

**DULUTH COMMUNITY COLLEGE CENTER
INTERNAL CONTROL EVALUATION
AS OF JUNE 15, 1989**

JANUARY 1990

DULUTH COMMUNITY COLLEGE CENTER

INTERNAL CONTROL EVALUATION AS OF JUNE 15, 1989

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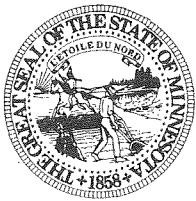
OBJECTIVE:

- EVALUATE MAJOR INTERNAL ACCOUNTING CONTROL SYSTEMS: Tuition and fee receipts, the bookstore, and the auxiliary bank account.

CONCLUSIONS:

- Internal controls were found to be inadequate.
 1. Receipts are not reconciled to the student registration system.
 2. Documentation for tuition payments is inadequate.
 3. Receipts deposited are not reconciled to the statewide accounting system.
 4. Students are not paying their tuition promptly.
 5. The center's change fund has not been authorized.
 6. Agreements to support joint programs have not been written.
 7. Bookstore records are not reconciled to book sales.
 8. Center bookstore records are not reconciled to those maintained by Hibbing and Mesabi Community Colleges.
 9. Bookstore inventory duties are not adequately separated.
 10. Bookstore refunds are not documented.
 11. Auxiliary account checks are not properly authorized.
 12. Documentation for auxiliary account checks is inadequate.
 13. The auxiliary account ledger has not been reconciled to the checking account balance.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

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Mesabi Community College

Ms. Carolyn Kueny, Director
Duluth Community College Center

Audit Scope

We have made a study and evaluation of the system of internal accounting control of the Duluth Community College Center in effect as of June 15, 1989. Our evaluation 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 Government Auditing Standards, and accordingly, included such audit procedures as we considered necessary in the circumstances.

Internal Accounting Control Systems

The objective of this audit was to study and evaluate major internal accounting control systems, including tuition and fee receipts, bookstore, and the auxiliary bank account at the Duluth College Center in effect as of June 15, 1989.

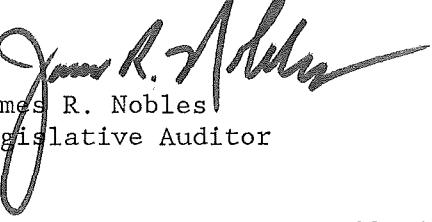
As further described in Sections I and II, the management of the Arrowhead Community College Region, Hibbing and Mesabi Community Colleges, and the Duluth College Center are responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates 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.

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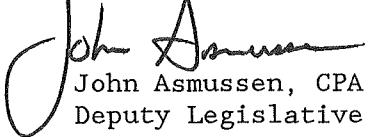
Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that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

Conclusions

Our study and evaluation disclosed the issues addressed in Sections II and III concerning the Duluth College Center's system of internal accounting controls in effect as of June 15, 1989. In our opinion, these issues 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 center may occur and not be detected within a timely period.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: June 23, 1989

REPORT SIGNED ON: January 4, 1990

DULUTH COLLEGE CENTER

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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
Pat Ryan	Auditor-in-Charge
Mary Annala	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following officials of the Duluth College Center, Hibbing and Mesabi Community Colleges, and the Community College System at an exit conference on December 18, 1989.

Carolyn Kueny	Director, Duluth Center
Bonnie LoGuidia	Clerk, Duluth Center
Philip Anderson	President, Arrowhead Region
Anthony Kuznik	Provost, Hibbing Community College
Ron Blakesley	Director of College Services, Hibbing Community College
Glenn Wood	Director of Fiscal Services, Community College System
Jim Harris	Internal Auditor, Community College System



DULUTH COLLEGE CENTER

I. INTRODUCTION AND BACKGROUND

The Duluth College Center is a part of the Arrowhead Community College Region. The region office consolidated the management of all community colleges in northeastern Minnesota. The Duluth College Center director reports to the provost of Hibbing Community College. The college provost, in turn, reports to the Arrowhead Region president.

