Riverland Community College

Financial Audit
For the Period July 1, 1995, through June 30, 1997

September 1998

This document can be made available in alternative formats, such as large print, Braille, or audio tape, by calling 296-1727.

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

98-51

Centennial Office Building, Saint Paul, MN 55155 • 612/296-1727

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Morrie J. Anderson, Chancellor
Minnesota State Colleges and Universities

Members of the Minnesota State Colleges and Universities Board of Trustees

Dr. Gary Rhodes, President
Riverland Community College

We have audited Riverland Community College for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included the following areas: general financial management, tuition and fees, employee payroll, administrative expenditures, and bookstore operations. We also reviewed the college's internal controls over compliance with federal student financial aid for fiscal year 1998. The following Summary highlights the audit objectives and conclusions. We discuss our concerns more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of internal controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that Riverland Community College complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the college is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of Riverland Community College. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 11, 1998.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 4, 1998

SUMMARY

State of Minnesota
Office of the Legislative Auditor
1st Floor Centennial Building
658 Cedar Street • St. Paul, MN 55155
(651)296-1727 • FAX (651)296-4712
TDD Relay: 1-800-627-3529
email: auditor@state.mn.us
URL: http://www.auditor.leg.state.mn.us

Riverland Community College

Financial Audit
For the Period July 1, 1995, through June 30, 1997

Public Release Date: September 11, 1998 No. 98-51

Background

Riverland Community College was formed July 1, 1996, with the consolidation of Austin Community College, Minnesota Riverland Technical College-Austin, and South Central Technical College-Albert Lea. Riverland Community College is a two-year college that offers accredited programs in automotive services, cosmetology, nursing, medical imaging/radiography, occupational and physical therapy, and the construction electrician program. John Gedker was the president of the college during our audit scope. Dr. Gary Rhodes became the president of Riverland Community College on August 15, 1998.

Our audit scope covered the period from July 1, 1995, through June 30, 1997. We audited general financial management, tuition and fees, payroll, administrative expenditures, bookstore activities, and the college's relationships with its affiliated foundations. We also reviewed the college's internal controls over compliance with federal student financial aid regulations for fiscal year 1998.

Conclusions

We found that Riverland Community College designed internal controls to provide reasonable assurance that it properly recorded its financial activities on the MnSCU and MAPS accounting systems, and that the college operated within its available financial resources. However, the college had multiple internal control weaknesses in several areas. The college did not adequately separate duties in several of its financial areas, including customized training, financial aid, the bookstores, and the parts stores. In addition, the college did not verify the accuracy of its accounting records by performing reconciliations for tuition receipts.

For the items tested, the college complied with legal provisions governing financial activities included in our audit scope, except for prompt depositing requirements at certain locations. The college did not have written contracts with its affiliated foundations. We also found a lack of independence between the college and the Austin Technical College Foundation.

In its written response, Riverland Community College agreed with the audit report. The response indicated that the college has already implemented changes to address many of the issues in the report.

Table of Contents

	Page
Chapter 1. Introduction	1
Chapter 2. Financial Management	3
Chapter 3. Tuition and Fees	5
Chapter 4. Employee Payroll	11
Chapter 5. Administrative Expenditures	13
Chapter 6. Financial Aid	17
Chapter 7. Bookstore	21
Chapter 8. Foundations	27
Status of Prior Audit Issues	29
Riverland Community College Response	31

Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Joan Haskin, CPA, CISA	Auditor-in-Charge
Chege Ngigi	Auditor
Keith Bispala	Auditor
Susan O'Connell	Auditor

Exit Conference

We discussed the findings and recommendations with the following representatives of Riverland Community College and the MnSCU system office at the exit conference held on August 26, 1998:

Riverland Community College:	
Gary Rhodes	President
Karen Snorek	Vice President of Finance and Administration
Brad Doss	Accounting Supervisor
Gary Schindler	Director of Enrollment Services
MnSCU System Office:	
Laura King	Vice Chancellor for Finance, Chief Financial Officer
Rosalie Greeman	Associate Vice Chancellor, Financial Reporting
Al Finlayson	Director of System Accounting
John Asmussen	MnSCU Internal Audit
Marilyn Hansmann	MnSCU Internal Audit

