. Supervisors are ultimately responsible for assuring that all time reports are accurate and submitted to the business office on a timely basis.

NORTHLAND COMMUNITY COLLEGE

Ineligible costs, such as the reimbursement of meals and the rounding of hours, are not allowable under applicable federal regulations and may have to be repaid. The extent of ineligible payments will be determined during our fiscal year 1987 student eligibility testing.

RECOMMENDATIONS:

11. The NCC business office should verify that all work study students complete their own time reports and submit them to their supervisors on a timely basis. Only time sheets in which both the student and supervisor have signed should be accepted.
12. The business office should use only actual hours worked for CWS payments. No hours should be added in lieu of other student reimbursements.

Northland Community College does not have a written policy addressing refunded student financial aid money.

All institutions participating in federal student financial aid programs under Title IV of the Higher Education Act must have a written refund policy. Their refund policy must be applied on a consistent basis to all students receiving Title IV funds. 34 CFR 668.21 states that if a refund is due to a student under the institution's refund policy and the student received financial aid under any Title IV student financial aid program other than college work study, a portion of the refund must be returned to the student assistance programs. Section 668.21 provides institutions with the formula for determining the portion of the refund that must be allocated back to the Title IV programs in total. However, the federal regulations do not cite how the refund should be allocated among the various Title IV programs. Instead, the institution is required to develop, as part of their policy, procedures for allocating the Title IV portion of refunds back to specific Title IV programs from which the student received aid. The portion of a refund allocated to a specific program may not exceed the amount a student received from that program.

Although NCC has written information concerning refunds in their student handbook, this information does not address the allocation of refunds to the federal financial aid accounts. In order to comply with applicable federal regulations, NCC needs to develop a comprehensive policy which addresses all areas associated with refunds. The policy should indicate how the Title IV portion of the refund should be calculated as well as how the Title IV funds are to be allocated back to the specific programs from which the student received aid. A copy of the policy should be included in the financial aid procedure manual and in the business office for reference purposes, so that all refunds are consistently allocated.

RECOMMENDATION:

13. NCC should develop a written policy for allocating the Title IV portion of refunds back to the various Title IV programs.

NORTHLAND COMMUNITY COLLEGE

Adjustments made to costs of attendance are not adequately documented and consistently applied.

Most financial aid is awarded based on financial need. For financial aid purposes, need is defined as the excess of the cost of attendance over the amount the student's family is expected to contribute. For most students, the basis for this need calculation is the family financial statement. The family financial statement is prepared by a federally approved service agency based on information provided on an application submitted by the student. The student's cost of attendance is calculated by matching the student's situation with budget information provided by the school. The family contribution amount is calculated from income and savings information provided by the student.

Special circumstances may arise which require a student's cost of attendance to be adjusted. Federal regulation 34 CFR 674.11, states that institutions may, in individual cases, adjust a student's cost of attendance if the calculated cost of attendance is not a reasonable approximation of the student's actual costs. In these situations, an institution must be able to justify and document the newly established figures. Section 690.80 also relates to changes in costs of attendance. This section says that if a student's cost of attendance changes at any time during the award year and his or her enrollment status remains the same, the institution may establish a policy under which the student's award for the payment period is recalculated. If such a policy is established, it must apply consistently to all students.

There were several undocumented adjustments in student files. For example, one student's cost of attendance was adjusted upward without any formal documentation. As a result, the student was given a higher financial need. We were told that the need was increased because of a residency change which took place after the family financial statement was sent to the school. However, the financial aid director did not document the change in residency nor the reasons for the change in cost of attendance. Other undocumented changes occurred in other student files. For example, loan origination fees and guarantee fees were added to the cost of attendance for some students and not for others. The failure to consistently apply the policy of adding loan origination fees and guarantee fees could result in students with identical financial situations being eligible for different amounts of financial aid.

RECOMMENDATIONS:

14. NCC should formally document all changes made to students' costs of attendance.
15. Loan origination fees and guarantee fees should be consistently added as a cost of attendance, or not added to any students.

Daycare payment vouchers need further review and revision.