The Duluth College Center began in 1985 as a clinical site for Hibbing Community College's nursing program. The center expanded to include courses in liberal arts in 1986. Originally, Hibbing Community College offered these courses to provide the additional general education classes needed by the nursing students. However, as the course offerings expanded, so did the students served. According to enrollment information provided by the Community College System, the following number of students have attended the Duluth Center:

<u>Headcount</u>	<u>Full-Time Equivalent</u>
Fall 1986	83
Fall 1987	224
Fall 1988	382
Fall 1989	740
	58.47
	136.53
	212.27
	375.00

Since the center is not separately accredited, all of its classes must be courses which have been approved for Hibbing Community College by the Higher Education Coordinating Board. In addition, since certain courses the center wanted to offer are not available through Hibbing Community College's programs, Mesabi Community College offers some classes at the center.

Both the administrative offices and classrooms for the Duluth College Center are located in a former Duluth high school. The center offers both degree and occupational programs. The programs include an Associate of Arts (two year liberal arts) degree, an Associate of Science Degree in Nursing, and an Associate of Applied Science degree in such areas as radiological technology, human services, physical therapist assistant, occupational therapy, medical laboratory technician, fire technology and administration, productivity technician, accounting, and law enforcement. The center offers several of these programs jointly with either the Duluth Technical Institute or Hibbing Community College and Hibbing Technical Institute. In the joint programs, the students must attend certain classes at the center and certain classes at the other educational institution to satisfy their course requirements.

The Duluth College Center receives funding through the Hibbing Community College and through tuition receipts. As of July 1, 1989, the Community College Board included the center for the first time within the formula funding allocation. This allowed the center to receive direct appropriation funding.

DULUTH COLLEGE CENTER

II. CONTROL ENVIRONMENT

This audit report contains many findings and recommendations concerning administrative and internal accounting controls at the Duluth College Center. These weaknesses resulted in our conclusion that controls at the center are inadequate.

There are several reasons why an adequate control system has not been established for the center. First, we saw no evidence that proper funding for the center's administrative support needs was established before the center began to operate. The Community College Board did not specifically establish the center. Since, until fiscal year 1990, the center had no official status, the Community College Board did not separately fund it. Because of the shortage of funds, it appears that first priority was given to instructional needs, with less emphasis on administrative support.

A clerk typist performed most accounting duties at the center. However, her position description listed 'bookkeeping' duties which, along with other miscellaneous duties such as photocopying and processing mail, was expected to take only 20 percent of her time. Since this clerk was neither hired or trained for the duties she performed, many records had not been maintained and some tasks had not been done.

The Mesabi and Hibbing Community College business offices performed some accounting functions for the center. However, the division of responsibilities between each of the colleges and the center was not clearly defined. No one had specifically assigned some duties to either the center staff or to college business office staff. There was confusion as to which location would keep certain official records for the center and who would perform key reconciliations.

Because of this confusion, the center had not received enough supervision and oversight. The college business offices performed duties relating to their respective college first, often leaving center deposits not posted to the student registration system, reconciliations between deposits and the statewide accounting system not done timely, and large discrepancies between college and center bookstore records unresolved. There was inadequate monitoring of the activities of the center. This allowed some weaknesses and poor practices to continue without being questioned.

All the weaknesses cited in this report subject the Duluth College Center to an unacceptable risk of errors and irregularities. The managements of the Arrowhead Region office, Hibbing and Mesabi Community Colleges, and the Duluth College Center must all work together to resolve these weaknesses.

DULUTH COLLEGE CENTER

III. ACCOUNTING RECORDS AND CONTROLS

Tuition and Fee Receipts

When students registered for Duluth College Center classes, a manual registration form was prepared. Since the center did not have access to the computerized community college student registration system, student names were manually entered onto class lists at the center business office. Registration forms were forwarded to either Hibbing or Mesabi Community College, where the registration information was entered onto the student registration system.

The center processed all receipts through one cash register. The center obtained the cash register in May 1989. For students who paid their tuition at the center, the cashier prepared a four-part manual fee statement. Once the tuition has been paid, a copy of the fee statement was forwarded to either Hibbing or Mesabi Community College. The colleges updated the student's status in the student registration system, showing that the student had paid. In March 1988, the center got a state depository account. As a result, the center now deposits tuition and fee receipts directly into the bank. Before that time, receipts were forwarded to the applicable community college for deposit.