Chapter 1. Introduction

Riverland Community College was formed July 1, 1996, with the consolidation of Austin Community College (now referred to as the Austin East campus), Minnesota Riverland Technical College-Austin (now referred to as the Austin West campus), and South Central Technical College-Albert Lea. Prior to the merger, Minnesota Riverland Technical College consisted of three campuses: Austin, Faribault, and Rochester, with a customized training center in Owatonna. South Central Technical College consisted of campuses in Albert Lea and Mankato prior to the merger. Both Minnesota Riverland Technical College and South Central Technical College were independent school districts before becoming part of the Minnesota State Colleges and Universities System on July 1, 1995. The consolidated college now operates one business office, one financial aid office, and bookstores on the Austin and Albert Lea campuses.

Riverland Community College is a two-year college that offers accredited programs in automotive services, cosmetology, nursing, medical imaging/radiography, occupational and physical therapy, and the construction electrician program. The college is accredited by the Commission on Institutes of Higher Education of the North Central Association of Colleges and Schools. During fiscal year 1997, Riverland Community College had an enrollment of 2001 full-year equivalent students. John Gedker was the college president during our audit scope. Dr. Gary Rhodes became the president of Riverland Community College on August 15, 1998.

Riverland Community College is affiliated with the Austin Community College Foundation, the Austin Technical College Foundation, and the Albert Lea Technical College Foundation. Each foundation functions primarily to provide student scholarships, enrichment opportunities for faculty, and special capital acquisitions for the college.

Table 1-1 provides a summary of the college's sources and uses of funds reported in the General Fund, Special Revenue Funds, Enterprise Funds, and Capital Project Fund for fiscal year 1997.

Table 1-1
Sources and Uses of Funds (1)
Fiscal Year Ended June 30, 1997

	General Fund	Special Revenue Funds	Enterprise Funds	Capital Projects Fund
Beginning Fund Balance	$ 1,046,052	$ 87,174	$ 678,222	$ 0
State Appropriation	11,127,479	0	0	885,962
Revenues				
Tuition and fees	$ 4,652,165	$ 197,571	$ 0	$ 0
Sale of goods	0	0	763,522	0
Grants	0	2,186,152	0	0
Other	763,301	33,502	29,383	120,000
Subtotal Revenues	$ 5,415,466	$2,417,225	$ 792,905	$ 120,000
Total Resources	$17,588,997	$2,504,399	$1,471,127	$1,005,962
Expenditures				
Employee payroll	$11,014,764	$ 363,203	$ 107,076	$ 0
Purchased services	437,075	0	0	585,404
Utilities	513,548	0	0	0
Supplies	1,027,926	71,915	575,503	0
Equipment	357,201	40,579	0	0
Grants	0	1,451,907	0	0
Other	1,518,350	430,956	39,488	52,118
Transfers out	162,098	0	0	0
Total Expenditures	$15,030,962	$2,358,560	$ 722,067	$ 637,522
Ending Fund Balance	$ 2,558,035	$ 145,839	$ 749,060	$ 368,440

(1) Table 1-1 is prepared on the budgetary basis of accounting. This basis does not include long-term assets and liabilities. Examples of financial activity not included in the table are tuition receivables not collected as of the close of books and compensated absence liabilities. The college's June 30, 1997, compensated absence liability was estimated to be about $1 million.

Source: MnSCU Accounting System as of December 31, 1997.

Our audit scope included the following areas: tuition and fees, customized training, payroll, administrative expenditures, federal student financial aid, and bookstore operations. For fiscal year 1996 activity at Minnesota Riverland Technical College-Faribault and South Central Technical College-Albert Lea, we audited tuition and fees for the Faribault campus and customized training, payroll, and bookstore activity at the Albert Lea campus.

Chapter 2. Financial Management

Chapter Conclusions

Riverland Community College designed internal controls to provide reasonable assurance that it recorded all of its state treasury and local account activity on the MnSCU and MAPS accounting systems and operated within its available resources. The college properly accounted for and controlled its local bank accounts and completed bank reconciliations timely. We found, however, that the college had not adequately segregated duties in several key areas.

MnSCU receives the majority of its funding for operations from General Fund appropriations. The MnSCU system office allocates appropriated funds to Riverland Community College and all universities and colleges based on an allocation formula. In addition, Riverland Community College retains the tuition and other receipts it collects to arrive at its total authorized spending level.