Northland Community College (NCC) provides a financial subsidy for students with children. The subsidy is in the form of payments to daycare

NORTHLAND COMMUNITY COLLEGE

providers used so that student-parents can attend classes. The student is responsible for locating a licensed provider, who also must be approved by NCC. A student is allowed a maximum of 20 hours per credit for each child, with NCC contributing \$.75 per hour for services received. At the end of each school quarter, the provider submits a voucher form which details the hours by child with a calculation for total amount due. NCC staff review these vouchers for clerical and mathematical accuracy. However, verification by the student-parent is not required. Consequently, providers could be reimbursed for services which they did not provide.

Student reviews of daycare payment vouchers for their children would provide both firsthand and independent assurance that the claim is proper, as well as giving added assurance that false claims have not been submitted. The student should be required to sign the voucher as proof that the verification was done.

RECOMMENDATION:

16. NCC should require a verification of daycare vouchers by the applicable student and revise their voucher form to allow for a student approval signature.

Athletic and theater ticket sales are not properly accounted for.

NCC collects receipts for home basketball, hockey, and football games, as well as for theater department events, such as plays and musicals. For athletic events, the business office gives the athletic director a spool of tickets for each type of sport. Receipts are collected at each event by student workers, turned over to the athletic director, and ultimately submitted to the business office for deposit, along with a ticket reconciliation. This reconciliation lists the receipts by type (adult, student, children), accounts for the range of ticket numbers used, and provides room for an explanation of discrepancies.

For theater events, normally the same process is used. However, in some cases, the theater department may purchase specially printed tickets. These tickets are not prenumbered, however, and therefore cannot be listed on the ticket reconciliation form.

Business office staff do not verify the beginning and ending ticket numbers shown on the ticket reconciliations. Therefore, it is impossible to tell whether all tickets have been accounted for, and the proper amount of ticket revenue was collected. In order to provide better control over ticket sales, all tickets should be prenumbered and accounted for by the business office at least annually.

RECOMMENDATION:

17. Ticket reconciliation forms should be verified by the business office periodically to ensure that the sequence of all ticket numbers is accounted for and the proper amount of ticket revenue has been collected.



Northland
Community
College

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BETTER PEOPLE
BETTER SERVICE
BETTER EDUCATION

August 27, 1987

Ms. Jeanine Leifeld
Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Dear Ms. Leifeld:

Enclosed are the concerns and recommendations noted in your
audit report of August 17, 1987.

We have listed your concern and recommendation with the action
we have taken to improve or correct the situation.

If there are questions concerning these responses, please let
me know by contacting me at (218) 681-2181 Ext. 49.

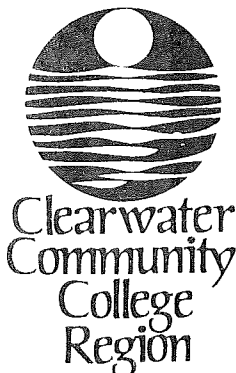
Sincerely,

Dr. Allen Nichols
Provost

AKN:bh

Enclosures

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RESPONSE OF
NORTHLAND COMMUNITY COLLEGE
TO THE LEGISLATIVE AUDIT REPORT
OF AUGUST 17, 1987

CONCERNS AND RECOMMENDATIONS	NORTHLAND'S ACTION	EFFECTIVE DATE
1) Incompatible receipts functions at NCC should be separated.	1) Our procedure to improve the separation of duties in the receipts functions are as follows: a) A clerk or the business manager will receipt all cash funds for the college. b) The assistant bookstore manager will close out the cash register and prepare the cash reconciliation reports and prepare the deposit ticket. c) The business office secretary will deposit the funds <u>daily</u> at approximately 4:45 p.m. d) The Provost will view and sign all bank reconciliations for reasonableness. e) Assistant bookstore manager will resolve disputed items.	Immediately
2) NCC should improve security over incoming receipts by promptly depositing receipts and securing the key to the cash register and safe at all times.	2) Deposits will be made daily as noted in #1 above. The key will be secured on a routine daily basis.	Immediately
3) NCC should improve internal control relating to disbursements by providing the following separations of duties:		
A) Someone other than the business manager should authorize purchase and receive incoming goods;	A) Northland will follow strictly its policy of obtaining three authorizing signatures for purchases. Business office secretary or ordering staff member will receive all incoming goods and evidence the receipt by a packing slip or prepared receiving report.	Immediately
B) Someone independent of the receipt and disbursement process should perform either imprest cash bank reconciliations or review and approve the reconciliations;	B) The Provost will review and approve all bank reconciliations.	Immediately
c) Someone other than authorized imprest cash check signer should keep the signature stamp and approve in the authorized signer's absence.	C) The Provost's secretary will be the sole possessor of the signature stamps and will only be able to authorize their use based on proper authority.	Immediately
4) NCC should obtain and retain documentation to properly support all disbursements.	4) Approved requisitions will be required before disbursements are made by the business office.	Immediately

