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**COMMUNITY COLLEGE SYSTEM  
ROCHESTER COMMUNITY COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE THREE YEARS ENDED JUNE 30 1987**

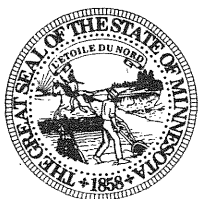
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**AUGUST 1988**

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**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

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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. Geraldine A. Evans, President  
Rochester Community College

**Audit Scope**

We have completed a financial and compliance audit of Rochester Community College (RCC) for the three years ended June 30, 1987, 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 March 24, 1988.

We have issued two separate management letters to the Community College System, dated March 26, 1987 and March 15, 1988, which include the audit of major federal programs administered by RCC for the fiscal years ended June 30, 1986 and June 30, 1987, respectively.

The objectives of the audit were to:

- study and evaluate major Rochester 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;
- evaluate the recording and reporting of financial transactions on the statewide accounting system; and
- determine the status of prior audit recommendations.

Representative Phillip J. Riveness, Chairman  
Members of the Legislative Audit Commission  
Dr. Gerald Christenson, Chancellor  
Members of the Community College Board  
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Rochester Community College  
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### Management Responsibilities

The management of RCC is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments 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. 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 RCC 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 RCC. The purpose of our testing of transactions was to obtain reasonable assurance that RCC 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 RCC for the fiscal year ended June 30, 1985. Major federal programs were audited by a private CPA firm for that year. We did not review the work done by other auditors on the federal programs and have placed no reliance on their work.

### Conclusions

In our opinion, except for those issues raised in Section II, findings 1 through 9, the Rochester Community College system of internal controls in effect as of March 24, 1988, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions relating to those systems are executed in accordance with management's authorization.

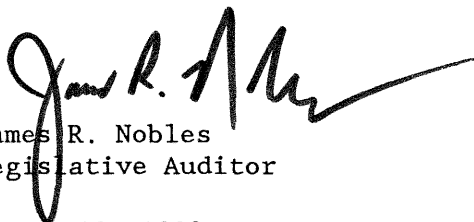
In our opinion, except for the issue discussed in finding 3, and subject to the effects, if any, of the federal programs which we did not audit as described in the Scope Limitations section of this letter, for the three years ended June 30, 1987, Rochester Community College administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

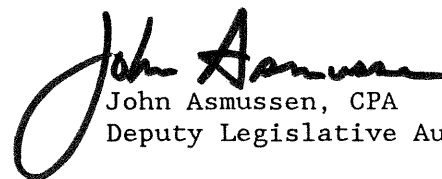
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Rochester Community College  
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In our opinion, for the three years ended June 30, 1987, Rochester Community College properly recorded, in all material respects, its financial transactions on the statewide accounting system.

The recommendations included in this report are presented to assist the Rochester Community College in resolving the audit findings and in improving accounting procedures and controls. We will be monitoring and reviewing college progress on resolving these findings after the dates projected for completion as identified in the college's response. Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation" includes a summary of the progress on all recommendations developed during our audit of RCC for the year ending June 30, 1984. (Report dated September 5, 1985.)

We would like to thank the Rochester Community College staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

August 19, 1988



# ROCHESTER COMMUNITY COLLEGE

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## AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Charlie Gill	Auditor-in-Charge
Kari Bergum, CPA	Staff Auditor
Chris Buse	Staff Auditor

## EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following officials of the Rochester Community College and the Community College System at the exit conference held on June 9, 1988:

Dr. Geraldine Evans	President
Rosemary Hicks	Financial Aid Officer
Suzanne Sheehan	Personnel Director
Ruth Smith	Senior Account Clerk
Gary Swenson	Business Manager
Gary Trisco	Financial Aid Director
Jim Wignes	Associate Dean of Admissions
Jim Harris	Community College System Internal Auditor