On July 1, 1995, the consolidated Minnesota State Colleges and Universities (MnSCU) system began operations. At that time, MnSCU implemented a new computerized accounting system, MnSCU accounting, as well as the State Colleges and Universities Personnel/Payroll System (SCUPPS). MnSCU required all campuses to use the MnSCU accounting system to account for both money maintained within the state treasury and local activity maintained outside the state treasury.

The State of Minnesota also implemented a new computerized accounting system (MAPS) and a new personnel/payroll system (SEMA4) on July 1, 1995. The state's accounting system is the primary accounting system for funds appropriated to state agencies. MnSCU campuses used the MnSCU accounting system to initiate transactions that involved appropriated funds. Through a system interface, the MnSCU accounting system recorded these transactions in MAPS. MAPS then generated state treasury warrants for state-appropriated expenses.

Riverland Community College operates under the direction of one president. The college also employs one business manager, one financial aid director, and one personnel director who each serve all the campuses.

Audit Objectives and Methodology

Our review of Riverland Community College's overall financial management focused on the following questions:

Did the college design and implement internal controls to provide reasonable assurance that:

- financial activities were properly recorded on the MnSCU and MAPS accounting systems;
- money held in local bank accounts was adequately safeguarded and accurately reported in the accounting records; and
- it operated within available financial resources and in compliance with applicable legal provisions and management's authorization?

To answer these questions, we interviewed college staff to gain an understanding of the MnSCU accounting system as it pertained to each of the individual program areas discussed in the following chapters. We gained an understanding of internal controls in place over the local bank accounts and the programs included in our audit scope. We reviewed MnSCU transactions posted to the accounting records to determine if the college properly recorded revenue and expenditure transactions in MnSCU accounting for both state treasury and local activities. In addition, we reviewed the college's budgetary process with college administrators.

Conclusions

Riverland Community College designed internal controls to provide reasonable assurance that it recorded all of its state treasury and local account activity on the MnSCU and MAPS accounting systems and operated within its available resources. The college properly accounted for and controlled its local bank accounts and completed bank reconciliations timely. However, the college did not adequately separate duties over tuition and fees, financial aid transactions, and bookstore operations. We discuss these issues further in their respective chapters.

Chapter 3. Tuition and Fees

Chapter Conclusions

Riverland Community College did not design internal controls to provide reasonable assurance that tuition and fee revenue collections were safeguarded or accurately reported in the accounting records. The college did not have adequate separation of duties over tuition revenue in the customized training centers. For items tested, the college complied with applicable finance-related legal provisions, except that the customized training centers did not deposit receipts timely.

Riverland Community College collected tuition and fees each quarter from students enrolled in campus programs and continuing education classes. The college used the Collegiate Information System (CIS) to register, bill, and collect tuition for all classes. For fiscal year 1997, the resident tuition rate was $41.60 per credit plus miscellaneous fees. The college recorded $4,849,736 for tuition and fee revenue on the MnSCU accounting system for fiscal year 1997. Included in this amount is over $450,000 in tuition revenue for customized training classes.

Riverland Community College also offered customized training classes to both businesses and individuals. Businesses can request classes that meet the specific needs of their employees. Individuals can also register for customized training classes that the college offers to the general public. The college has customized training centers located on the Albert Lea, Owatonna, and Austin East campuses.

Audit Objectives and Methodology

Our review of tuition and fees focused on the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that revenue collections were safeguarded and accurately reported in the accounting records?
- Did the college comply with applicable legal provisions and management's authorization?

To answer these questions, we interviewed college employees to gain an understanding of the internal controls over the billing, collecting, and recording of tuition and fees. We determined the reasonableness of tuition revenue recorded on the MnSCU accounting system in relation to the recorded credits on CIS. We reviewed the tuition and fees collected by the customized training centers. We also tested a sample of transactions to determine the timeliness of deposits and recording of revenue on the MnSCU accounting system.

Conclusions

Riverland Community College did not design internal controls to provide reasonable assurance that tuition and fee revenue collections were safeguarded and accurately reported in the accounting records. The college did not have an adequate separation of duties over tuition revenue in the customized training centers. The college did not enforce tuition waiver policies. For items tested, the college complied with applicable finance-related legal provisions, except that the customized training centers did not deposit receipts timely. We discuss these issues in Findings 1 through 6.

