

ROCHESTER COMMUNITY COLLEGE
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1990

SEPTEMBER 1991

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

ROCHESTER COMMUNITY COLLEGE

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1990

Public Release Date: September 13, 1991

No. 91-64

OBJECTIVES:

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

CONCLUSIONS:

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

- The college needs to improve student financial aid file documentation.
- The college needs to improve internal controls over Stafford loan checks.
- The college has not adequately separated receipts duties.
- The college allowed employees to share user identification numbers to access the computer system.
- The college did not properly monitor and control tuition accounts receivable.
- The college has not adequately separated duties over change fund checks.
- The college bookstore inappropriately refunded full price for some student textbooks.
- The college should improve cash controls in the bookstore.
- The college needs to improve controls over the accounts receivable at the bookstore.

We found three areas where the college had not complied with finance-related legal provisions:

- The college needs to improve federal cash management.
- The college does not have a noninstitutional financial aid repayment policy.
- The college paid two employees an incorrect amount of holiday pay.

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL 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 Christenson, Chancellor
Community College System

Members of the Community College Board

Dr. Geraldine Evans, President
Rochester Community College

Audit Scope

We have conducted a financial related audit of Rochester Community College as of and for the three 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 Rochester Community College, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of Rochester Community College in effect in March 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 transaction of Rochester Community College are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of Rochester Community College'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.

Scope Limitation

Rochester Community College was unable to locate fiscal year 1988 cash register tapes and cash reports for the bookstore. These incomplete records prohibited us from performing key tests on bookstore receipts for fiscal year 1988. We were unable to compare cash collected to bank deposits. The bookstore receipts documents were available and tested for fiscal years 1989 and 1990.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Dr. Gerald Christenson, Chancellor
Members of the Community College Board
Dr. Geraldine Evans, President
Page 2

Federal Financial Aid

We performed tests on Rochester Community College'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 three separate management letter to the Community College System concerning federal financial aid during the audit period. They were dated March 3, 1989, April 26, 1990 and May 3, 1991, and covered fiscal years 1988, 1989, and 1990 respectively.

Both the fiscal year 1989 and 1990 management letters indicated that Rochester Community College's satisfactory academic progress policy was inadequate. The fiscal year 1990 management letter contained two additional findings related to Rochester Community College. First, the college improperly withdrew funds from the college Pell account. In addition, the college made inappropriate adjustments to students' expected family contributions.

Management Responsibilities

The management of Rochester Community College is 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
- transactions are 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.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Dr. Gerald Christenson, Chancellor
Members of the Community College Board
Dr. Geraldine Evans, President
Page 3

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 fees revenue,
- federal revenue,
- bookstore revenue,
- employee payroll expenditures,
- federal financial aid expenditures, and
- bookstore 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 findings 1, 3, 5 through 8, and 10 through 12, involving the internal control structure of Rochester Community College. 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 none of the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we reported to the management of Rochester Community College at the exit conference held on June 13, 1991.

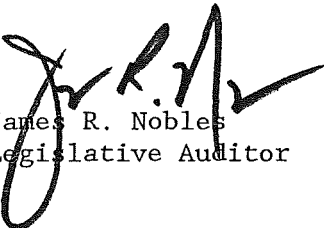
The results of our tests indicate that, except for the issues discussed in findings 2, 4, and 9, with respect to the items tested, Rochester Community College complied, in all material respects, with the provisions

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Dr. Gerald Christenson, Chancellor
Members of the Community College Board
Dr. Geraldine Evans, President
Page 4

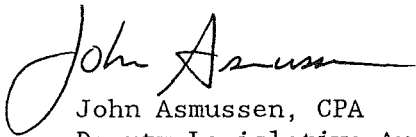
referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Rochester Community College had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of Rochester Community College. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 13, 1991.

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

END OF FIELDWORK: June 7, 1991

REPORT SIGNED ON: September 6, 1991

ROCHESTER COMMUNITY COLLEGE

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
AGENCY RESPONSE	11

AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor participated in this audit:

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Lori Pellicci, CPA	Auditor-In-Charge
Kari Irber, CPA	Auditor
Amy Jorgenson	Auditor

EXIT CONFERENCE

An exit conference was held with the following officials of Rochester Community College and of the Community College System on June 13, 1991:

Dr. Geraldine Evans	President
Gary Swenson	Director of Business and Support Services
Ruth Smith	Accounting Technician
Dr. Gordon Trisko	Financial Aid Director
Rosemary Hicks	Financial Aid Assistant
Susanne Sheehan	Personnel Director
Marilyn Martin	Bookstore Manager
Jim Harris	Community College System Internal Auditor

ROCHESTER COMMUNITY COLLEGE

INTRODUCTION

Rochester Community College is under the management and control of the Minnesota State Board for Community Colleges. Dr. Geraldine Evans is the president of Rochester Community College.