The Duluth College Center collected most tuition and fees for their classes. However, for programs jointly sponsored by the center and the Duluth Technical Institute, students registered and paid at the technical institute. The technical institute then paid the center for the tuition attributable to classes taught by the center.

Several weaknesses in the internal accounting control system over tuition and fee receipts expose this accounting area to a high risk of errors or irregularities. We found problems in the following areas:

- incoming receipts are not reconciled to the student registration system,
- documentation for tuition payments is inadequate,
- receipts deposited are not reconciled to the statewide accounting system,
- students are not paying their tuition promptly,
- the center's change fund has not been authorized, and
- agreements to support joint programs have not been written.

These areas require immediate attention to provide assurance that tuition and fee receipts are adequately protected against loss, theft, or misuse. Each problem area is discussed in more detail.

DULUTH COLLEGE CENTER

1. Hibbing and Mesabi Community Colleges are not reconciling Duluth Center tuition receipts to the student registration system.

Hibbing and Mesabi Community Colleges are not reconciling the tuition collected at the Duluth College Center to the students coded as paid in the student registration system. In addition, they are not posting fee statements received from the center into the system in a timely manner.

The Community College System has a central computerized student registration system for all community colleges. Since the Duluth College Center does not have access to this system, either Hibbing or Mesabi Community College must enter the date and payment code into the student's record on the registration system. Each day, the system produces a cash report which lists all students entered into paid status during that day. This report should agree with the daily tuition receipts deposited by the center.

At Hibbing Community College, no reconciliation between the center receipts and the students marked as paid in the student registration system is done. Rather, the account clerk omits all entries which relate to the center when she does the daily reconciliation. Therefore, she only includes receipts collected at Hibbing Community College in her reconciliation.

At Mesabi Community College, the center's receipts are included in the daily student reconciliation. However, discrepancies are not always adequately pursued. In one case, the reconciliation was \$202 off and the account clerk was unable to find the difference because fee statements for that date were filed before she found the discrepancy.

Finally, at both Hibbing and Mesabi Community Colleges, student payments are not posted on the student registration system in a timely manner. Because of this, at any point in time, the system may not accurately reflect payments made to date. In addition, posting delays made the reconciliation between the student registration system and receipts deposited more cumbersome and difficult.

The reconciliation of the student registration system provides a critical cash control. This reconciliation makes sure that all receipts were properly recorded and that all students properly paid for their classes.

RECOMMENDATIONS

- Hibbing and Mesabi Community Colleges should promptly post Duluth Center paid fee statements to the student registration system.
- Hibbing and Mesabi Community Colleges should perform daily reconciliations between the student registration system and the tuition receipts deposited by the Duluth Center.

DULUTH COLLEGE CENTER

2. Tuition payments made by students are not adequately documented.

On March 11, 1988 the center obtained a state depository. Before that time, the center sent all tuition payments made by students to either Hibbing or Mesabi Community College for deposit. Since the colleges prepared the fee statements, the center has no detailed records of tuition payments by student during that period.

In May 1989, the Duluth College Center got its first cash register. However, receipt transactions are still not adequately documented. Although the cashier now prepares manual fee statements, the cash register does not have the capability of validating the fee statements as the cashier rings up the payment. The student's official receipt consists of the cash register receipt. Since the cash register cannot print the transaction numbers and amounts onto the fee statements, center officials cannot trace specific cash register transactions to their related fee statements. In addition, although the center uses prenumbered fee statements, the sequence of all fee statement numbers are not accounted for. Because no reconciliation between deposits and students paid is done (see finding 1), it would be possible for someone to prepare a fee statement and have it entered into paid status without depositing the related tuition receipts.

Finally, the center cashier does not adequately document voided transactions. She does not always note the reason for the void on the related fee statement. The void key on the cash register does not work. Although the cash register assigns sequential transaction numbers to the entries, the cash register tape only records the transaction totals, not the details of the transactions. Since the register does not validate the fee statements, it is also impossible to trace the voids to the related individual fee statements. Since voids represent decreases to cash collected, it is important that the cashier document the reasons for all voids.

RECOMMENDATIONS

- The center should account for all prenumbered fee statements.
- The center should adequately document all voids.