1. Riverland Community College did not verify the accuracy and completeness of tuition collections.

Riverland Community College did not verify billable credits recorded on the College Information System (CIS) to tuition receipts recorded on the MnSCU accounting system. The college used CIS to register and bill students for credit and continuing education classes. A reconciliation of billable credits to receipts would provide the college with the assurance that it collected and deposited the proper amount of tuition. The reconciliation should consider factors such as credit waivers, non-resident credits, reciprocity credits, and tuition refunds. The college could also use the reconciliation to analyze its outstanding accounts receivable.

In addition, the college did not reconcile billable coursework for customized training with tuition revenue recorded on the MnSCU accounting system. A clerk at one of the customized training centers prepared a spreadsheet for courses showing the course, the amount billed, the date, and amount paid. The college could use such a spreadsheet to reconcile the billable coursework to the revenue recorded on the MnSCU accounting system. Such a reconciliation would provide the college with the assurance that it collected the proper amount of tuition, at appropriate tuition rates, in relation to total billable courses. The college should perform these reconciliations on a regular basis to assess the completeness and accuracy of tuition revenue recorded in the MnSCU accounting system.

Recommendation

- *The college should reconcile the billable credits and coursework to the tuition and fee revenue on a periodic basis.*

2. Riverland Community College did not establish an adequate separation of duties over certain functions associated with receipts for courses.

The college had an inadequate separation of duties over customized training receipts. The clerks in the customized training centers were responsible for registering and billing functions and collecting receipts. Concentrating the billing and collection responsibilities creates an environment where an employee could misappropriate receipts and adjust the billing records to reflect the payment without detection.

We also found that certain employees had unnecessary access to the computer system. Employees from each of the three campus customer service centers had the ability to remove holds from student accounts on the registration system. Placing a hold on student accounts restricts students with past due amounts from registering for classes and obtaining transcripts. By not restricting the ability to remove holds from students' accounts, the possibility exists that a hold could be erroneously removed. One employee also had update access to the fee table where the tuition rates were recorded.

Recommendations

- *The college should establish an adequate segregation of duties over the collection and billing of customized training course receipts.*
- *The college should restrict logical access controls to CIS to only those functions needed by staff to perform their job responsibilities.*

3. Riverland Community College did not enforce tuition waiver policies.

Riverland Community College allowed individuals to register for classes using the tuition waiver benefit without submitting the authorization form. College employees and their family members are eligible for tuition waiver benefits that allow them to enroll in courses on a space available basis without payment of tuition and fees. The employee's compensation plan determines the maximum number of credits per year that are eligible for waivers. MnSCU policy requires individuals qualifying for the tuition waiver benefit to submit a form approved by the human resources director to the registration personnel prior to registering. During our review, we found instances where the student did not sign and the human resources director did not approve tuition waiver forms until after the class was taken. For example, the human resources director and the students did not sign two waiver forms for 1996 fall classes until May 1997. Allowing individuals to register without an approved waiver form increases the risk of tuition waivers exceeding the credits allowed by bargaining agreements and the risk of ineligible individuals receiving waiver benefits.

Recommendation

- *The college should require authorized tuition waiver forms prior to registering students.*

4. Riverland Community College did not adequately safeguard tuition receipts and blank checks.

During our review we found that Riverland Community College did not endorse checks immediately upon receipt; did not keep receipts, blank checks, and signature stamps in a secure area; and maintained an excessive cash balance at one of the service centers. The business office restrictively endorsed checks when preparing the deposit the following day. The college should restrictively endorse checks immediately upon receipt to decrease the potential for loss or theft.

Customer service center staff at the Austin East and Austin West campuses kept blank checks unlocked next to signature stamps. The college should keep signature stamps in a secure area separate from the blank checks. In addition, the college should keep both the blank checks and the signature stamps in a locked area at night to reduce the risk of blank checks being improperly authorized, stolen, and cashed.

In addition, the college allowed unnecessary access to tuition receipts and the amount of change funds at two locations. The customer service center staff at the Austin West campus kept tuition receipts in an unlocked safe during operating hours. Also, the Albert Lea customer service center had an excessive cash drawer balance of $1200 used for making change. In comparison, the cash drawer balance at the Austin East campus was $325. Reducing the cash balance would reduce the risk of loss due to theft.

