CAMBRIDGE COMMUNITY COLLEGE CENTER
FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1990

AUGUST 1991

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

91-48

Centennial Office Building, Saint Paul, Minnesota 55155 ● 612/296-4708

CAMBRIDGE COMMUNITY COLLEGE CENTER

FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1990

Public Release Date: August 15, 1991 No. 91-48

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: tuition and fee revenue, federal revenue, bookstore revenue, employees payroll expenditures, and federal financial aid expenditures.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found seven areas where the internal control structure needed improvement:

- The center has inadequate controls over tuition receipts.
- The center entered into contracts for instructional programs without proper authorization.
- The center has not maintained adequate accounting records.
- The center bookstore accounts receivable procedures are inadequate.
- The center has not adequately separated bookstore receipts duties.
- The center needs to improve internal controls over financial aid disbursements.
- The center is not processing part-time faculty payroll in accordance with union bargaining agreements or state procedures.

We found five areas where the center had not complied with finance-related legal provisions:

- The center does not deposit receipts promptly.
- The center entered into contracts for instructional programs without proper authorization.
- The center does not manage cash within its federal account properly.
- The center has not reimbursed its federal account for bank service changes.
- The center is not processing part-time faculty payroll in accordance with union bargaining agreements or state procedures.

Contact the Financial Audit Division for additional information.

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Gerald W. Christenson, Chancellor
Community College System

Members of the Community College Board

Dr. Patrick Johns, President
Anoka Ramsey Community College

Dr. Thomas Levig, Dean
Cambridge Community College Center

Audit Scope

We have conducted a financial related audit of the Cambridge Community College Center as of and for the two years ended June 30, 1990. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Cambridge Community College Center, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Cambridge Community College Center in effect as of January 1991.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Cambridge Community College Center are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Cambridge Community College Center's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Federal Financial Aid

We perform tests on the Cambridge Community College Center's federal financial aid programs in conjunction with our statewide audits of the State of Minnesota's annual financial statements and federal programs. We issued two separate management letters to the Community College System concerning federal financial aid during the audit period. They were dated April 26, 1990 and April 26, 1991, and covered fiscal years 1989 and 1990 respectively. The fiscal year 1991 management letter contained one finding related to the Cambridge Community College Center. The finding indicated that the center's satisfactory academic progress policy did not contain all of the necessary federal requirements.

Management Responsibilities

The managements of the Cambridge Community College Center and Anoka Ramsey Community College are responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- tuition and fee revenue,
- federal revenue,
- bookstore revenue,
- employee payroll expenditures, and
- federal financial aid expenditures.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

Our study and evaluation disclosed the conditions discussed in the control environment section of this report and in findings 1 to 6 and 9, involving the internal control structure of the Cambridge Community College Center. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable conditions described in findings 1 to 5 are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to the management of the Cambridge Community College Center and of Anoka Ramsey Community College in a meeting held on July 12, 1991.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial activities being audited. The results of our test of compliance disclosed the instance of material noncompliance noted in finding 2.

Except for the issue discussed in the preceding paragraph, the issues in findings 1, 7, 8, and 9, and the issue discussed in the federal financial aid paragraph, nothing came to our attention that caused us to believe that the Cambridge Community College Center had not complied, in all material respects, with the provisions referred to in the audit scope paragraphs.

This report is intended for the information of the Legislative Audit Commission and management of the Cambridge Community College Center and Anoka Ramsey Community College. This restriction is not intended to limit the distribution of this report, which was released as a public document on August 15, 1991.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Dr. Gerald W. Christenson, Chancellor
Members of the Community College Board
Dr. Patrick Johns, President
Dr. Thomas Levig, Dean
Page 4

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

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 12, 1991

REPORT SIGNED ON: August 2, 1991

CAMBRIDGE COMMUNITY COLLEGE CENTER

TABLE OF CONTENTS

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
Chris Buse, CPA	Auditor-in-Charge
Susan Rumpca, CPA	Auditor
Karen Klein	Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following officials of the Cambridge Community College Center and Anoka Ramsey Community College at an exit conference on July 12, 1991:

Dr. Thomas Levig	Dean
Margaret Kircher	Campus Services Director
Dr. Patrick Johns	President, Anoka Ramsey Community College
Bonnie Anderson	Institutional Services Director, Anoka Ramsey Community College

CAMBRIDGE COMMUNITY COLLEGE CENTER

I. INTRODUCTION

In 1969, the Minnesota State Legislature passed Minn. Stat. Section 136.602, potentially allowing for a community college in Cambridge. However, in 1978, the Higher Education Coordinating Board (HECB) recommended that the college not be built due to declining college enrollment at that time. Rather, HECB suggested that the Community College System establish "a core community college faculty to be located in existing facilities in Cambridge." The Community College Board endorsed this idea and began the East Central Minnesota Community College Service Center in Cambridge. Classes officially began on September 12, 1978. In 1982, the center became an extension of Anoka Ramsey Community College and, in 1983, the name was changed to Cambridge Community College Center/Anoka Ramsey Community College. Dr. Thomas Levig serves as dean of the center. He reports to Dr. Patrick Johns, president of Anoka Ramsey Community College.

The Cambridge Community College Center collected and spent the following amounts during fiscal year 1990:

Revenues:	
Tuition and Fees	$ 629,655
Federal Financial Aid	442,531
Bookstore	236,467
Other	120,254
Total Revenues	$1,428,907
Expenditures:	
Employee Payroll	$1,188,619
Pell Grants	435,773
Other	665,762
Total Expenditures	$2,290,154

Source: Cambridge Community College Center and Community College System totals. Due to lack of records, we were unable to verify the completeness and accuracy of these revenue and expenditure amounts.

II. CONTROL ENVIRONMENT

This audit report contains many findings and recommendations concerning the internal control structure at the Cambridge Community College Center. These findings resulted in our conclusion that material weaknesses exist in the controls at the center. All of these weaknesses subject the center to an unacceptable risk of errors and irregularities. The management of the Cambridge Community College Center, Anoka Ramsey Community College, and the Community College System Office must work together to resolve these weaknesses and improve the center's control environment.

Control environment reflects the overall attitude, awareness, and actions of management emphasizing the importance of control in an entity. Management is responsible for establishing and maintaining an internal control structure. The Cambridge Community College Center, Anoka Ramsey Community College, and the Community College System Office share the responsibility for managing the center. Dr. Thomas Levig, the center's Dean, is responsible for managing the day to day operations. Dr. Levig reports to the President of Anoka Ramsey Community College. The joint management of the center has not fulfilled its responsibility for establishing an adequate internal control structure.

Our prior audit report dated August 1989 disclosed material weaknesses in the center's internal control structure. We concluded that these weaknesses resulted in the college center being exposed to unnecessarily high financial risks. We were forced to limit the scope of our previous audit because key accounting records were missing. Despite the severity of the problems we found in 1989, the center's management still has not taken steps to correct these serious control deficiencies. In fact, the internal control structure has deteriorated even further since our last audit.

Key Cambridge Community College Center employees do not have the appropriate technical skills. For example, in September 1990, the center hired an account clerk to manage the bookstore. This new manager had no previous experience in a retail environment. As discussed in findings 3 and 4, the new employee was unable to prepare the necessary journals or ledgers for the bookstore. The bookstore now has serious control weaknesses that are exposing its receipts to a high risk of loss. A similar situation occurred in the center's business office. In November 1990, the center's accounting supervisor resigned. The accounting supervisor has not been replaced. Her duties, which included maintaining essential accounting records, were transferred to the dean's secretary.

Anoka Ramsey Community College also has not effectively monitored the financial activities of the center. As a result, weaknesses and poor practices continued without being questioned. For example, there were serious problems with the center's joint instructional program, as further discussed in finding 2. However, the management of Anoka Ramsey Community College was unaware of the magnitude of the problems.