Rochester Community College finances its operations primarily by student tuition, fees and state appropriations from the General Fund. The college uses the statewide accounting system to account for its major operating activities. Minn. Stat. Section 136 exempts certain community college activities from the Department of Finance budgetary controls, including the use of the statewide accounting system. Rochester Community College accounts for the majority of these activities, including federal financial aid and bookstore transactions, through locally controlled records and bank accounts. These activities are referred to as All College Fund activities which operate under the policies and regulations established by the Community College Board. The summary below shows revenues and expenditures of Rochester Community College for the three years ended June 30, 1990.

	<u>Fiscal Year</u> <u>1990</u>	<u>Fiscal Year</u> <u>1989</u>	<u>Fiscal Year</u> <u>1988</u>
Revenues:			
Tuition and Fees	\$ 3,811,997	\$ 3,261,329	\$ 2,923,992
Federal	2,250,056	1,969,710	1,751,784
Bookstore	1,169,416	802,079	718,338
Other	<u>1,245,613</u>	<u>851,355</u>	<u>852,002</u>
Total Revenues	<u>\$ 8,477,082</u>	<u>\$ 6,884,473</u>	<u>\$ 6,246,116</u>
Expenditures:			
Employee Payroll	\$ 8,988,996	\$ 7,977,383	\$ 6,856,641
Pell Grants	1,543,724	1,338,230	1,036,941
Bookstore	1,111,311	675,201	671,389
Perkins (new loans)	227,492	299,243	277,544
Other	<u>3,059,771</u>	<u>2,490,312</u>	<u>2,550,981</u>
Total Expenditures	<u>\$14,931,294</u>	<u>\$12,780,369</u>	<u>\$11,393,496</u>

Sources: Manager's Financial Reports for fiscal years 1990, 1989, and 1988 as of the closing date. Community College System revenue spreadsheet for fiscal years 1990, 1989, and 1988. Statement of representation report for Rochester Community College for fiscal year 1990, 1989 and 1988.

ROCHESTER COMMUNITY COLLEGE

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. Student financial aid file documentation needs improvement.

Rochester Community College needs to improve its financial aid documentation in several areas. First, the college did not always adequately document changes to students' cost of attendance. The financial aid office routinely increased the cost of attendance for students who registered as commuting students, but who lived outside the college's standard "commuting area." Federal regulations allow financial aid administrators to make cost of attendance adjustments. However, the college had not documented in the financial aid files either the reasons for the adjustments or the reasonableness of the amount of the adjustment.

The financial aid office had also inadequately documented changes to family contribution amounts. In one example, the financial aid office changed a student's family contribution amount without documenting the reasons for the change. Rochester staff could not recall the student's circumstances. In another case, the financial aid office manually changed a student's family contribution, but did not require the student to apply for a new student aid report. A new student aid report would have allowed the student to receive additional Pell grant funds.

The college had not made cost of attendance adjustments for students attending Rochester Community College/Mayo School of Health-Related Sciences cooperative programs. Mayo tuition amounts were different. However, the financial aid office used the Rochester Community College cost of attendance budgets for these students while they were attending the Mayo school.

The financial aid office had not always resolved conflicting information in the financial aid files. For example, financial aid office staff did not investigate conflicting information concerning a student's status as a veteran. The student had not indicated he was a veteran on prior financial aid applications. Federal regulations automatically consider veterans to be independent students. This may have increased the student's financial need. Federal regulations require institutions to resolve discrepancies in financial aid information received from different sources.

Finally, the financial aid office did not obtain signatures on all financial aid award letters. In three files we tested, students had not signed their award letters. Signed award letters are an important internal control. They should be used to show students' acceptance of their aid and to document the understanding between the college and students concerning financial aid.

RECOMMENDATIONS

- The financial aid office must document any changes made to student financial aid files.