# ROCHESTER COMMUNITY COLLEGE

## I. INTRODUCTION

Rochester Community College is under the management and control of the Minnesota State Board for Community Colleges and the immediate supervision of a President appointed by the Board. During fiscal years 1985 through 1987, the years of our audit, Dr. Geraldine A. Evans was the president at Rochester 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 1985-1987, Rochester collected \$7,507,157 in tuition and spent \$22,485,942 for general operations through the statewide accounting system as follows:

<u>Fiscal Year</u>	<u>Tuition Receipts</u>	<u>Percent of Total System</u>	<u>General Operating Expenditures</u>	<u>Percent of Total System</u>
1985	\$ 2,493,055	9.4%	\$ 7,467,225	8.7%
1986	\$ 2,518,040	8.8%	\$ 7,520,337	8.3%
1987	\$ 2,496,062	8.1%	\$ 7,498,380	7.8%

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>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
Fall	2,253.9	2,174.5	2,094.5
Winter	2,043.9	2,040.1	1,977.3
Spring	1,842.9	1,860.8	1,873.5
Summer I & II	219.4	255.4	320.3

## ROCHESTER COMMUNITY COLLEGE

### II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Duties are not adequately separated in the financial aid check preparation process at Rochester Community College.

The Rochester Community College (RCC) financial aid office is responsible for determining each student's financial need and creating a financial aid award package to fulfill that need. Using the award amounts authorized by the financial aid office, the RCC business office prepares financial aid checks and distributes them to the students. Incompatible functions are being performed during the check preparation process at the business office. The accounting technician responsible for preparing financial aid checks has access to the facsimile machine and the signature plate of the business manager. This same individual is permitted to sign as the second authorized signature on the checks, as well as being responsible for maintaining the program records and performing the monthly bank reconciliation.

The separation of incompatible functions is an essential element of good internal accounting control. Without a proper separation of duties, persons are put in a position in which they can both perpetrate and conceal irregularities. In order to improve the internal controls over the check preparation process, only individuals who are independent of preparing checks should be authorized to sign checks. The reconciliation of the program records to the bank statement should be performed by a person independent of the check preparation process.

#### RECOMMENDATIONS

- The accounting technician who prepares financial aid checks should be removed from the authorized signature list.
- The bank reconciliation should be done by a person independent of the check preparation process.

2. Internal controls over financial aid award letters need to be improved.

The financial aid office at Rochester Community College (RCC) documents each student's financial need calculation and financial aid package on an award letter. RCC requires each student to return a signed copy of their award letter to signify that they accept the aid that has been offered to them. Accurately prepared award letters that have been signed by the student provide an important internal accounting control. Without them, the institution has no way of determining whether or not the student accepts, or even knows about, the aid that has been awarded.

RCC has not always prepared these award letters accurately nor had them signed. For example, one student financial aid file contained both an

## ROCHESTER COMMUNITY COLLEGE

original and a revised award letter. The cost of attendance listed on both award letters was incorrect and some aid types were listed under the wrong captions. The student's \$2,010 PELL Grant never appeared on either letter. Although this student picked up his spring quarter financial aid on March 9, 1988, he never claimed a \$1,340 retroactive PELL Grant check, dated February 16, 1988. A grant check that is unknown to a student is susceptible to theft since the intended recipient would never miss it and the financial aid office would assume the student received the check.

### RECOMMENDATIONS

- RCC should verify that accurate, signed award letters are on file before financial aid checks are written.
- Unclaimed checks should be periodically reviewed and, if necessary, disposed of.

### 3. Documentation supporting payments to off-campus agencies employing college work study students needs improvement.

Under current federal regulations, students participating in the federal college work study program (CWS) are allowed to work off-campus. Eligible off-campus employers may include federal, state, and local public agencies, and nonprofit organizations. Off-campus employers are used extensively at RCC. Institutions who wish to have students working off-campus are required to enter into written agreements with the off-campus employers. These agreements must set forth the students' working conditions. Students participating in the CWS program may not perform work which is not in the public interest, such as religious or political activity. Whether a student is employed on or off-campus, federal funds may not be used to pay for more than 80 percent of a student's compensation. Institutions are required to maintain time records, certified by the off-campus agency, which detail the hours each CWS student worked on a clock time sequence.