In addition, Anoka Ramsey Community College and the Cambridge Center staff are not adequately supervising the center's employees. This lack of supervision is most apparent in the receipt processing function, as further discussed in findings 1 and 5.

All of these factors combine to expose the center to unacceptable financial risks. The management of the Cambridge Community College Center, Anoka Ramsey Community College, and the Community College System Office must work together to resolve these weaknesses.

III. CURRENT FINDINGS AND RECOMMENDATIONS

1. PRIOR FINDING NOT RESOLVED: Internal controls over Cambridge Community College Center's tuition receipts are inadequate.

The Cambridge Community College Center is not controlling tuition receipts in several respects. The center has not adequately separated duties, promptly deposited receipts, documented voids, nor accounted for all cash register transactions. In addition, the center has not maintained certain receipts documentation. These control weaknesses are exposing the center's receipts to an unnecessarily high risk of loss.

The business office employee and a student worker perform all duties relating to tuition receipts. The student worker is the most experienced staff person in the college's business operations. The two employees collect the tuition receipts, operate the cash register, and post tuition payments to the Community College System's computerized student information system. These two business office workers do not have specific receipt processing assignments. Rather, they perform these duties interchangeably. At the end of each day they clear the cash register, count the cash, prepare the daily cash report, and make the bank deposit. They are responsible for reconciling deposits to a computer generated report of tuition payments posted to the student information system. No one else reviews the cash reports, deposits, or reconciliations. Errors or irregularities could occur and remain undetected because the center's employees perform incompatible accounting duties and no independent person reviews their work.

In addition, the center has not deposited receipts promptly. During 1990, the receipts clerk routinely did not clear the cash register and deposit receipts on a daily basis. In one case, the employee did not close out the register until she had collected four days of receipts, totalling $83,282. These same receipts were then not deposited for an additional four days. To safeguard receipts, the center should make daily deposits. Minn. Stat. Section 16A.275 also requires daily depositing of receipts totalling over $250.

Internal controls over receipts are also weak because center employees have not adequately documented voided cash register transactions. The cashiers did not document the reasons for voided transactions in over half of the days we reviewed. We noted undocumented voids as high as $467 on one day. Proper documentation for voided transactions is important because voids represent decreases in the amount of money to be deposited.

Receipt processing controls are also weak because the center does not use the control features on its cash register. Most cash registers generate cumulative grand totals as a built in control feature. Unauthorized cash register clearings can be detected by using these cumulative grand totals. The daily sales should agree with the difference between the cumulative grand totals of the current and previous day. Unauthorized cash register clearings can also be detected by accounting for the sequence of cash register transaction numbers. Gaps in the sequence of transactions between days may indicate that improper clearings took place.

Finally, the center did not retain certain documents supporting the receipts transactions. Center employees were unable to locate cash register tapes for some days. The center also did not have sufficient documentation to support numerous reconciling items included in the reconciliations of tuition receipts and the student information system.

RECOMMENDATIONS:

- **The Cambridge Community College Center should improve internal controls over tuition receipts by:**
  - **ensuring that an adequate separation of duties exists,**
  - **depositing all receipts promptly,**
  - **documenting all voided transactions,**
  - **accounting for all cash register transactions to detect unauthorized cash register clearings, and**
  - **retaining all documents relating to the collection of tuition receipts.**

2. <u>The Cambridge Community College Center entered into contracts for instructional programs without Community College Board authorization</u>.

The center operated instructional programs with area high schools that did not have formal Community College Board authorization. The largest of these programs was the Program for Advanced Opportunities (PAO). In addition, the center did not execute these instructional agreements in accordance with state law or board policies.