ROCHESTER COMMUNITY COLLEGE

RECOMMENDATIONS (Continued)

- All conflicting information in the files must be resolved before an award is packaged for a student.
- The college should require accurate, signed award letters for all financial aid recipients.

2. Federal cash management at Rochester Community College needs improvement.

Rochester Community College maintained excess cash balances in its federal checking account and did not deposit its Perkins institutional match timely.

The college did not request federal funds as required by federal regulations. During March 1991 the average daily balance in the accounting records was \$217,488. We observed large minimum balances throughout the audit period. At the beginning of each quarter, the accounting technician requested federal financial aid funds for the quarter. However, the college did not transfer the tuition portion of the funds until later in the quarter. In addition, the college did not request federal college work study funds every other week based on its upcoming student payroll. Instead, the accounting technician drew the college work study funds \$50,000 at a time. Federal regulations require institutions to limit cash advances to the minimum amounts needed and time them to correspond to actual, immediate cash requirements.

The college did not deposit its institutional Perkins match on or before the time the federal portion was deposited, as required by federal regulations. Specifically for fiscal year 1990, the college deposited the federal portion in September 1989, but did not deposit the state match until October 1989.

RECOMMENDATIONS

- Rochester Community College should limit federal cash requests to immediate need. It should draw funds as often as necessary prevent of excessive cash balances.
- Rochester Community College should deposit the institutional match at the same time as or before the first Perkins draw.

3. Internal controls over Stafford loan checks need improvement.

Internal controls over Stafford loan checks are weak because the financial aid staff both authorize loans and have access to the loan checks. The financial aid staff are responsible for determining and documenting the

ROCHESTER COMMUNITY COLLEGE

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 college's internal control structure. The college should route loan checks directly to the business office.

RECOMMENDATION

- The financial aid staff should not have access to Stafford loan checks.

4. Rochester Community College does not have a noninstitutional financial aid repayment policy.

Rochester Community College does not require students to repay noninstitutional federal financial aid if they withdraw or if their enrollment status changes. Some students receive financial aid for noninstitutional costs, such as books, rent, and other living expenses. The college pays this portion directly to the student.

Presently, the college makes no attempt to collect these funds when a student withdraws or their enrollment status changes. For example, two students changed from full-time to part-time enrollment status during the 1990-91 year because the college dropped or changed the students' classes. However, despite the students' enrollment status changes, neither student was required to repay any noninstitutional aid.

This practice is inconsistent with the federal regulations. Chapter 34, Part 668.22 of the Code of Federal Regulations, states that a student should repay a portion of their noninstitutional federal financial aid award when they withdraw. In addition, Chapter 34, Part 690.80 requires institutions to recalculate the Pell award if a student's enrollment status changes from one academic term to the next, or during a payment period before the student begins attendance.

RECOMMENDATION

- Rochester Community College should implement a financial aid repayment policy which includes the repayment of the noninstitutional portion of the aid, when applicable.

5. PRIOR FINDING NOT RESOLVED: Rochester Community College has not adequately separated receipts duties.

The college needs to improve separation of duties over receipts in two areas. First, the college's accounting supervisor can perform all receipts and accounts receivable functions in the business office. She

ROCHESTER COMMUNITY COLLEGE

can update the computerized student information system to change a student's payment status and occasionally rings up receipts on the cash register. She also authorizes voids, closes out the cash register, and reconciles the daily deposits to the total payments recorded on the information system. In addition, she monitors the balance due reports of students who still owe tuition. To adequately control tuition receipts, one person should not have responsibility for all aspects of the receipts process.

In addition, a second employee does not always review and authorize over-rings and voided transactions. In several cases, we observed that the cashier who made an error also approved the void slip. In a few cases, the void was not signed at all. Without proper approval, cashiers could make intentional errors or irregularities without detection.

RECOMMENDATIONS

- Someone independent of the cash function, such as the business manager, should review and approve the daily cash reconciliations and monitor the balance due reports.
- An independent person should review and approve voided transactions.

6. Rochester Community College allowed employees to share user identification numbers to access the computer system.

The college allowed some employees to obtain access to the computerized student information system by sharing other employee user ID numbers. The college uses the system to record such information as registering students for classes, recording tuition payments, and posting grades. Business office employees sometimes allowed other employees to use their information system user ID codes. The system records all tuition transactions made and the user that made them. We noted several discrepancies between the cashier's name on system reports and the cashier's initials on the paid fee statements. By not using unique ID numbers, no trail exists to link a particular transaction to a certain employee. Also, employees not otherwise authorized to make certain transactions may obtain unauthorized access to the system.