There are two areas of concern relating to the off-campus employers used by RCC. First, the agreements between RCC and the off-campus employers do not adequately describe the duties of the students or the working conditions. In addition, reimbursements to off-campus agencies for the 80 percent federal share of wages are made without requesting supporting student timesheets.

By failing to require detail about the duties of students and working conditions, RCC is unable to determine if students are performing ineligible work. We were informed by RCC personnel that no site visits or other alternative means are used to monitor off-campus agencies. Reimbursements to off-campus agencies without supporting timesheets provides the agencies with an opportunity to add extra hours to their reimbursement requests to avoid paying their 20 percent share of the wages.

## ROCHESTER COMMUNITY COLLEGE

### RECOMMENDATIONS

- RCC should verify that all agreements with off-campus agencies describe the working conditions and duties of the students.
  - RCC should require all off-campus agencies to submit certified timesheets to support reimbursement requests.
4. RCC does not review the biweekly certification reports for classified employees.

RCC is responsible for collecting classified employee timesheets. A payroll roster listing the number of hours works and leave taken for each employee is prepared. The roster is submitted to the Community College Board Office, where payroll information is entered into the state's central payroll system. After the pay has been calculated, the Central Payroll Division of the Department of Finance sends a payroll certification report to the Board Office for review. An authorized person at the Board Office signs the report, returns it to central payroll, and sends a copy to the RCC personnel office.

The review of the certification report by the Board Office consists only of a review of hours for administrators and faculty, for which 80 hours regular pay are always shown. Since the timesheets and leave slips for classified employees are on file at the individual college campuses, the Board Office has no way to verify that information was correctly entered into the payroll system. Because of this, the Board Office in a memo dated May 9, 1984, has instructed the community colleges to review the hours for the classified employees shown on the certification report. Such a review is also required by Department of Finance Operating Procedure 07:04:29 to verify that all of the agency's employees were paid correctly. However, Rochester Community College does not perform this review.

### RECOMMENDATION

- RCC should verify the hours worked and leave taken on the biweekly certification report for classified employees, as required by procedure 07:04:29.
5. RCC business office personnel do not comply with proper authorization controls for the student registration system and the cash register.

RCC uses the Community College System's computerized student registration system to record the students' registered classes, payment status and grades. The business office staff, who use the system for updating payment status, are each assigned a confidential user number. This number allows the employee to access the system and make appropriate transactions. When the employee completes the transaction, he or she should

## ROCHESTER COMMUNITY COLLEGE

properly logoff the system. All transactions are recorded with the user number of the person making the transaction.

RCC does not require each person to logoff the system when they have completed their transaction. When the first person signs on in the morning, the system remains under that same user number during the rest of the day. RCC should develop procedures to insure that all employees properly log on or log off the system. Without the proper log on and log off procedures there is no audit trail to link a particular transaction to an employee if a variance arises. Unauthorized persons could make transactions without detection.

To further document the person responsible for cash transactions at RCC, employees operating the cash register are to sign miscellaneous receipt and fee statements as a record as to who rang up a particular receipt. Employees do not always sign the fee statements and receipt forms. One deposit had 19 out of 146 receipt forms that were not signed. Without proper documentation, it is impossible to determine who rang up a particular receipt and whether or not that person was authorized to use the cash register.

Finally, responsibility for overrings is not documented. When an overring occur, the person authorizing the overring should complete a form showing the amount and reason for the overring. This person then should sign the form. Overrings were sometimes made with no explanation for the overring and no authorizing signature on the overring form. Without proper documentation, there is no evidence that the overrings were properly authorized.

### RECOMMENDATIONS

- Business office employees should use proper log on/off procedures and sign off the system after completing their transaction.
- All receipt forms should be properly signed.
- All overrings should be properly authorized and documented. The reason for the overring should be noted.

6. PRIOR FINDING PARTIALLY RESOLVED: Duties are inadequately separated over the cash operations of the Rochester Community College (RCC) business office.

RCC has improved their internal controls over cash since our last audit, however, separations of duties over cash still need to be improved in three areas.