Under these agreements, high school students earn college credits through the center. High school instructors teach college level courses to high school students in the high schools. Cambridge faculty meet with participating high school instructors twice each quarter to observe and to mentor the instructors that teach PAO classes. A significant portion of the center's total enrollment comes from these joint instructional agreements.

We found no evidence that the Community College Board has authorized the center to enter into these arrangements or to establish fee rates, as required by statute. Minn. Stat. Section 136.63 Subd. 1a. reads in part:

> "The state board for community colleges shall prescribe the courses of study including undergraduate academic programs, training in semiprofessional and technical fields, and adult education, conditions of admission, fees and tuition to be paid by students, requirements for graduation, and such suitable rules necessary for the operation of such community colleges."

The Community College Board never took official action concerning the existence of these programs. In some respects, these programs are similar to the post secondary enrollment option program approved by the Legislature in Minn. Stat. Section 123.3514. However, the Minnesota State Department of Education is not involved in these programs nor does the center receive any reimbursements from the Department of Education for these activities. System office employees are currently drafting a policy governing both the post secondary enrollment options program and other joint instructional programs to be presented to the Board.

School districts paid differing fees to participate in the PAO and other joint instructional programs. Two school districts, Chisago Lakes and North Branch, paid nothing to participate. In contrast, the Centennial school district, with a program of similar size to Chisago Lakes, paid $21,450 during fiscal year 1990 for the same services. In other cases, the school districts paid a flat fee to participate in the program. The fee amounts were set by center employees and vary from $350 per course to $1,650 per course. Generally, students did not pay college tuition and fees under the program. In the case of the Hinkley school district, the center partially paid the salary of one instructor and Hinkley, in turn, paid the center tuition and fees for their students. The center also partially paid the salary of one instructor teaching at Braham. Braham then reimbursed the center for the exact same salary amount. The Community College System's tuition and fee rate is $32.75 per credit. The center's flat fee rates are not generating as much revenue as the regular per credit tuition and fee rates would.

The center also has not executed the joint instruction contracts properly. First, Community College Board policy and Minnesota Statutes prohibit individual colleges from entering into contracts without proper review and approval. Specifically, all income contracts must be signed by the Chancellor or his designee, Attorney General, Commissioner of Administration, and Commissioner of Finance. The center entered into PAO and other agreements without obtaining any of these required approvals. Thus, the contracts were deficient and did not specify contractual terms clearly. As a result, two school districts have refused to pay a total of $6,600. Another district physically altered their PAO agreement making their terms more favorable. Center employees did not notice this alteration and now this district also refuses to pay what the center feels it owes.

RECOMMENDATIONS

- **The center should discontinue joint instructional agreements until obtaining formal Community College Board approval.**

- **The center should verify that all joint instructional agreements are executed in accordance with Minnesota Statutes and board policies.**

3. The Cambridge Community College Center has not maintained adequate accounting records.

Accounting for the center's local funds is inadequate. Certain community college activities, such as federal financial aid and auxiliary enterprises, are accounted for through manual records and local bank accounts. These local accounts are referred to as the All College Fund and are exempt from Department of Finance budgeting and accounting requirements. The center has failed to maintain adequate accounting records for the All College Fund.

Center employees did not maintain cash balances for the All College Fund control and various subsidiary accounts. In order to make these records agree, an employee was told to adjust the subsidiary records without locating the source of the discrepancies. Employees reconciled the accounting records to the bank statements only once per year, rather than monthly.

The All College Fund has some subsidiary accounts with no supporting records to indicate the source of the money or its intended use. In one case, a local government agency had to send in cancelled checks to prove that the center had received the agency's money.

Center employees stopped preparing any accounting journals or ledgers for the bookstore. These records are necessary to manage the bookstore and safeguard its assets from unauthorized use. Employees no longer maintain cash balance for their accounts. Therefore, they cannot determine if the cash balances on their monthly bank statements are correct.

The management of Cambridge Community College Center and Anoka Ramsey Community College must take immediate action to correct these recordkeeping deficiencies. Also, to the extent possible, the center should reconstruct records for prior periods.