RECOMMENDATION

- Rochester Community College should ensure that all users of the computer system are assigned unique user identification numbers.

ROCHESTER COMMUNITY COLLEGE

7. Rochester Community College did not properly monitor and control tuition accounts receivable.

The college has not controlled unpaid tuition and fees. The college did not ensure that only students with valid deferments are allowed to attend classes before paying. In addition, the college did not adequately monitor outstanding accounts receivable balances.

Generally, students must pay their tuition and fees before the first day of class. However, Community College Board policy IV.01.06 allows certain students to defer payment of their tuition if they meet valid deferment criteria. Allowable deferments include administrative (hardship) deferments, financial aid and other third party payments. In the student information system, the college uses a series of deferment codes to identify the reasons why students have outstanding balances due after the first day of classes.

Rochester Community College allowed students to attend classes without paying. Control over tuition deferments and accounts receivable was inadequate in several respects, including the following:

- The college did not comply with the Community College Board policy in granting administrative deferments. The college participated in an approved pilot deferment program for fall quarter 1990. This pilot deferment program was not used for winter quarter 1991 and spring quarter 1991. Instead, the college granted administrative deferments without having a formal, approved deferment plan for these quarters.
- The business office allowed cashiers to change the deferment codes within the student information system. This gave cashiers the ability to change the student's payment status. Allowing cashiers to enter deferment codes did not provide adequate separation of duties over cash receipts and deferments.
- The business office did not properly follow up on students that had tuition deferments. Each quarter, the student information system generated balance due reports. The reports showed those students that were enrolled in classes for that quarter, but had not paid, including those students in deferment status. Our review of the balance due reports during the audit period showed that even though deferment codes indicated a third party billing status, outside agencies were never billed for their tuition. Without further follow-up procedures, students may avoid paying their tuition costs.
- The college did not always collect late fees from students who had not paid their tuition, but did not have a valid deferment. According to board policy V.01.02., "a late payment fee shall be charged to any student who registers prior to the start of a quarter or summer session and does not pay the regular fees prior to the first day of classes of that session . . ."

ROCHESTER COMMUNITY COLLEGE

- The college did not have proper procedures for writing off outstanding tuition balances and insufficient funds checks. The business office kept an internal log that showed the student, the amount due and the date the debt occurred. The college had records of outstanding accounts receivable and insufficient funds checks dating back to 1983. 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.

RECOMMENDATIONS

- Rochester Community College should develop and follow a formal tuition deferral policy for all quarters in which it is not participating in the pilot project. The Community College Board should approve the policy.
- The college should not allow cashiers to enter tuition deferment codes.
- The business office should monitor deferments to ensure payment is ultimately received.
- The college should comply with the board policy and assess students a late fee when applicable.
- The business office should write off old accounts receivable as appropriate.

8. PRIOR FINDING NOT RESOLVED: Duties over change fund checks are not separated adequately.

Separation of duties over change fund checks need to be improved. The college uses a change fund account to make change for financial aid checks issued to students, particularly checks from outside sources. The student signs over the check to the school for the tuition amount and receives a check from the change fund for the balance.

Change fund checks require only one signature and several people are authorized to sign these checks. Two employees have too much control over the change fund. One employee works in the evening, signs the change fund checks, and also prepares the daily deposit. Another employee who is authorized to sign the checks, occasionally does the daily deposit. She also reconciles the bank statements. In both these cases, the employees are in a position to perform incompatible accounting duties.

RECOMMENDATION

- An employee who is not authorized to sign change fund checks should reconcile the checks written to supporting documentation.

ROCHESTER COMMUNITY COLLEGE

9. Rochester Community College paid two employees an incorrect amount of holiday pay.

During the summer of 1990, two employees received ten hours of holiday pay for the Fourth of July and worked three additional ten hour days for the remainder of the week. These employees worked approved altered schedules during the summer of 1990. They each worked four ten hour days per week instead of five eight hour days. As a result, the employees worked two hours less than required during the pay period.

The AFSCME bargaining agreement states that, "For weeks during summer or academic breaks with holidays, employees on altered schedules shall work five (5) eight (8) hour days". The employees should not have received ten hours of holiday pay. They should have received eight hours of holiday pay and worked four eight hour days to finish the week.