3. Receipts deposited are not being reconciled to the statewide accounting system.

The center deposits all tuition and fee receipts into the state depository. For each deposit, the center clerk prepares a deposit slip and sends copies to the State Treasurer and both Hibbing and Mesabi Community Colleges. Account coding and amounts from the deposit slip are entered into the statewide accounting (SWA) system by the Department of Finance.

No one reconciles the deposit slips to the monthly statewide accounting receipt reports. This reconciliation is important to verify that all entries into the SWA system are accurate. In addition, it is required by Department of Finance policy 06:06:03.

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RECOMMENDATION

- The accuracy of receipts should be verified by reconciling all deposits to the statewide accounting system reports on a monthly basis.

- 4. Hibbing and Mesabi Community Colleges are not requiring prompt payment of tuition.

The Minnesota Community College Board establishes policies and regulations under which all community colleges operate. Board policy IV.01.06 allows deferment of tuition and fees only in specific situations. According to the policy, the college is to drop from classes any students without valid deferments. However, the center has not dropped students for nonpayment of tuition.

Since the center does not have access to the student registration system, either Hibbing or Mesabi Community College must remove students from the system. However, these colleges will not drop students without notification from the center. The colleges also do not pursue students with outstanding balances due. In addition, the colleges do not routinely flag the files of students who have unpaid accounts. This practice increases the risk that some tuition and fees may never be collected.

RECOMMENDATION

- Hibbing and Mesabi Community Colleges should require prompt payment of tuition and fees from those students who do not qualify for deferments. The colleges, in conjunction with the center, should develop a policy which will make sure that students pay tuition due on a timely basis or are dropped from classes.

- 5. The center's change fund has not been properly authorized.

The center maintains \$50 in the cash register to make change. This money came from the center's auxiliary account. Pursuant to Minn. Stat. Section 15.191, the Department of Finance must approve all imprest cash funds, including those for the purpose of providing change. The center has not gotten this approval. Although both Hibbing and Mesabi Community College have authorized imprest cash accounts, we saw no evidence that they had assigned a portion of their authorization to be used at the Duluth College Center.

RECOMMENDATION

- The center should work with the Department of Finance and the Community College Board Office to obtain the proper authorization for its change fund.

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6. The center has no written agreements to support their joint programs.

There is no written agreement between the Duluth College Center and the Duluth Technical Institute. The center offers many joint programs with the technical institute. For these programs, students take some of their classes at the technical institute and some at the center. Students register and pay for their classes at the technical institute. The technical institute then repays the center for their portion of the tuition receipts. To avoid any misunderstandings or disputes, the center should negotiate a formal, written agreement with the technical institute. This agreement should discuss such items as tuition, refunds, payment dates, and a dispute resolution process.

RECOMMENDATION

- The center should enter into a formal, written agreement with the Duluth Technical Institute.

Bookstore

The Duluth College Center sells the books students need for center classes. Center instructors filled out forms listing which textbooks will be required for the upcoming quarter. Since all course offerings originate with either Hibbing or Mesabi Community College, all requests for books were sent to one of those colleges. The colleges ordered the books and had them shipped to the center. When a student bought books, the cashier rang the sale through the center's cash register. Book sales were deposited into the center's local auxiliary checking account. The center clerk determined the quantity of books sold through physical counts. Since Hibbing and Mesabi Community Colleges ordered and paid for the books, the director was to return all receipts, less a 10 percent commission, to the colleges annually. Unsold books were also to be returned to the respective college.

The bookstore procedures have several weaknesses, including the following:

- center records are not reconciled to book sales,
- center records are not reconciled to those maintained by Hibbing and Mesabi Community Colleges,
- inventory duties are not adequately separated, and
- bookstore refunds are not documented.

7. Book records maintained by the center are not reconciled to book sales.

The center does not verify the accuracy of book deposits in two areas. First, deposits made as a result of book sales are not reconciled to book sale fee statements. When a student buys a book from the center bookstore, the cashier prepares a manual fee statement which lists the books

DULUTH COLLEGE CENTER

purchased. At the end of the day, the center clerk deposits all bookstore receipts into the local auxiliary checking account and records the deposit in a bookstore ledger. However, no one reconciles the day's fee statements to the amount deposited. Because of this, the center cannot be certain that all bookstore receipts were properly deposited.