RECOMMENDATIONS

- **The center should prepare and maintain accounting records for all local accounts.**

- **Center staff should reconcile each local bank account monthly.**

4. The bookstore's accounts receivable procedures are inadequate.

Center employees allow students and faculty to charge items in the bookstore. However, they do not maintain accounts receivable records detailing who charged goods and who still owes money. In some instances, center employees never posted bookstore charge sales to the accounts receivable ledgers. In other cases, employees did not credit charge accounts to reflect payments received. We witnessed numerous charge slips that were never signed by the person receiving goods. We were told that the former accounting supervisor instructed employees to create charge slips for students in programs, such as post secondary options and the ALLISS grant program, who had not come in to charge books. The center then billed these programs for these charges that employees created themselves.

Center employees are compounding the bookstore's accounts receivable deficiencies by not validating charge sales through the cash register. The center bought a new cash register for the bookstore in February 1991. The bookstore manager could not determine how to process charge sales with the new cash register. Therefore, she decided to not run them through the register at all. To charge items, students or faculty need to complete a multicopy charge slip. These charge slips are the only evidence of charge sales because they are not run through the register and employees do not prepare any other accounting records. Charge sales could go uncollected if employees lose the charge slips or forget to keep the center's copy.

RECOMMENDATIONS:

- **The center should alert third parties concerning potential past billing problems and determine appropriate settlements, if necessary.**

- **The center should prepare and maintain adequate accounts receivable records for the bookstore.**

- **The center should validate all charge sales through the cash register.**

5. Bookstore receipts duties are not adequately separated.

One account clerk in the bookstore is responsible for all receipts processing duties. The clerk, with help from student workers, collects receipts and operates the cash register. She also closes out the register at the end of each day, counts the cash, prepares the daily cash report, and makes the deposit. No one else reviews her work. To maintain adequate internal control, an independent person, such as a business office employee, should be involved in the bookstore receipts process.

RECOMMENDATION

- **The center should assign bookstore duties to provide adequate separation.**

6. Internal controls over financial aid disbursements need improvement.

Internal controls over financial aid disbursements need to be improved in three areas. Business office employees are performing incompatible accounting functions, the center is not properly safeguarding blank checks, and the financial aid office performs an incompatible function by distributing certain financial aid checks.

Cambridge Community College Center changed its financial aid disbursement procedures for spring quarter 1991. Internal controls are weak under these new procedures because business office employees perform incompatible accounting functions. One business office employees writes, signs, and disburses financial aid checks. This same employee is also responsible for recording disbursements in the accounting ledgers. These duties are incompatible and increase the risk that errors or irregularities could occur and go undetected. To improve controls, a separate person should be responsible for approving and signing financial aid checks.

Internal controls are also weak because the center stores blank financial aid checks in an unlocked file cabinet. The cabinet is located in an area readily accessible to students and staff. The center must store blank checks in a locked area to reduce the risk of checks being stolen and cashed by unauthorized persons.

Finally, internal controls over Stafford loan checks are weak because the financial aid office both authorizes loans and has access to the loan checks. The financial aid office is responsible for determining and documenting the student's eligibility on the loan application. The financial aid office also receives loan checks from the lenders. Both authorizing loans and having access to loan checks is a weakness in the center's control procedures. To improve controls, all loan checks should be sent directly to the business office.

RECOMMENDATIONS:

- **The center should separate the financial aid disbursements duties.**
- **The center should store blank checks in a locked area.**
- **The financial aid office should not have access to Stafford loan checks.**

7. <u>Cambridge Community College Center does not manage cash within its federal account properly</u>.

Cambridge Community College Center's procedures for estimating federal cash are inadequate. During some periods, the center had more cash in its federal account than was necessary. At other times, the center ran out of cash and incurred overdraft charges. The United States Department of Education requires institutions to limit federal cash to amounts necessary to meet immediate program needs. Federal cash in excess of three days needs is considered excessive.