Recommendation

- *The college should improve the safeguarding of assets by:*
  - -- *restrictively endorsing checks upon receipt;*
  - -- *locking up blank checks and signature stamps;*
  - -- *locking the safe at all times; and*
  - -- *reducing the cash drawer balance for Albert Lea customer service center.*

5. Riverland Community College did not adequately control customized training receipts.

We found several control weaknesses with customized training receipts. Those weaknesses included:

— not verifying the accuracy of customized training receipts recorded on the MnSCU accounting system;
— not depositing customized training receipts timely;
— not adequately safeguarding receipts collected at the Owatanna training center;
— allowing Farm Business Management and Small Business Management instructors to collect payments from students; and
— not monitoring outstanding account receivable balances for the Fire Fighting and Industrial Safety Program.

Clerks in the customized training centers received payments and recorded them on CIS. They then forwarded the checks to the customer service center where the clerks prepared the deposit and entered the receipts onto the MnSCU accounting system. Customized training center clerks did not review MnSCU accounting reports to ensure that receipts were recorded correctly.

The customized training centers did not deposit tuition receipts promptly. The centers held receipts until they were sure that the college was not going to cancel the classes. The centers also held receipts until they had a signed contract with the applicable businesses. We found one instance at Albert Lea where the college received $2,400 on September 11, 1996, and did not deposit the funds until December 11, 1996. Another example of untimely deposits pertained to the fire fighting program. The college deposited approximately $44,000 of receipts in May 1997. The college had collected some of those receipts in February, three months prior to the deposit. Minn. Stat. Section 16A.275 requires agencies to deposit receipts daily if they total $250 or more. Untimely deposits increase the risk of lost or stolen receipts.

The Owatonna customized training center did not adequately safeguard its training program receipts. The center did not restrictively endorse checks upon receipt. A student worker also carried receipts in a sealed envelope to the Austin East campus. The customer service center staff at the Austin campus restrictively endorsed the checks, prepared the deposit, and entered the receipts into CIS and the MnSCU accounting system. The college subjected itself to unnecessary security and safety risks during the transportation of these receipts to the Austin campus.

Instructors in the Farm Business Management and Small Business Management programs collect payments for courses from students. Allowing instructors to collect receipts delays deposits and increases the risk that receipts may be lost or stolen.

The college could not accurately determine outstanding account receivable balances for the Fire Fighting and Industrial Safety program. As a result, the college did not actively pursue the collection of the accounts receivable balances. The college should maintain accurate documentation of accounts receivable to assure that revenue earned is being collected in a timely manner and accounting records are accurate. Furthermore, the Fire Fighting and Industrial Safety program did not record courses in CIS. The college should record all customized training coursework in CIS to maintain adequate records of the courses provided and to set up receivables in the registration system.

Recommendations

- *The college should verify customized training receipts recorded on the MnSCU accounting system.*

- *The college should deposit customized training receipts daily.*

- *The Owatonna Customized Training Center should restrictively endorse checks upon receipt and secure the receipts when transported.*

- *The college should monitor and actively pursue the collection of outstanding receivables.*

- *The college should consider alternatives to having instructors collect course fees in order to strengthen controls over receipts.*

- *The Fire Fighting and Industrial Safety Training Center program should record classes in CIS.*

6. The customer service centers did not accurately record customized training revenue on the MnSCU accounting system.

The customer service centers coded customized training revenues to the wrong object codes on the MnSCU accounting system. The centers recorded revenue from hourly-based non-credit courses as course fees. The college set the budget for non-credit course fees at $490,782 in fiscal year 1997. However, non-credit course fee revenue on the MnSCU accounting system totaled only $114,470. Similarly, the budget for course fees was $14,500, while the revenue on MnSCU accounting system was $318,001. The college should record customized training revenue as non-credit course revenue. Tuition revenue from customized training courses should be posted correctly to the MnSCU accounting system so that the accounting records are accurate and management can effectively monitor budgets.

Recommendation

- *Riverland Community College should record customized training revenue correctly on the MnSCU accounting system.*

Chapter 4. Employee Payroll

Chapter Conclusions

Riverland Community College designed and implemented internal controls to provide reasonable assurance that payroll expenditures were properly authorized, processed, and accurately recorded in the accounting records. However, the college did not adequately restrict the payroll clerk's security clearances in SCUPPS, MnSCU's personnel and payroll system. For the items tested, the college complied with material finance-related legal provisions and applicable bargaining unit agreements.