First, tuition receipt duties are inadequately separated. The RCC accounting technician can ring tuition receipts on the cash register, update the computerized student registration system to record the student's payment

## ROCHESTER COMMUNITY COLLEGE

status, and authorize overrings. She is also responsible for reconciling daily deposits to the total payments recorded on the registration system. Since she both uses the cash register and reconciles receipts, she could potentially update the registration system and not enter the receipts on the cash register. She could also authorize a fictitious overring without detection. Another person should either review the reconciliation or a person that is not involved in running the cash register should reconcile the two systems.

In addition, there is a lack of separation of duties over receiving and recording miscellaneous receipts. All six of the regular employees and five work study students in the business office are authorized to run the cash register. Four of the regular employees receive miscellaneous receipts such as nursing loan payments, club membership fees and copying machine fees, and record these receipts on the cash register. The employee responsible for student loans and the employee responsible for imprest cash keep the accounting records for these programs as well as receive incoming payments for the same programs. In order to improve controls over these miscellaneous receipts, the prenumbered receipt forms used to record these receipts should be accounted for. Employees who maintain accounting records should not be receiving incoming payments for those same programs.

Finally, separation of duties over change fund checks issued after hours needs to be improved. RCC has a \$3,000 change fund checking account used to make change for financial aid checks issued to students, especially financial aid checks from outside sources. Incoming financial aid checks of this type are signed over to the college by the student for payment of tuition. Any additional amount is returned to the student by a check written from the change fund account. Blank change fund checks are signed by either the business manager or the office manager earlier in the day. Change fund checks are presigned in order to issue checks to students after hours. One employee works late and is responsible for collecting tuition and dispensing change fund checks for students who take night classes.

### RECOMMENDATIONS

- An independent person should either review the reconciliation between the daily cash sheet and the registration system or a person that is not involved in running the cash register should reconcile the two systems.
- Prenumbered miscellaneous receipt forms should be periodically accounted for.
- Individuals independent of maintaining accounting records should record miscellaneous receipts on the cash register.

## ROCHESTER COMMUNITY COLLEGE

- The business office should devise another method for issuing change fund checks to students who attend class after hours. Change fund checks should not be pre-signed.

7. PRIOR FINDING PARTIALLY RESOLVED: Cash receipts duties are inadequately segregated in the RCC bookstore.

The college operates a bookstore to provide students with textbooks and supplies. Profits are used primarily for funding various student activities and projects.

Duties at the RCC bookstore are not adequately segregated. Currently, one employee performs the following duties relating to receipts:

- operating the cash register,
- approving voids and refunds,
- ringing out the cash register, and
- preparing daily deposits.

A fundamental concept of good internal accounting control is that no one person should handle all aspects of a transaction from beginning to end. To the extent possible, initiation and approval of transactions, custody of assets, and recordkeeping should all be separated from one another. This separation would provide an automatic check on the accuracy of the work performed and would decrease the probability of errors or irregularities going undetected.

### RECOMMENDATION

- Incompatible bookstore duties, including closing out the cash register and reviewing voided transactions, should be done by business office employees.

8. PRIOR FINDING NOT RESOLVED: Voids and refunds are not adequately documented at the RCC bookstore.

All purchases made in the bookstore are rung up through the bookstore cash register. However, it may be necessary to void a transaction after it has been recorded. This may occur because a keying error was made when the transaction was entered into the cash register or because the student had insufficient money to pay for the purchase. When a void is made no documentation is retained concerning the void. The sales slip is not signed by the worker who made the void, nor is it approved by a second bookstore employee.

Refunds may be given to students who return books and other articles to the bookstore. The student must present the original sales slip in order to receive a refund. When money is refunded, a special paid out sales slip is generated by the cash register and placed in the cash register

## ROCHESTER COMMUNITY COLLEGE

drawer. This paid out slip must be signed by the person receiving the refund. However, again, the paid out slip need not be signed by the person who gave the refund nor approved by a second bookstore employee. In addition, this paid out slip may not give any information concerning the items that were returned.

