
Table of Contents

	Page
Introduction	1
Current Findings and Recommendations	2
Agency Response	5

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
Steve Pyan, CPA	Auditor-in-Charge
Sonya Hill, CPA	Auditor
Marla Conroy, CPA	Auditor

Exit Conference

The findings and recommendations in this report were discussed with the following officials of Rainy River Community College and the Arrowhead Community College Region at an exit conference on June 11, 1992:

Allen Rasmussen	Acting Provost
Larry VanSchoaick	Campus Services Director
Brenda Nicholson	Senior Account Clerk
Scott Riley	Financial Aid Director
Helen Nilson	Administrative Secretary
Bill Maki	Administrative Services Director, Arrowhead Community College

Rainy River Community College

Introduction

Rainy River Community College is part of the Arrowhead Community College Region. The region office consolidates the management of five community colleges and two community college centers in northeastern Minnesota. The college's provost reports to the president of the Arrowhead Community College Region. Karen Nagle served as the permanent provost throughout the audit period. Because of two separate leaves of absence, Allen Rasmussen served as acting provost during fiscal year 1989 and again since July 1, 1991.

Rainy River Community College operations are financed mainly by a state appropriation from the General Fund and tuition and fee revenues. The college accounts for its instructional and operating activities on the statewide accounting system. Other activities, such as bookstore transactions, federal financial aid, and food services are accounted for through local records and bank accounts. These local accounts are exempt from Department of Finance budgeting and accounting requirements. Community college board policies govern the use of these funds.

According to Community College System records, Rainy River Community College collected and spent the following amounts during the audit period:

	Year Ended June 30		
	<u>1991</u>	<u>1990</u>	<u>1989</u>
Revenues:			
Tuition and Fees	\$ 632,223	\$ 649,501	\$ 574,624
Federal	547,955	633,646	640,000
Other	<u>310,908</u>	<u>333,479</u>	<u>326,508</u>
Total Revenues	<u>\$1,491,086</u>	<u>\$1,616,626</u>	<u>\$1,541,132</u>
Expenditures			
Employee Payroll	\$2,282,596	\$2,227,170	\$1,968,305
Pell Grants	402,532	425,154	470,948
Perkins Loans	29,647	18,150	20,750
Other	<u>600,048</u>	<u>729,866</u>	<u>763,761</u>
Total Expenditures	<u>\$3,314,823</u>	<u>\$3,400,340</u>	<u>\$3,223,764</u>

Sources: Manager's Financial Reports for fiscal years 1991, 1990, and 1989. Community College System revenue spreadsheets for fiscal years 1991, 1990, and 1989. Rainy River Community College's statements of representation for fiscal years 1991, 1990, and 1989.

Current Findings and Recommendations

1. Federal cash management at Rainy River Community College needs improvement.

Rainy River Community College does not adequately calculate cash needs for the Pell grant program. The college bases the cash draws on its cash balance and prior year expenditure levels. As a result, the campus services director relies, in part, on past rather than current activity when determining cash needs. Often, this method results in having excess federal cash on hand. During fiscal year 1990, for example, the college received \$145,000 in Pell funds on August 17. One month later, a \$86,150 balance remained in the college's federal account. U.S. Treasury circular 1075 requires institutions to limit cash advances to the actual, immediate cash requirements. Federal regulations allow no more than three days from the time an institution receives a federal wire transfer to the time students cash their financial aid checks.

Federal cash management requirements are changing. On March 23, 1992, the U.S. Department of the Treasury proposed regulations to implement the federal Cash Management Act of 1990. These proposed rules provide states with several options to manage transfers of funds from the federal government for federal programs. Some options involve establishing check clearance patterns and/or incurring interest on federal fund balances. The Minnesota Department of Finance is currently working with state agencies to determine the specific funding techniques agencies will use, and to negotiate a state/federal cash management agreement.

Recommendation

- *Rainy River Community College should develop cash management procedures which will enable it to comply with federal regulations.*

2. Rainy River Community College does not adequately manage Perkins Loan funds.

Rainy River Community College is not properly managing Perkins funds in three areas. The college uses Perkins Loan funds for unauthorized purposes and the funds are not earning interest. In addition, the college does not deposit its Perkins Loan state match timely.

The college uses Perkins Loan cash to cover temporary cash shortages in other federal financial aid programs. Federal regulations restrict the use of Perkins funds to only Perkins program purposes. However, the college often uses Perkins Loan funds to cover issued Pell grant checks which exceed available Pell funds. The college maintains Perkins Loan funds, as well as all other federal financial aid funds in one checking account. For instance, on

Rainy River Community College

March 31, 1992 the bank balance was only \$3,668, while the Perkins Loan cash ledger balance was \$12,685. This would indicate that other programs were informally borrowing Perkins funds.