Employee payroll represents the largest expenditure for Riverland Community College. The college spent $11,485,043 on employee payroll during fiscal year 1997. The college employed 294 staff, including 201 faculty members. College employees belong to the following compensation plans:

- American Federation of State, County, and Municipal Employees (AFSCME)
- Minnesota Association of Professional Employees (MAPE)
- Middle Management Association (MMA)
- Excluded Administrators Plan
- Confidential Plan
- United Technical College Educators (UTCE)
- Minnesota Community College Faculty Association (MCCFA)

During fiscal year 1996 and part of fiscal year 1997, the college used the state's personnel/ payroll system (PPS) to process payroll information. PPS contained pay rate information and calculated the employee payroll amount. The college converted to the state's new payroll system, SEMA4, in August 1996. The college also used the State Colleges and Universities Personnel/Payroll System (SCUPPS) during fiscal years 1996 and 1997. SCUPPS maintains employee appointment information, personnel files, and pay rates.

Audit Objectives and Methodology

The primary objectives of our review of payroll expenditures were to answer the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that payroll expenditures were properly authorized and accurately reported in the accounting records?

Riverland Community College

- Did the college comply with material finance-related legal provisions and applicable bargaining unit agreements?

To meet these objectives, we interviewed college staff to gain an understanding of the internal control structure and accounting processes for payroll and personnel transactions. We tested the recording of transactions in the personnel, payroll, and accounting systems.

Conclusions

Riverland Community College designed and implemented internal controls to provide reasonable assurance that payroll expenditures were properly authorized and processed, and accurately recorded in the accounting records. However, the college did not adequately restrict the payroll clerk's security clearances in SCUPPS as discussed in finding 7. For the items tested, the college complied with material finance-related legal provisions and applicable bargaining unit agreements.

7. Riverland Community College did not adequately restrict the payroll clerk's security clearances in SCUPPS.

Riverland Community College did not adequately restrict computer security clearances for payroll work performed by the college payroll clerk. The payroll clerk entered the college's payroll transactions into SEMA4 each pay period and performed verifications to ensure that information on SCUPPS agreed with the information recorded on SEMA4. To perform those duties, the payroll clerk needed access to various SCUPPS reports. However, the payroll clerk also had access to other functions on SCUPPS not needed to perform the clerk's job responsibilities. Access to both SCUPPS and SEMA4 could permit an employee to make unauthorized personnel changes to SCUPPS and use those transactions to generate improper payroll transactions in SEMA4.

Recommendation

- *The college should restrict access to SCUPPS to only those functions needed by employees to perform their jobs.*

Chapter 5. Administrative Expenditures

Chapter Conclusions

Riverland Community College designed and implemented internal controls to provide reasonable assurance that administrative expenditures were accurately reported in the accounting records in compliance with applicable legal provisions and management's authorization. However, the college did not complete an inventory count or properly record fixed assets on the fixed asset accounting system. Also, the college did not separate duties in the parts stores, and did not ensure it received sufficient value for lease space it provided to two organizations.

Riverland Community College's administrative expenditures included payments for purchased services, supplies, equipment, utilities, and other miscellaneous categories. Administrative expenditures for the college totaled $4,455,238 for fiscal year 1997. The purchasing process at Riverland Community College begins when a faculty member or other employee completes a requisition for purchase and forwards it to the business office. The business office sets up an encumbrance for the purchase. The business office also creates a purchase order and enters the information on the MnSCU accounting system. The business office then submits the purchase order to the vendor and sends a copy to the department receiving the goods or services. The business office receives the invoice and matches it to the purchase order. The business office sends the invoice to the department receiving the goods or services, where appropriate staff authorize the payment. Business office personnel process the payment on the MnSCU accounting system.

Audit Objectives and Methodology

The primary objective of our review was to answer the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that it accurately reported administrative expenditures in the accounting records and adequately safeguarded fixed assets from theft or loss?

- Did the college comply with applicable legal provisions and management's authorization?

To address these questions, we interviewed college staff to gain an understanding of the internal control structure over the purchasing and the payment process for administrative expenditures. We reviewed and analyzed disbursement data. We also tested a sample of purchases to determine whether the college had adequate supporting documentation, paid the correct amount, properly recorded the transactions in the MnSCU accounting system, and complied with

MnSCU purchasing policies. Finally, we reviewed the college's process to record and control fixed assets.