RECOMMENDATIONS

- The college should ensure that employees working on altered schedules receive the correct amount of holiday pay.
- The college should adjust employee leave balances for the incorrect amount of holiday pay or seek repayment.

10. The college bookstore inappropriately refunded full price for some student textbooks.

Students who were athletes or members of the student senate were allowed to return their used text books at the end of the quarter and receive a full refund. Other students received a refund of only 50 percent or 60 percent of their cost.

Athletes and student senators returned their books to the bookstore along with their original receipt to receive the refund. The bookstore billed the athletic booster account for 10 percent of the total athletic returns cost. They billed the student senate account 10 percent of the total student senate returns cost. Both of these accounts were created through private donations.

Since the inception of the program in fiscal year 1989, the total athletic returns were about \$28,000. The net loss to the bookstore has been about \$8,400. The college began a similar program for student senators in March 1991. These returns amounted to about \$500. The net loss to the bookstore for student senators has been about \$150. The college did not obtain authority to expend bookstore funds in this manner, and we believe this is an inappropriate practice. Athletes and student senators received a benefit not available to other students.

ROCHESTER COMMUNITY COLLEGE

RECOMMENDATION

- The bookstore should not issue full textbook refunds for athletes and student senators.

11. Rochester Community College should improve cash controls in the bookstore.

The college needs to improve internal controls over cash at the bookstore in four areas. First, the bookstore has had an excessive number of unexplained shortages and surpluses in cash receipts. For example, during August 1990, the daily cash was short up to \$298.85 on one day. For the entire month, the bookstore had a net shortage of \$470. The bookstore manager believed the differences were the result of keying errors or incorrect change given out. She did not investigate the differences. These discrepancies should be more closely monitored and investigated.

In addition, the college did not always deposit bookstore receipts promptly. During busy times, the assistant manager did not process all of the deposits from the cash registers daily. Instead, she stored the money in the safe until she had time to prepare the deposit. During the audit period, receipts were not deposited for up to six days. Because of the sensitivity of cash, it is important to deposit the funds on a daily basis.

The bookstore staff also needs to improve documentation of the daily cash reconciliations. The cash sheet used by the bookstore did not contain a separate section to record the amount of cash and checks in the cash register at the time of close out. Staff generally documented the cash count on the back of the cash sheet. Bookstore and business office staff also did not always sign the cash sheet showing the duties performed. The employees who count the cash, close out the cash register, and prepare the deposit all should sign their respective portions of the cash sheet.

Finally, employees at the bookstore did not always document refunds adequately. Bookstore employees generally prepared a refund form when returns were made. However, the second employee did not always sign the form indicating approval. On occasion, the cashier who made the refund also did not sign the form. In a few cases, the cashier did not complete a refund form. Although the college required the cashier to attach the paid out slip and the original receipt to the refund form, sometimes the student did not keep the original receipt. As a result, no evidence existed that the amount paid out actually reflected the original receipt amount. When this occurred, the cashier should have included a copy of the cancelled check, a drop/add slip, or obtained special approval from the business manager. Proper approvals for refunds are important because these items represent decreases in the recorded cash receipts.

ROCHESTER COMMUNITY COLLEGE

RECOMMENDATIONS

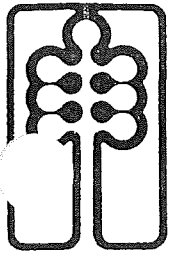
- The bookstore should implement a procedure to more closely monitor surpluses and shortages in cash receipts.
- The college should deposit all bookstore receipts daily.
- Staff should sign their portions of the bookstore cash sheet.
- The bookstore should properly document refunds. Each refund should indicate which employee made the transaction and should be approved by a second employee.

12. Rochester Community College needs to improve controls over the accounts receivable at the bookstore.

The bookstore manager has complete control over the bookstore's accounts receivable. She maintains the accounts receivable ledger, notifies the business office what amount to bill various agencies, opens the mail and receives the payments. Some students such as high school option students and Alliss grant students can charge books at the bookstore. Outside agencies reimburse the bookstore for these charges. The business office sends the bookstore authorization forms for those students who can charge books. However, only the bookstore manager verifies the amount billed and deposited.

RECOMMENDATION

- An employee from the business office should verify that bookstore amounts billed are received and deposited.