In addition, no one compares total bookstore receipts deposited to books sold. At the end of each quarter, the center clerk determines the quantity of each textbook sold by taking a physical inventory of all books on hand. She then calculates the number of books assumed to be sold, based on the number of books originally shipped to the center and the books returned. Considering the selling price of each book sold, the clerk determines total sales for the quarter. However, this sales amount is not compared to the total book deposits made during the quarter. As a result, the center has not determined whether deposits made are reasonable.

RECOMMENDATIONS

- The center should reconcile bookstore deposits to books sold each day.
- The center should compare total bookstore deposits to books sold per the inventory at the end of each quarter.

8. Center book sale amounts do not agree with records kept by Hibbing and Mesabi Community Colleges.

The quantity to books sold according to Duluth College Center records are not reconciled to books sold according to Hibbing and Mesabi Community College bookstore records. The center bookstore accepts books from Hibbing and Mesabi Community College on consignment. All books are originally purchased by either the Hibbing or Mesabi Community College bookstore, depending on which college originated the course. The center must pay all book receipts, less a 10 percent commission, to the respective college. In the past, the center made this payment once per year. The center clerk determines book sales based on a physical inventory of books on hand at the end of each quarter. Likewise, both the Hibbing and Mesabi Community College bookstores keep ledgers to books ordered for the Duluth College Center, as well as any books returned by the center.

The center and college records do not agree and the reasons for the discrepancies have not been thoroughly investigated. For example, for school year 1989, the Mesabi bookstore records showed a total of \$5,700 owed by the center. On the other hand, the center physical inventory count resulted in a total of \$7,479 owed by the center to the college. The cause of the remaining difference was never determined. The center ultimately paid the college for the amount owed per the center's ledger.

Textbooks represent a major investment for the college bookstores. Since the center keeps these books on consignment, it is important that both the

DULUTH COLLEGE CENTER

center and the related colleges keep accurate records of the quantity of books involved. These records should be periodically reconciled to verify the amount of book sales owed by the center.

RECOMMENDATION

- Hibbing and Mesabi Community Colleges should reconcile their book sales records to the corresponding records at the center. All significant differences should be investigated and resolved.

9. Separation of duties over bookstore inventory needs to be improved.

The Duluth College Center clerk is responsible for all aspects of accounting for bookstore inventory. She orders the required textbooks from Hibbing and Mesabi Community Colleges based on instructor book lists. She also receives and counts the books, enters them onto the ledger sheets, and returns extra books to the respective colleges. At the end of each quarter, she does an inventory count of the books on hand and determines the quantity of each book sold and determines the amount of sales. This lack of separation of duties gives one employee total control over bookstore inventory. This is especially important because no reconciliation between records maintained by the center and by the college bookstores is done (see finding 8). To adequately segregate these functions, someone independent of the bookstore should perform the quarterly physical inventory counts.

RECOMMENDATION

- A center employee independent of the bookstore should perform the quarterly inventories of the books on hand.

10. Bookstore refunds are not properly documented.

The center does not require students to sign for book refunds. Refunds may be given to students who return books. These refunds are made in cash. When the clerk makes a refund, she prepares a manual fee statement which shows the name of the book returned and the amount. Although the clerk writes the student's name on the fee statement, the clerk does not require the student to sign a receipt or indicate the reason for the refund. Because a refund represents a reduction of cash, it is important that the center adequately document all refunds.

RECOMMENDATION

- The Duluth bookstore employee and the student should both sign the refund fee statement.

DULUTH COLLEGE CENTER

Auxiliary Account

The Duluth College Center has one local checking account. The center uses this account for a variety of purposes including the following:

- depositing book sales receipts and writing book sales reimbursement checks to Hibbing and Mesabi Community Colleges;
- depositing tuition payments made by a single check which must be split between Hibbing and Mesabi Community Colleges;
- depositing vending commissions and copy machine receipts;
- writing student book loan checks and depositing loan repayments; and
- depositing receipts and writing checks for the Duluth Student Senate.

Controls over this account are very weak and subject these activities to an unacceptable risk of misappropriation. The areas listed below require immediate action to assure that the money accounted for within the auxiliary account is properly protected.