Conclusions

Riverland Community College designed and implemented internal controls to provide reasonable assurance that administrative expenditures were accurately reported in the accounting records in compliance with applicable legal provisions and management's authorization. However, the college did not complete an inventory count or properly record assets on the MnSCU fixed asset accounting system. In addition, the college did not separate duties in the parts stores. We also found that the college did not ensure that it received sufficient value in exchange for free space provided to two businesses. We discuss these issues in Findings 8 through 10.

8. Riverland Community College did not adequately control fixed assets.

Riverland Community College did not complete a physical inventory of its fixed assets, nor did it record the assets on the MnSCU fixed asset accounting system. MnSCU policy requires institutions to develop procedures to record all fixed assets over $2000 on the MnSCU fixed asset accounting system. The college had not conducted a physical inventory of fixed assets since the consolidation with Albert Lea Technical College and Austin Community College. In addition, the college had not tagged new purchases of fixed assets with asset numbers nor recorded them on the MnSCU fixed asset system. Equipment purchases during fiscal year 1997 totaled $397,780. Periodic physical inventory counts and accurate records are necessary in order to properly account for and safeguard assets.

Recommendation

- *The college should improve control over property and equipment by:*
  -- *identifying and recording all property and equipment purchases; and*
  -- *conducting periodic independent physical inventory counts; and*
  -- *assigning and affixing asset numbers to all equipment.*

9. Riverland Community College did not establish an adequate separation of duties over the parts stores operations.

Riverland Community College assigned basically all duties relating to the parts stores operations to one individual. Fiscal year 1997 revenue and expenditures for the parts store totaled $148,438 and $143,672 respectively. The parts store managers were responsible for completing field purchase orders, receiving goods, and approving the invoices for payments. They also received payment for tools and supplies purchased by students. The manager on the Austin campus was responsible for ringing up sales on the cash register, closing out the register at the end of the day, and preparing the deposit slip. The manager on the Albert Lea campus collected payments and then took them to the business office for depositing.

The college allowed students to purchase tools on an installment plan. The students did not complete agreements with the college establishing a payment plan. The parts manager also maintained the related accounts receivable records and accepted and recorded payments. As of May 1998, there were five students who received tools in the fall of 1997 that had not completed paying for them. They owed a total of $1609. Allowing one individual to perform all of these functions increases the risk that errors or irregularities could occur and go undetected.

Recommendations

- *The college should separate duties over the parts stores operations.*
- *The college should establish a formal agreement and payment plan for tools purchased on installment by students.*

10. Riverland Community College did not ensure it received sufficient value in exchange for free space provided to two businesses.

During the audit period, Riverland Community College had a written agreement with the Development Corporation of Austin (DCA) Company to provide free office space of 1,180 square feet on the Austin campus. (In March 1998, an amendment to the current agreement changed DCA's location on campus and reduced the amount of space to 420 square footage.) The college also provided utilities such as heat, electricity, water, and sewer service. The agreement states that the college and DCA will receive mutual benefits in place of rent. The agreement states that the mutual benefits are "the promotion of economic growth in the City of Austin and access to the training programs offered by the lessor to the businesses working with the lessee."

Minn. Stat. Section 136F.06 gives MnSCU the power to govern the state colleges and universities and all related property. The college feels that it is important to have a partnership with the community and that helping businesses gives the college exposure and possibly additional customized training opportunities. There is no way to document or verify what benefits the college has received. The college should include what benefits it expects to receive in the contract. The college should monitor the contract to ensure that it receives the benefits outlined.

During January 1998, Riverland Community College also provided the Tecstra company free office space of 1,180 square footage on the Austin campus in order to help the business get established in the community. The college did not have a written agreement outlining the conditions under which it provided office space to Tecstra. The college apparently entered into a verbal agreement to provide free office space to the company for the period January 1, 1998, through December 31, 1998. Tecstra and the college did not sign a written agreement until June 1, 1998. A written agreement is needed to specify the rights and responsibilities of each party to the contract.

Recommendations

- *The college should identify benefits to be received in its contracts for leased space.*
- *The college should prepare written agreements prior to providing space to businesses.*

This page intentionally left blank.