ROCHESTER
COMMUNITY
COLLEGE

August 27, 1991

Mr. John Asmussen, CPA
Deputy Legislative Auditor
and
Mr. James R. Nobles
Legislative Auditor
Financial Audit Division
Veterans Service Building
St. Paul, Minnesota 55155

Dear Mr. Asmussen & Mr. Nobles:

1991 Audit Responses

CURRENT FINDINGS AND RECOMMENDATIONS

1. Student financial aid file documentation needs improvement.

RECOMMENDATION

- * The financial aid office must document any changes made to student financial aid files.*

RESPONSE

When students live outside the normal commuting distance from RCC, we have routinely used the renter budget, rather than commuting. In the future, we will have the student verify renting status.

In this case, a mother requested a budget increase to help with day care costs. The adjustment was made, as allowed by Federal regulation and the CFAR, indicating the number and ages of the children which normally would be all the documentation required.

Although our second year students spend their internship at Mayo and Mayo has a different (lower) cost for tuition/books, Mayo's cost for non-direct factors is considerably higher. If we adjust and use Mayo's figures, our student budgets for the intern part of the program will be higher than now used.

Person responsible - Gordon Trisko
Date of implementation - 8/7/91

RECOMMENDATION

- * All conflicting information in the files must be resolved before an award is packaged for a student.

RESPONSE

In the future, we will make every attempt to verify conflicting information we find and try to determine what is correct.

Person responsible - Gordon Trisko
Date of implementation - August 1991

RECOMMENDATION

- * The college should require accurate, signed award letters for all financial aid recipients.

RESPONSE

RCC will make every attempt to attain a signed award letter and will incorporate that practice in our routine procedures.

Person responsible - Gordon Trisko
Date of implementation - August 1991

2. Federal cash management at Rochester Community College needs improvement.

RECOMMENDATION

- * Rochester Community College should limit federal cash requests to immediate need. It should draw funds as often as necessary to prevent excessive cash balances.

RESPONSE

Rochester Community College will request federal cash as needed and try to prevent excessive balances.

Person responsible - Ruth Smith
Date of implementation - 7/30/91

RECOMMENDATION

- * Rochester Community College should deposit the institutional match at the same time as or before the first Perkins draw.

RESPONSE

Rochester Community College will request and deposit institutional match prior to drawing Perkins funds.

Person responsible - Ruth Smith
Date of implementation - 7/30/91

3. Internal controls over Stafford loan checks need improvement.

RECOMMENDATION

- * The financial aid staff should not have access to Stafford loan checks.

RESPONSE

To improve internal controls in the handling of the Stafford loans, RCC will separate the tasks involved in processing Stafford loans. The Financial Aid director and assistant will work with the students in preparing the application for the loan. The secretary will open the mail and log in Stafford checks when they arrive with the amount, date, name of vendor, and then forward them to the business office.

Person responsible - Gordon Trisko
Date of implementation - August 1991

4. Rochester Community College does not have a noninstitutional financial aid repayment policy.

RECOMMENDATION

- * Rochester Community College should implement a financial aid repayment policy which includes the repayment of the noninstitutional portion of the aid, when applicable.

RESPONSE

RCC is very careful about adding refunds to the proper funds, following the Federal formula. The case being cited is a student who registered for 12 credits and had a one or two credit class canceled. There was a refund of thirty some dollars which inadvertently went to the student rather than the four aid programs the student received aid from. This is a rare case and we will be more careful in the future. Students who pick up an aid check and withdraw shortly thereafter are always asked to repay any over-award, after the Federal formula for refunds is invoked.

Person responsible - Gordon Trisko
Date of implementation - 8/7/91

5. PRIOR FINDING NOT RESOLVED: Rochester Community College has not adequately separated receipts duties.

RECOMMENDATION

- * Someone independent of the cash function, such as the business manager, should review and approve the daily cash reconciliations and monitor the balance due reports.

RESPONSE

The bookstore manager will review and approve the daily cash reconciliations and monitor the balance due reports.

Person responsible - Marilyn Martin
Date of implementation - 7/30/91

RECOMMENDATION

- * An independent person should review and approve voided transactions.

RESPONSE

The business office will require two signatures on all voided transactions, the cashier and another business office employee. During periods when there is only one person in the business office, the voids will be reviewed and approved if appropriate as soon as possible.

Person responsible - Ruth Smith
Date of implementation - 7/30/91

6. Rochester Community College allowed employees to share user identification numbers to access the computer system.

RECOMMENDATION

- * Rochester Community College should ensure that all users of the computer system are assigned unique user identification numbers.