11. Checks written from the auxiliary account are not properly authorized.

There is no control over the signing of auxiliary account checks at the Duluth College Center. We noted that, in at least three instances, the center director's signature appears to have been falsified on checks written from the account. According to the center director, these checks represented legitimate uses of the account. However, the lack of an authorizing signature on these checks is a serious weakness. In addition, the center has continued to include the name of the former center clerk on the authorized signature card for the account, even though she resigned in September 1988.

The bank only requires one signature on checks from this account. Despite this, in most cases the center clerk also signs the check below the regular signature line. The clerk is an authorized signer. However, since she is totally responsible for the checking account, the clerk's signature does not represent independent verification.

The most important controls in the cash disbursement function include the signing of checks by an independent individual with proper authority and careful examination of the supporting documentation.

RECOMMENDATIONS

- All auxiliary account checks should be reviewed and signed by an independent, authorized person.
- Employees no longer working at the center should be removed from the authorized signature card immediately.

DULUTH COLLEGE CENTER

12. Documentation to support checks written from the auxiliary account is inadequate.

The center clerk has not maintained documentation to support all auxiliary account disbursements. In many cases, employees have not provided receipts before being reimbursed for purchases they have made. The center does not require the use of internal payment vouchers. In at least one case, an auxiliary account check was made out to "cash" without any documentation supporting the disbursement. In order to be sure that all auxiliary account disbursements are proper, the center should require each purchase to be documented.

RECOMMENDATIONS

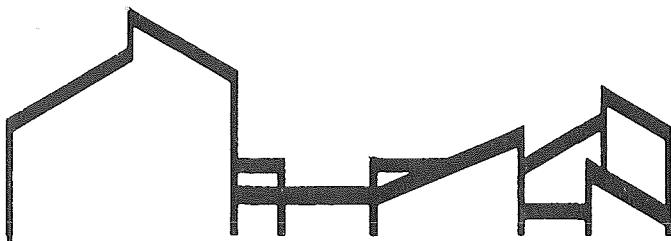
- The center should require adequate documentation for all auxiliary account disbursements.
- Auxiliary account checks should not be made out to "cash."

13. The auxiliary account ledger has not been reconciled to the cash balance on a monthly basis.

The auxiliary account is used for several purposes. The clerk maintains separate subledgers for each activity. However, the cash balance in these ledgers has not been reconciled to the cash balance according to the check book. This reconciliation is important so that any posting errors can be found on a timely basis.

RECOMMENDATION

- The subledger cash balances should be reconciled to the auxiliary account checkbook balance on a monthly basis.



Hibbing Community College

Arrowhead Region
1515 East 25th Street • Hibbing, MN 55746 • 218-262-6700

January 2, 1990

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

Dear Ms. Leifeld:

Enclosed is the formal written response to your letter and audit report to Ms. Carolyn Kueny dated November 21, 1989, regarding the audit of the Duluth Community College Center as of June 15, 1989.

Thank you for you and your staff's cooperation during the audit and at the December 18 exit conference. Measures have been taken to follow your recommendations and to correct the weaknesses as you stated.

If you have any further questions or need additional information regarding the response, please call me at (218) 262-6701.

Sincerely yours,

Anthony Kuznik
Provost

AK/jp

Enclosure

CC: Dr. Gerald Christenson, Chancellor
Dr. Philip Anderson, President
Ms. Carolyn Kueny, Duluth Center Director

DULUTH COMMUNITY COLLEGE CENTER
Response to Legislative Audit Report
January 2, 1990

Hibbing Community College agrees with the findings of the legislative auditor. Minimal administrative support was hired due to limited resources. The rapid growth and distance between the two sites no longer allows Hibbing Community College to effectively monitor the Duluth Center activities. Additional support staff was needed. We have recently moved the half-time Clerk position to a full-time Account Clerk and a half-time Clerk/Typist to full-time. In addition, we have recently hired a full-time Director of Student Services and are in the process of establishing a full-time Director of Center Services for Fond du Lac and Duluth. The person in the latter position will have the primary responsibility for fiscal management. The Director of College Services, Hibbing Community College, and Director of Administrative Services, Arrowhead College Region, will assist the Center in fiscal management and monitor the concerns and responses as hereby listed:

Concern #1--Hibbing Community College is not reconciling Duluth Center tuition receipts to the Student Registration System.