Proper approvals for voids and refunds are important because these items represent decreases in the money present in the cash drawer compared to the cash register totals. Therefore, each void and refund should indicate who made the void or refund and should be approved by a second bookstore employee. For refunds, the student should be required to complete a form which lists the student's name, student identification number, specific books or supplies being returned, the amount of refund and the student's signature. The bookstore employee approving the refund should indicate the transaction number of the paid out amount, the transaction number of the original receipt, and also sign the form. The paid out slips should be retained and attached to the form at the end of the day. These procedures have successfully been used at other college bookstores and would significantly strengthen internal control over voids and refunds.

### RECOMMENDATIONS

- All bookstore voids and refunds should be properly documented. Each void or refund should indicate which employee made the transaction and should be approved by a second employee.
- A list of refunds should be maintained showing all pertinent information concerning the refund and signed by both the student receiving the refund and the bookstore employee.

#### 9. PRIOR FINDING PARTIALLY RESOLVED: Old outstanding accounts receivable are not periodically written off.

RCC needs to improve its procedures for writing off checks returned due to insufficient funds (NSF checks) and outstanding tuition balances. Minn. Stat. Section 10.15 provides for the cancellation of accounts receivable that have been delinquent more than three years. Delinquent accounts should be submitted to the Executive Council to be written off.

Currently, NSF checks are recorded on ledgers that show the amount and the date the bank notified RCC of insufficient funds. When the NSF check is paid, the amount is crossed off the ledger. The current method is not sufficient. The ledgers are dated back to 1980, and it is difficult in some cases to determine what accounts have been paid and what accounts have been written off. To determine the balance due for NSF checks, the ledgers should be updated on a periodic basis and old NSF checks should be written off.



## ROCHESTER COMMUNITY COLLEGE

The outstanding tuition balances should also be periodically listed, aged, and written off. Currently, outstanding tuition balances are kept in a file in alphabetical order by student. At the time we reviewed the file, 53 students had outstanding tuition balances. One student had an outstanding balance dating back to 1983. RCC does not keep a ledger on these accounts that shows the amount due and the date the debt occurred. To accurately determine the balance on these accounts, RCC should maintain current ledgers that age the accounts and maintain controls that would indicate when accounts should be written off.

### RECOMMENDATION

- All old outstanding accounts receivable should be listed, aged, and written off as appropriate.

ROCHESTER COMMUNITY COLLEGE

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

Procedures concerning the Rochester Community College (RCC) imprest cash fund need to be improved.

1. The RCC imprest cash fund should be maintained within the authorized limits. Excess borrowing should be discontinued and any refund amounts, such as those received from expenditure refunds and revenue recapture should be redeposited into the proper accounts.

RECOMMENDATION IMPLEMENTED. The RCC imprest cash fund is maintained within the authorized limits. Funds are no longer borrowed from the Auxiliary Enterprise account. At the beginning of each quarter the Chancellor's Office provides the RCC's imprest cash fund with \$40,000. The \$40,000 amount is returned within 30 days. Refund amounts are no longer retained in the imprest cash fund. They are deposited into the accounts from which they originated.

2. Old outstanding imprest cash checks should be written off as appropriate.

RECOMMENDATION IMPLEMENTED. Checks outstanding in excess of three years have been written off at the end of each fiscal year.

3. Outstanding travel advances should be repaid within 30 days after the travel has occurred.

RECOMMENDATION IMPLEMENTED. Travel advances are monitored. Advances have now been repaid within 30 days.

4. All imprest cash disbursements should be properly documented, authorized and approved, in accordance with Community College Board policies and Department of Finance policies and procedures.

RECOMMENDATION IMPLEMENTED. All imprest cash disbursements reviewed were properly documented, authorized and approved, in accordance with Community College Board policies and Department of Finance policies and procedures. The limit for payments, requiring Chancellor's Office approval, has been raised from \$500 to \$1,500.

RCC incurred an unauthorized short-term debt during fiscal year 1984.

5. RCC should not borrow money without specific legal authorization.

RECOMMENDATION IMPLEMENTED. RCC has not incurred debt during fiscal years 1985, 1986 and 1987. The RCC business manager is aware of the debt requirements and will not borrow money without specific legal authorization.