The center had excessive cash in its federal account in four months we tested. On September 1, 1989, the center had $46,014 of federal cash in their local bank account. Financial aid checks written during September totalled only $25,394, leaving a month-end balance of over $20,000. The center also had insufficient cash balances during two other months we tested. These insufficient cash balances resulted in overdraft charges totalling $63. The center must develop cash estimation procedures to avoid future overdraft charges and comply with federal cash limitations.

RECOMMENDATION:

- **The center should develop cash forecasting procedures to make sure that cash balances in the center's federal account are adequate, but not excessive.**

8. <u>Cambridge Community College Center has not reimbursed its federal account for bank service charges</u>.

Cambridge Community College Center's federal account was assessed overdraft, service, and check printing charges totalling $492 during fiscal year 1991. College employees reimbursed the account only $50 for these charges. Federal regulations only allow institutions to use Pell funds to pay grants to students. Therefore, the center must reimburse its federal account for the remaining $442.

RECOMMENDATION:

- **The center should reimburse its federal bank account $442 for charges assessed by the bank.**

9. <u>The center is not processing part-time faculty payroll in accordance with union bargaining agreements or state procedures</u>.

Cambridge Community College Center's controls over part-time faculty payroll are inadequate in two respects. First, the center is not executing faculty appointment contracts timely or accurately. Second, the center is participating in unauthorized and unacceptable payroll practices. These inadequate procedures are increasing the risk of improper payments and disputes with faculty.

The center could not locate quarterly appointment forms for 7 of the 17 part-time faculty we reviewed. In addition, center employees did not sign appointment forms for seven other faculty members. The center failed to change one faculty member's appointment form after her class load increased. The center's associate dean told us that he had reduced the faculty member's counseling hours proportionately to avoid an overpayment. However, he was unable to provide us with any documentation supporting the number of counseling hours she actually worked. The Minnesota Community College Faculty Association Employment Contract requires colleges to execute appointment contracts for part-time faculty on a quarter by quarter basis. These contracts document the type and length of the appointment as well as the wages. To improve controls and help avoid wage disputes, the center must execute quarterly appointment contracts promptly and amend them as employment conditions change.

The center is also processing improper payroll transactions for some part-time faculty. In one instance, the center paid a part-time faculty member for four credit hours even though she taught only three. Center employees told us that, in addition to her normal salary, they also paid her for a one credit class taught by a foreign exchange instructor. This part-time faculty member, in turn, paid the foreign exchange instructor. In three other instances, the center did not pay part-time faculty members during the quarters the faculty taught classes. Instead, the center paid them during subsequent quarters. We were told that this practice was devised so that faculty member salaries would not exceed social security earning limits. We are unaware of any policies or procedures authorizing these types of arrangements.

RECOMMENDATIONS

- **The center should execute all appointment contracts promptly and amend them as necessary to reflect employment condition changes.**

- **The center should only pay faculty members their own salary.**

- **The center should pay faculty members during the quarters when they are teaching classes.**

AnokaRamsey
Community College

Office of the President
College Services Building

July 26, 1991

Office of the Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

This letter is in response to the audit findings for the two years ended June 30, 1990.

Finding #1. Internal controls over Cambridge Community College Center's tuition receipts are inadequate.

<u>Response:</u> Cambridge Community College Center will improve internal controls over tuition receipts by initiating the following procedures.

1. Bookstore staff will be responsible for ringing out the business office register and preparing the daily cash report. Business office staff will be responsible for ringing out the bookstore register and preparing the store's daily cash report.

   State deposit forms and cash reconciliation reports will be reviewed and signed by the Director of College Services. Effective date, 7/15/91.

2. Receipts in the bookstore and business office will be deposited daily as they total $250. Business office staff will be responsible for these deposits. Effective date, 7/19/91.