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NORTHLAND COMMUNITY COLLEGE
TO THE LEGISLATIVE AUDIT REPORT
OF AUGUST 17, 1987

CONCERNS AND RECOMMENDATIONS	NORTHLAND'S ACTION	EFFECTIVE DATE
5) NCC should obtain authorizing signatures on all required forms before payments are made.	5) Authorized signatures will be acquired on all forms before payments are made.	Immediately
6) A packing slip or receiving report should be obtained and kept to document that goods were actually received. All packing slips and receiving reports should be signed and dated by the person receiving the goods.	6) Business office secretary or ordering staff member will receipt, sign and date all packing slips and receiving reports.	Immediately
7) NCC should better control payroll and travel advances by:		
A) Paying all advances out of imprest cash, rather than the auxiliary enterprise account;	A) All advances will be paid from imprest cash funds.	Immediately
B) Obtaining Chancellor's Office approval for all payroll advances;	B) Chancellor's office approval will be obtained on all payroll advances.	Immediately
C) Requiring all employees who receive a payroll advance to sign a repayment agreement;	C) All employees receiving payroll advances will sign a repayment agreement. A repayment agreement will be designed and in operation on the effective date.	9-8-87
D) Setting up a process to monitor outstanding advances and repayments, and to pursue timely collection.	D) A ledger system for monitoring outstanding balances and repayments will be utilized, plus recipients of advances will be required to complete a repayment agreement.	Immediately
8) Cash balances in the financial aid account should be analyzed on a regular basis, particularly after large deposits. Collateral should be requested from the bank when balances are expected to exceed FDIC deposit insurance coverage, in accordance with Board policy.	8) NCC will require a collateral for all deposits over FDIC deposit insurance coverage.	Immediately
9) The college matching amount for the NDSL program should be deposited in a timely manner according to program regulations.	9) NCC will acquire and deposit state funds as required by program regulations.	Immediately

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CONCERNS AND RECOMMENDATIONS	NORTHLAND'S ACTION	EFFECTIVE DATE
10) The NCC financial aids director should reconcile the business office list of financial aid disbursements to the financial aid awards. In addition, the total amount of disbursements reported by the business office should be reconciled to the Federal Cash Transaction Report. These reconciliations should be documented in writing.	10) NCC financial aid director will reconcile the business office list of financial disbursements to the financial aid awards on a quarterly basis. Federal Cash Transaction Report is completed by MCCS Office. The report will be reconciled at NCC to total amount of disbursements reported by the business office.	Immediately
11) The NCC business office should verify that all work study students complete their own time reports and submit them to their supervisors on a timely basis. Only time sheets in which both the student and supervisor have signed should be accepted.	11) NCC financial aid director will verify all work study time reports. Only fully completed time sheets will be accepted.	Immediately
12) The business office should use only actual hours worked for CWS payments. No hours should be added in lieu of other student reimbursements.	12) Work study time reports will be processed only for actual whole hours worked as verified by the supervisor.	Immediately
13) NCC should develop a written policy for allocating the Title IV portion of refunds back to the various Title IV programs.	13) NCC will have written policies for allocating Title IV refunds in operation on effective date.	9-8-87
14) NCC should formally document all changes made to students' costs of attendance.	14) NCC will formally document all changes made to students' costs of attendance.	Immediately
15) Loan origination fees and guarantee fees should be consistently added as a cost of attendance, or not added to any students.	15) Loan originating fees and guarantee fees <u>will not</u> be added to any students cost of attendance.	Immediately
16) NCC should require a verification of daycare vouchers by the applicable student and revise their voucher form to allow for a student approval signature.	16) 1986-87 legislature took away the funding for child care and that function is no longer a responsibility of the college.	Not applicable
17) Ticket reconciliation forms should be verified by the business office periodically to ensure that the sequence of all ticket numbers is accounted for and the proper amount of ticket revenue has been collected.	17) Ticket reconciliation forms will be verified by the business office periodically.	Immediately