ROCHESTER COMMUNITY COLLEGE

Duties are inadequately segregated in the RCC bookstore.

6. Incompatible bookstore duties should be separated.

RECOMMENDATION PARTIALLY IMPLEMENTED. Incompatible duties relating to disbursement such as preparing the bookstore checks for signature, performing the monthly bank reconciliation, and posting disbursements to the accounting records, are now done by business office personnel. Incompatible duties relating to receipts have not been adequately segregated. See current finding #7.

Voids and refunds are not adequately documented at the RCC bookstore.

7. All bookstore voids and refunds should be properly documented. Each void or refund should indicate which employee made the transaction and should be approved by a second employee.

RECOMMENDATION NOT IMPLEMENTED. See current finding #8.

8. A listing of refunds should be maintained showing all pertinent information concerning the refund and signed by both the student receiving the refund and the bookstore employee.

RECOMMENDATION NOT IMPLEMENTED. See current finding #8.

The bookstore is not making use of the revenue recapture act provisions to attempt to recover returned checks.

9. The RCC bookstore should attempt to use the state revenue recapture act whenever possible to collect on checks returned for insufficient funds.

RECOMMENDATION IMPLEMENTED. The RCC bookstore currently submits all checks over \$25 to revenue recapture.

There is not an adequate separation of duties of the cash operations of the Rochester Community College (RCC) business office.

10. RCC should separate incompatible duties concerning the cash operations in the business office.

RECOMMENDATION PARTIALLY IMPLEMENTED. The business office has improved controls over receipts since the last audit. The receipts clerk no longer controls the entire receipt process. Currently, two persons are involved in ringing out the register and preparing the daily deposit. The office manager then reviews the daily deposit sheet. The office manager also reconciles the monthly deposits to the statewide accounting receipt reports. However, there are still incompatible duties that need to be separated. See current finding #6.

ROCHESTER COMMUNITY COLLEGE

RCC needs to improve controls by verifying commission revenues from contracted services.

11. RCC should periodically verify that all commission money collected is accurately reported.

RECOMMENDATION IMPLEMENTED. Food service reports are verified to the food service vendor's books each month. Periodically, a college representative accompanies the collection person when vending and game machines are emptied. The college representative verifies that the contents of the machines are being accurately counted and reported.

Controls over cash on hand at the bookstore need strengthening.

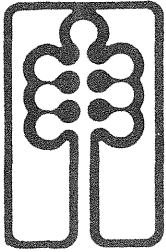
12. Bookstore cash should not be withheld from deposits. If additional cash is needed, a check should be prepared and approved by the business office. The additional cash should be recorded as cash on hand on the monthly trial balance.

RECOMMENDATION IMPLEMENTED. Cash is no longer withheld from bookstore deposits. When cash is needed, a check is prepared and approved by the business office.

Old outstanding accounts receivable are not periodically written off.

13. All old outstanding accounts receivable should be listed, aged, and written off as appropriate.

RECOMMENDATION PARTIALLY IMPLEMENTED. RCC has established an internal policy to write off receivables that are seven years old. Emergency student loans outstanding prior to 1980 were written off. A list of all outstanding loans has been established. However, a list of NSF checks with total outstanding balance is not kept. Outstanding tuition balances are not listed or aged. See current finding #9.



ROCHESTER  
COMMUNITY  
COLLEGE

August 19, 1988

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

Dear Ms. Leifeld:

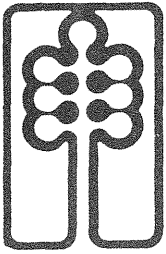
Attached is our response to the audit your staff conducted at Rochester Community College. As you requested, I have indicated the person(s) who will be responsible to implement the recommendation and the date it was or will be implemented.