Response--Hibbing Community College is currently posting fee statements to the registration system and performing daily reconciliations between the Student Registration System and tuition receipts. This still results in delay as tuition receipts are mailed to Hibbing. By February 1, 1990, the Duluth Center Registration and Fee Processing System will be separated from Hibbing by Information Systems in St. Paul. This will allow the Center Account Clerk to receive daily reconciliation reports and the capability to process fee payments on-line immediately upon receipt of tuition. The Director of College Services, Hibbing Community College, and the Director of Administrative Services, Arrowhead College Region, will monitor the above process until the new position of Director of Center Services is hired and trained.

Concern #2--Tuition payments made by students are not adequately documented.

Response--Beginning February 1, 1990, fee statements will be generated from the computer as students make payments. A new cash register recently purchased will allow validation of fee statements. All voids on register will be initialled and reason for void will be listed on cash register tape by Account Clerk.

Concern #3--Receipts deposited are not being reconciled to the State-wide Accounting System.

Response--The accuracy of receipts are being verified by reconciling all deposits to the State-wide Accounting System. This being done by a person in a Clerk II position at Hibbing Community College.

Concern #4--Hibbing Community College is not requiring prompt payment of tuition.

Response--A deferment policy for deferment of tuition has been submitted to the System Office and approved. See attached copy. Due to the distance between Hibbing Community College and Center students, the Duluth Center staff will be responsible for collecting all tuition with assistance from Hibbing Community College Business Office. A balance due list can be generated beginning February 1 separating Duluth students from Hibbing, making it easier to track students.

Concern #5--Center's change fund has not been properly authorized.

Response--The Minnesota Community College System is in the process of establishing a revised policy that will include authorization for an imprest cash account at the Duluth Center.

Concern #6--The Center has no written agreements to support their joint programs.

Response--A joint agreement between Hibbing Technical College and the Duluth Center is being worked upon by a joint task force comprised of members from both institutions. Agreement will be submitted to the Community College Systems Office and the State Vocational office for final approval. Issues of Admission, Registration, Instruction, and Fiscal Matters are being addressed.

Concern #7--Book records maintained by the Center are not reconciled to book sales.

Response--Fee statements were used to distinguish between Mesabi and Hibbing books. The Mesabi Bookstore will no longer ship books to the Duluth Center; thus, fee statements will no longer be necessary. A new cash register which has been purchased will now allow the Account Clerk to reconcile daily bookstore deposits to cash register tape. Account Clerk will be trained in establishing a perpetual inventory to determine if physical inventory done quarterly agrees with sales.

Concern #8--Center book sale amounts do not agree with records kept by Hibbing and Mesabi Community College.

Response--Hibbing Community College did not find a large discrepancy between sales and amount owed the college. The college keeps accurate records of the quantity of books shipped. Quarterly inventories and book sales by the Center will be sent to Hibbing Community College. Shipping records will be matched to sales and inventory to determine amount owed by Center. If a discrepancy exists between both parties, it will be investigated by the Director of College Services, Hibbing Community College.

Concern #9--Separation of duties over bookstore inventory needs to be improved.

Response--Staff independent of bookstore will perform quarterly inventories of books on hand.

Concern #10--Bookstore refunds are not properly documented.

Response--All refunds will be handled by checks. These checks will be supported by vouchers documenting reasons for checks.

Concern #11--Checks written from the Auxillary Account are not properly authorized.

Response--Three individuals; Center Director, Student Services Director, and Account Clerk will be authorized to sign checks. The Director of Center Services, when hired, will also be placed on signature card. Primary signatures on all checks will be the Center Director's and the Account Clerk's. Signatures of past employees have been removed.

Concern #12--Documentation to support checks written from the Auxillary Account is inadequate.

Response--A payment voucher stating reason for check and vendor's name will be drawn up for every check issued. No checks will be made for cash.

Concern #13--Auxillary Account ledger has not been reconciled to the cash balance on a monthly basis.

Response--Staff other than the Account Clerk, whom maintains the Auxillary Account ledger, will balance ledger cash balances to bank statements on a monthly basis.