RESPONSE

Rochester Community College will require all computer users to use their unique user identification number.

Person responsible	- Ruth Smith
Date of implementation	- 7/30/91

7. Rochester Community College did not properly monitor and control tuition accounts receivable.

RECOMMENDATION

- * Rochester Community College should develop and follow a formal tuition deferral policy for all quarters in which it is not participating in the pilot project. The Community College Board should approve the policy.

RESPONSE

RCC will develop a procedure for deferring deferment codes and submit it to our System office for approval. (see attached)

Person responsible	- Ronald Thomas
Date of implementation	- September 1991

RECOMMENDATION

- * The college should not allow cashiers to enter tuition deferment codes.

RESPONSE

The system's computerized registration system is designed to have the cashiers change the deferment code from R, for registered, to P, if they have paid, or to some deferred status if they have the documentation for the deferment. This might be financial aids, state ward, vocational rehabilitation or etc. When this change in status is made they are accounted for either in the reconciliation of the tuition or in our reconciliation of the deferments. The transfer of duties mentioned in our response to your

Finding Number Five should provide adequate security for the deferment codes.

Person responsible - Gary Swenson
Date of implementation - August 1991

RECOMMENDATION

- * The business office should monitor deferments to ensure payment is ultimately received.

RESPONSE

We will work on improving our present system to ensure that payment is made, the student is dropped or a hold is put on their records.

Person responsible - Gary Swenson
Date of implementation - August 1991

RECOMMENDATION

- * The college should comply with the board policy and assess students a late fee when applicable.

RESPONSE

The business office will comply with the board policy and assess students a late fee when applicable. We do have problems with our current computerized registration program, it is not capable of entering and tracking the late fee. We will work with the System office on correcting this program.

Person responsible - Gary Swenson
Date of implementation - School year 1991-92

RECOMMENDATION

- * The business office should write off old accounts receivable as appropriate.

RESPONSE

The business office will review old accounts receivable and write them off as appropriate.

Person responsible - Ruth Smith
Date of Implementation - 8//7/91

8. Prior finding not resolved: Duties over change fund checks are not separated adequately.

RECOMMENDATION

- * An employee who is not authorized to sign change fund checks should reconcile the checks written to supporting documentation.

RESPONSE

The business office will remove one staff member from the authorized signature list for the change fund and have that individual reconcile the checks to the supporting documentation.

Person responsible - Ruth Smith
Date of implementation - September 1991

9. Rochester Community College paid two employees an incorrect amount of holiday pay.

RECOMMENDATION

- * The college should ensure that employees working on altered schedules receive the correct amount of holiday pay.

RESPONSE

The personnel office has taken the necessary steps to ensure that employees working alternate schedules over the summer receive the correct amount of holiday pay.

Person responsible - Susanne Sheehan
Date of implementation - August 1991

RECOMMENDATION

- * The college should adjust employee leave balances for the incorrect amount of holiday pay or seek repayment.

RESPONSE

There were two employees improperly compensated two hours each of holiday pay during the summer of 1990.

One of the affected employees passed away in February 1991 and his beneficiary has since been compensated by the State for his annual leave balance on the records at the time of his death. The Legislative auditor has advised us to consider the matter a closed issue.

The college will adjust the leave balance of the other affected employee to take away two hours annual leave (\$24.58) cash value) in lieu of the two hours holiday time overpayment if so directed by the Legislative Audit Commission. It should be noted, however, that to do so would probably be more costly to the State in terms of College, System, and State Payroll staff time to process the payroll revision, prepare and process the Leave Balance Adjustment form, and to correct the employee's leave balances and timesheets for over a year.

Person responsible - Susanne Sheehan
Date of implementation - August 9, 1991

10. The college bookstore inappropriately refunded full price for some student textbooks.

RECOMMENDATION

- * The bookstore should not issue full textbook refunds for athletes and student senators.

RESPONSE

The college has been providing book assistance to qualified athletes for many years through an agency account and more recently through the bookstore. This was subsidized by selling ads in an athletic program. Because of on-going commitments to sophomore students and freshman that have been recruited, we can not drop the program immediately. So the college will either seek approval for the present procedure from our System office, move the program back to an agency account that will be fully funded by income, or drop the program by phasing it out over two years.