Sincerely,

Geraldine A. Evans  
President

GAE:ms

c: Dr. Gerald Christenson, Chancellor



ROCHESTER  
COMMUNITY  
COLLEGE

OFFICE MEMORANDUM

TO : Ms. Jeanine Leifeld

FROM: Geraldine A. Evans  
President

DATE: August 19, 1988

PHONE: (507) 285-7215

Subject: Response to College Audit  
Current Findings and Recommendations

1. Duties are not adequately separated in the financial aid check preparation process at Rochester Community College.

- A. We will remove Ruth Smith from authorized signature list. We added Ruth to the signature list a few years ago in order to provide faster service to the students. We will remove her name from the list in August.

Person responsible - Gary Swenson  
Projected date for completion - August 1988

- B. We will assign Mike O'Dea, an account clerk, to do the bank reconciliation statement for the Financial Aids Program. He is independent of the financial aid check preparation process.

Person responsible - Ruth Smith  
Projected date of implementation - August 1988

2. Internal controls over financial aid award letters need to be improved.

One file pulled for detail study by the auditors was questioned because of a revision in the budget from live-at-home to renter. Because of the location of the student's home town, the information on the CFAR was overridden and a live-at-home budget was used.

Later, when it was discovered that the student actually was renting--the award was revised to reflect a renter budget. This was questioned by the auditors.

Also, when the award was typed (all are done manually at RCC), the Secretary inadvertently listed the Pell Grant amount on the line just below, titled Minnesota State Grant.

Student was late in picking up the first disbursement of his Pell Grant, and this is an area whereby the Business Office will need to more closely monitor aid checks that it is holding.

Personal responsible - Gordon Trisko  
Projected date of implementation - June 1988

**3. Documentation supporting payments to off-campus agencies employing college work study students needs improvement.**

Because of FICA requirements, all students working at private non-profit off-campus agencies are paid 100% by those agencies, and the college is billed for the federal 80%.

Most of these agencies bill the college in a timely manner and submit copies of the time cards for the students employed.

As per the Auditor's recommendation, we will require timely billings and copies of all time cards for students working at these agencies (see attached memo which went out to all such agencies).

Personal responsible - Gordon Trisko  
Projected date of implementation - June 1988

**4. RCC does not review the biweekly certification reports for classified employees.**

When this was brought to our attention during the audit, we started verifying the payroll immediately.

Person responsible - Susanne Sheehan  
Projected date of implementation - June 1988

**5. RCC business office personnel do not comply with proper authorization controls for the student registration system and the cash register.**

A. Our system-wide computer has now been programed so that before any payments can be processed we have to type in a four-digit cashier ID number that will identify the operator. This will identify the operator in the same manner as logging on and off did in the past. Each individual will also sign off and on with their individual ID number.

Person responsible - Ruth Smith  
Projected date of implementation - August 1988

- B. In the past we have always tried to sign all receipt forms. With student help, this has sometimes been inadvertently skipped. We will see that all receipt forms are signed.

Person responsible - Ruth Smith  
Projected date of implementation - June 1988

- C. Again we do have a procedure for handling over-rings, this procedure has not always been enforced with the student help. On many of the occasions there is long lines of students and two people working jointly at the window. When an error was made they would correct it immediately and continue. We will now see that on each occasion they take the time and get a supervisor to approve the over-ring form. This will delay the service to our public (the students) sometimes.

Person responsible - Ruth Smith  
Projected date of implementation - August 1988

**6. PRIOR FINDING PARTIALLY RESOLVED: Duties are inadequately separated over the cash operations of the Rochester Community College (RCC) business office.**

- A. Ruth Smith, our accounting technician and supervisor, will not ring up tuition or run the register on a regular basis. This will work most of the time, but there are occasions when she has to fill in when other business office staff are ill or on vacation. We have asked for additional staff to work for us on an intermittent basis. If we get this help, that person can then be called in when there is an emergency.

Person responsible - Gary Swenson  
Projected date of implementation - August 1988

- B. We will account for all miscellaneous receipt forms on an annual basis.

Person responsible - Ruth Smith  
Projected date of implementation - August 1988

- C. We will have another staff member in the business office ring up the miscellaneous receipts. This will prevent the same person from keeping the account records and ringing up the miscellaneous receipts.