3. All voided transactions in the bookstore and business office will be documented by the cashiers and reviewed and signed by the Director of College Services. Effective date, 7/19/91.

11200 Mississippi Boulevard N.W./Coon Rapids, Minnesota 55433/Telephone 612-427-2600
Equal Opportunity Institution FAX Number 612-421-1878

4. Cumulative grand totals are being used on all daily cash reports.

   Effective dates, business office, 4/1/91, bookstore, 4/9/91.

5. Cash register tapes, daily cash reports, and all documentation supporting the collection of receipts are filed together by day. Effective date, 5/7/91.

Finding #2. The Cambridge Community College Center entered into contracts for instructional programs without Community College Board authorization.

Response: In January of 1986 guidelines were issued to community colleges that applied to college courses taught by high school instructors in high school. In a memo from Vice Chancellor Carl Gerber to Presidents/Provosts the System accepted the North Branch/Anoka-Ramsey model. This is the model that has now expanded into the current PAO program. Cambridge Community College Center believed these guidelines gave them the authority to enter into agreements with the high schools. It was not until 10/90 that a recommendation was made to revise the guidelines and have them adopted as board policy and Cambridge had already entered into agreements for the 90-91 fiscal year. As of 7/91 all college courses taught to high school students will be administered under the Post Secondary Enrollment Options program. All joint instructional agreements will have formalized contracts in accordance with Minnesota statutes and Minnesota Community College Board policies. The Director of College Services will prepare the contracts. Effective date, 7/15/91.

Finding #3. The Cambridge Community College Center has not maintained adequate accounting records.

Response: As of December, 1990 subsidiary accounts in the All College Fund are balanced to the control account monthly. Bank statements are also reconciled monthly. A subsidiary account will be set up for each agency that the Center receives funds from and all supporting documentation will be filed with the daily cash reports. As of July 1, 1991 the bookstore is now maintaining a complete set of double-entry books. Every effort will be made to reconstruct records for 90-91 by December 31, 1991. The bookstore account clerk and the Director of College Services will be responsible for implementing this finding.

Finding #4. The bookstore's accounts receivable procedures are inadequate.

Response: All students and staff will be required to sign charge slips before books and other supplies are released to them. An accounts receivable ledger will be maintained to document these charges. Any third party determined to be billed improperly will be notified. The bookstore account clerk and the Director of College Services will be responsible for implementing this finding. Effective date, 7/1/91.

Finding #5. Bookstore receipts duties are not adequately separated.

Response: The bookstore account clerk will no longer prepare the daily cash report, count the cash, nor make the deposit. The business office clerk will now assume these responsibilities. Effective date, 7/15/91.

Finding #6. Internal controls over financial aid disbursements need improvement.

Response: All blank checks are now being kept in a locked safe. All Stafford loan checks will be received and disbursed by the business office. The duties in the business office will be separated so that one employee will prepare the financial aid checks and another will post them to the accounts. A third employee not in the business office will be responsible for approving and signing them. The business office clerks and the Director of College Services will be responsible for implementing this finding. Effective date, 7/1/91.

Finding #7. Cambridge Community College Center does not manage cash within its federal account properly.

Response: The Financial Aid Director and the business office clerk will work together to manage cash levels to meet program needs and comply with Department of Education guidelines. Effective date, 7/1/91.

Finding #8. Cambridge Community College Center has not reimbursed its federal account for bank service charges.

Response: Cambridge Community College Center has reimbursed the federal account for all bank service charges, overdrafts, and check printing charges through 7/15/91.

Finding #9. The center is not processing part-time faculty payroll in accordance with union bargaining agreements or state procedures.

<u>Response:</u> The Associate Dean of Instruction will work with the business office clerk to see that all appointment contracts will be executed promptly and corrected as necessary to record changes in employment conditions. All salary payments will be paid according to the Department of Employee Relations policies and procedures. Effective date, 7/1/91.

Patrick M. Johns
President

lb