In addition, the college is not maintaining Perkins funds in an interest earning account. Federal regulations require that institutions place Perkins Loan funds in either an interest bearing account or invest in low-risk income producing securities.

Finally, the college has not deposited the required Perkins Loan state match according to federal regulations. The regulations require each institution to deposit its match in the Perkins Loan account before or at the time it deposits any federal capital contribution. The college receives federal contributions three times during the year, however makes only one state match draw and deposit. During school year 1990-1991, the college received and deposited federal Perkins funds in September, November and March. However, the college deposited the entire state match, to cover all three federal draws, in March.

Recommendations

- *Rainy River Community College should use Perkins Loan funds only for authorized purposes.*
- *Rainy River Community College should maintain its Perkins funds in an interest bearing account.*
- *Rainy River Community College should deposit the required state match on or before the time it receives federal Perkins funds.*

3. Rainy River Community College needs to improve access controls to the student information system.

The college does not adequately control employee access to the student information system. The college uses the system to register students for classes, record tuition payments and deferments, and post grades.

The college has not periodically reviewed computer clearances nor made appropriate changes. At the time of our audit, several former employees and student workers, continued to have clearance to record transactions on the student information system. In addition, the college allowed some employees access to transactions which were not necessary for their job duties. The college should regularly obtain user file lists, review the assigned clearances and request adjustments as assigned duties dictate.

Rainy River Community College

Recommendation

- *Rainy River Community College should periodically review employee access to the computer system. The college should adjust as necessary to limit employee access to only specific functions for their assigned tasks.*

4. Rainy River Community College does not charge late payment fees when required.

The college is not charging late payment fees to students who do not pay their tuition and fees promptly. Community College Board Policies requires colleges to charge registered students late fees if they do not pay their tuition by the first day of classes. Colleges also must charge late fees to students who register after the first day and do not pay on that day. Students can request a deferment of their tuition and fees to avoid paying these late fees.

Recommendation

- *Rainy River Community College should charge late payment fees when required.*



RAINY RIVER COMMUNITY COLLEGE

Hwy. 11-71 • International Falls, MN 56649
(218) 285-7722

September 24, 1992

State of Minnesota
Office of the Legislative Auditor
Jeanine Leifeld, CPA
Centennial Building
St. Paul, MN 55155

Dear Ms. Leifeld:

We have received and reviewed your letter of September 10, 1992 and the draft of our June 1992 audit. Our response to the findings and recommendations are as follows:

1. RRCC SHOULD DEVELOP CASH MANAGEMENT PROCEDURES WHICH WILL ENABLE IT TO COMPLY WITH FEDERAL REGULATIONS.

During fiscal year 1992 the college attempted to live within the 3 day limit of cash on hand and was successful at doing so. We are again monitoring cash balances on a weekly basis and believe our federal cash on hand is within a 3 day need basis.

Larry Van Schoiack, Director of College Services, is responsible for resolution effective now.

2. RRCC SHOULD USE PERKINS LOAN FUNDS ONLY FOR AUTHORIZED PURPOSES. RRCC SHOULD MAINTAIN PERKINS LOAN FUNDS IN AN INTEREST BEARING ACCOUNT. RRCC SHOULD DEPOSIT THE REQUIRED STATE MATCH ON OR BEFORE IT RECEIVED FEDERAL PERKINS LOAN FUNDS.

We are in the process of setting up interest bearing separate bank account for the Perkins Loan fund. This will require us to utilize only Perkins funds for Perkins Loans. New accounting procedures will be set up to track the federal and state funds on a current basis so that state funds are deposited at the same time as federal funds.

Larry Van Schoiack, Director of College Services, is responsible for resolution effective October 31, 1992.

Jeanine Leifeld
Page 2

3. RRCC SHOULD PERIODICALLY REVIEW EMPLOYEE ACCESS TO COMPUTER SYSTEM. THE COLLEGE SHOULD ADJUST AS NECESSARY TO LIMIT EMPLOYEE ACCESS TO ONLY SPECIFIC FUNCTIONS FOR THEIR ASSIGNED TASKS.

We have deleted past employees and adjusted one task for Patricia Dieren as per attached letter to our computer services section. We will review the user task list as an on going process and delete employees that terminate.

Larry Van Schoiack, Director of College Services, is responsible for resolution effective now.

4. RAINY RIVER COMMUNITY COLLEGE SHOULD CHARGE LATE PAYMENT FEES WHEN REQUIRED.

The ACCR President is currently in the process of asking for a new procedure to change the policy for out-state community colleges regarding charging of late fees.

Allen Rasmussen, Provost, is responsible for resolution.

Sincerely,



Allen Rasmussen
Provost

cc Cynthia Heelan, Acting President, ACCR
Geraldine Evans, Chancellor
Elaine Markey, Community College Board President
Tony Bartovich, Associate Director of Admin. Services, ACCR
Bill Maki, Director of Administrative Services, ACCR