Person responsible - Ruth  
Projected date of implementation - August 1988



- D. Finding another method of issuing change fund checks to students after hours presents a real problem. I can think of several solutions right off, they are: One, deal only with cash at night. That would mean having between \$5,000 to \$10,000 of cash on hand so that we can cash federal checks or student loan checks that we get from our evening students. This presents other problems like security and errors inherent in dealing with cash. We used this procedure for many years and decided to change to checks because it posed fewer problems. Two, we could hire additional staff, unfortunately we do not have funds in our budget to justify this. Three, we could close the business office temporarily and go to another office and get a signature. This stops service to students. Or four, we could tell the students that they cannot pick up their financial aids at night. This would not be very popular among the students, many of them are busy during the day and cannot come out to RCC to pick up their aid. The procedure we now have provides the best service to students.

We will look at this problem and see if we can come up with a solution that will satisfy both the audit concerns you mentioned and provide the needed service at night. We feel the present system is not perfect, but a real improvement over handling cash. This checking account is a clearing account that balances out daily to \$3,000 and that is monitored by another employee other than the one working at night. If there was any discrepancy from the fund balance, it would be caught immediately.

Person responsible - Gary Swenson

Projected date of implementation - As of yet we have no solution to this problem.

**7. PRIOR FINDING PARTIALLY RESOLVED; Cash receipts duties are inadequately segregated in the RCC bookstore.**

Currently we have three people working in the bookstore, a manager, an assistant, and a part-time evening clerk. We have tried to segregate the duties as much as possible with the staff we have. The evening part-time employee rings the register out and makes up the deposit. The manager reviews her work on a periodic basis. With two full-time employees and a part-time evening employee, it is impossible to have specialists. The bookstore is open from 8:00 a.m. until 8:00 p.m. weekdays, except Fridays, with those three staff members. They have to take breaks, they get sick, take vacation, etc., it is impossible to separate all those duties you have mentioned with out additional staff. We will look into the possibility of having staff from another office assist with some of the duties.

Unfortunately, we have similar problems in the business office with staffing. With training, we could switch some duties, having the business office ring out the register in the bookstore and vice versa. We will look into this.

Person responsible - Gary Swenson  
Projected date of implementation - As soon as staffing allows.

**8. PRIOR FINDING NOT RESOLVED: Voids and refunds are not adequately documented at the RCC bookstore.**

- A. The bookstore has developed a void slip that is filled out for each void. The void slip has a reason for the void, amount voided, receipt number, cashier's signature, and approval by another bookstore employee.

Person responsible - Marilyn Holum  
Projected date of implementation - August 1988

- B. The bookstore has developed a refund slip that will be filled out for each refund and kept on file. The refund has on it a place for the description of the book, reason for return, student ID number, amount of refund, receipt number, customer signature, and who it was refunded by.

Person responsible - Marilyn Holum  
Projected date of implementation - August 1988

**9. PRIOR FINDING PARTIALLY RESOLVED; Old outstanding accounts receivable are not periodically written off.**

We are now aging our accounts receivable and will follow the audit recommendations on writing them off.

Person responsible - Ruth Smith  
Projected date of implementation - August 1988



## Office Memorandum

TO: Non-Profit Work-Study Agencies      DATE:

FROM: *G.J. Trisko*  
G.J. Trisko, Financial Aid Counselor      PHONE: 285-7267

SUBJECT: Billing and Reporting of Hours

The State of Minnesota Legislative Auditors have just completed an audit of RCC's Federal Financial Aid Programs. We received a few minor criticisms, one of which dealt with our work-study students at off-campus non-profit agencies.

The Auditors indicated that the billing for the agency's 80% must be on an on-going basis and no less than once a month. They found cases where a billing came in covering two, three, or more months.

In addition, they indicated that we must receive from the agency a copy of the student's pay record or time sheet, showing the hours worked and the basis for payment. Many of you already do that and we thank you.

So, to meet audit criteria, we will have to ask you to bill no less than once per month for the 80% and that you send us a copy of the student's time card for our records.

We thank you for your cooperation.