Person responsible - Ron Thomas
Date of implementation - Fall Quarter 1991

11. Rochester Community College should improve cash controls in the bookstore.

RECOMMENDATION

- * The bookstore should implement a procedure to more closely monitor surpluses and shortages in cash receipts.

RESPONSE

The bookstore manager monitors the cash shortages and overages on a daily basis, and informs the business manager of concerns when they arise. The specific variance that was cited in this audit

was followed up on and reported to our System auditor shortly after it happened. It involved a student worker and his questionable handling of receipts.

We will continue our present policy on closely monitoring surpluses and shortages, and the next time an issue arises involving a large variance, we will contact our System office and Legislative Auditors' office.

Person responsible - Gary Swenson
Date of implementation - August 1991

RECOMMENDATION

- * The college should deposit all bookstore receipts.

RESPONSE

The college deposits its funds via the services of an armored car. We ring the register out the first thing in the morning which would be the previous day and evening sales. They are then deposited that day with the armored car service which comes to the college in the late afternoon. The deposit is then received at the bank that day, but recorded for the next business day. So under normal procedures there would be a two-day delay from the time the receipts showed that they were rung up and when the bank shows that it was deposited. This delay is greater when weekends and holidays are involved.

We will check and see if it is possible for the armored car to pick up the deposits earlier during the day. That would cut one day of delay out for normal deposits.

Person responsible - Gary Swenson
Date of implementation - Fall Quarter 1991

RECOMMENDATION

- * Staff should sign their portions of the bookstore cash sheet.

RESPONSE

Rochester Community College will redesign the daily cash sheet as recommended with the appropriate signature spaces on the respective portions of the cash sheet and a space to indicate the cash and check amounts.

Person responsible - Marilyn Martin
Date of implementation - August 1991

RECOMMENDATION

- * The bookstore should properly document refunds. Each refund should indicate which employee made the transaction and should be approved by a second employee.

RESPONSE

The bookstore staff will follow the procedures recommended, get a second signature and receipt when possible or approval of the store manager.

Person responsible - Marilyn Martin
Date of implementation - August 1991

12. Rochester Community College needs to improve controls over the accounts receivable at the bookstore.


RECOMMENDATION

- * An employee from the business office should verify that bookstore amounts billed are received and deposited.

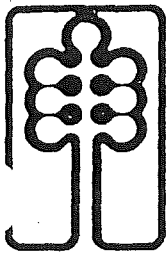
RESPONSE

The bookstore will separate the duties involved in handling the accounts receivable so that three individuals are involved, one clerk will ring up the accounts receivable items, another will maintain a ledger, and the manager will continue to open the mail and deposit the checks.

Person responsible - Marilyn Martin
Date of implementation - August 1991



Geraldine A. Evans
President



ROCHESTER
COMMUNITY
COLLEGE

MEMORANDUM

TO: Neil Christenson
Deputy Chancellor

DATE: August 19, 1991

FROM: ~~Geraldine A. Evans~~
President

PHONE: 7215

SUBJECT: ADMINISTRATIVE DEFERMENT OF TUITION PAYMENT PURSUANT
TO POLICY IV.01.06

In accordance with the above referenced board policy, Rochester Community College requests approval of the following deferment procedure:

General Fee Deferment Procedure

An **Administrative Deferment** for a general fee may be given to Rochester Community College students in addition to those mentioned in the Board Policy exception to the "fee payment" requirements, provided it is awarded to the student by the President of the college or her designee. The following procedure shall be observed:

- ★ The President, ^{and} Dean of Student and Community Services, ~~or Registrar~~ ^{MC} shall have the authority to approve deferment requests.
- ★ A deferment form must be filed with the college's Business Office by students requesting deferment.
- ★ The deferment form will require the signature of the student on the promissory note and a payment schedule acceptable to both the college and student will be included.
- ★ Monitoring will be done by the Business Office.
- ★ Payment of tuition must be received in all cases prior to the last day of the quarter deferred.
- ★ Student not paying tuition by the end of the quarter will be dropped and deducted from the enrollment count.
- ★ An annual report will be submitted to the Director of Fiscal Services by July 1 each year listing the number of deferments granted and the number not paid and subsequently dropped.

This procedure will allow us to administer those cases of financial hardship.

GAE:jkk

CC: Gary Swenson
Alice Mumaw
Ron Thomas
Nancy Shumaker

AUG 28 1991

Approved as modified.
MC
8-25-91
cc: Glenn Wood