Chapter 6. Financial Aid

Chapter Conclusions

Riverland Community College did not adequately separate duties over financial aid transactions or adequately monitor cost of attendance budget changes. The college complied with federal student financial aid requirements over cash management and federal reporting for the items tested.

Riverland Community College participated in several student federal financial aid programs administered by the U.S. Department of Education and the state grant program administered by the Minnesota Higher Education Services Office. In order to participate in the federal financial aid programs, the college must complete a Fiscal Operations Report and Application to Participate (FISAP) annually. Table 6-1 summarizes financial aid program expenditures for fiscal year 1997.

Table 6-1
Student Financial Aid Expenditures
Fiscal Year 1997

CFDA Number	Program	Total Expenditures
84.032	Federal Family Education Loan (FFEL)	$2,221,661
84.063	Federal Pell Grant	1,348,840
84.033	Federal Work-Study (FWS)	289,949
84.007	Federal Supplemental Education Opportunity Grant (SEOG)	103,067
84.038	Federal Perkins Loan	45,331
	State Basic Grant	649,606

Source: June 30, 1997, FISAP and Riverland Community College accounting records.

The Federal Pell grant is considered the first source of assistance to eligible students. Eligibility for the grant is based on the cost of education, the family's ability to pay, and the number of credits a student is enrolled for. All eligible students receive Pell grants since the funding is not limited to the available funds at the college. The maximum Pell grant for the 1997-1998 award year was $2,700.

The Federal Family Education Loan (FFEL) program includes Subsidized and Unsubsidized Stafford Loans. The student borrower applies for the loan from a private lender. The school certifies the promissory note for qualifying students. The federal government guarantees the loan in case of default or cancellation. Loan proceeds are electronically deposited to the college's financial aid account. The federal government pays the interest to the private lender on Subsidized Stafford Loans while the student is in school and during certain deferment periods. For Unsubsidized Stafford Loans, the interest accrues from the date of origination and is the responsibility of the borrower. The borrower's grade level and the amount previously borrowed determine the maximum loan amount.

The Federal Work-Study Program and Federal Supplemental Educational Opportunity Grant are additional sources of federal financial aid. The federal government's share must not exceed 75 percent of the total expenditures in Federal Supplemental Educational Opportunity Grant and the Federal Work-Study Program. The state contributes 25 percent of the funding for the two programs.

Minnesota residents that demonstrate financial need could receive a Minnesota State Grant, which the Minnesota Higher Education Services Office (HESO) funds. HESO determines eligibility for the state grant program and advances funds to the college for disbursement. The college packages and disburses the state grants along with federal financial aid.

Audit Objectives and Methodology

The primary objectives of our audit were to answer the following questions related to the federal financial aid programs:

- Did the college design and implement internal controls to provide reasonable assurance that it is managing federal student financial aid programs in compliance with applicable federal requirements?

- Did the college comply with applicable legal requirements for cash management and federal reporting of student financial aid activity?

To meet these objectives, we evaluated and tested controls over compliance with federal regulations governing financial aid funds. We also reviewed and tested compliance with federal cash management and federal reporting requirements.

Conclusions

The college recorded its financial aid activity on MnSCU timely and accurately. However, the college did not adequately separate duties over financial aid transactions, as discussed in Finding 11. In addition, the college did not adequately monitor cost of attendance budget changes, as discussed in Finding 12. The college complied with federal student financial aid requirements over cash management and federal reporting for the items tested.

Riverland Community College

11. Riverland Community College did not adequately separate duties over financial aid transactions.

Employees responsible for packaging and awarding financial aid had system access that gave them the ability to also disburse aid. These financial aid employees had the ability to disburse financial aid by either applying student charges to the accounts receivable system or generating a check to the student. The financial aid employees also had incompatible access to the CIS system. Their access to SAFE, the software used to package financial aid, allowed them to process student financial aid applications while their access to CIS allowed them to register and post payments to student accounts. Not properly separating duties increases the risk that errors and irregularities may occur and go undetected. In addition, federal regulation 34 CFR Part 668.16(c)(2) requires separation of financial aid awarding from disbursing or delivery functions.

In addition, the accounting supervisor submitted requests for federal funds, recorded the federal receipts in MnSCU accounting, and reconciled the financial aid bank account to MnSCU accounting. The accounting supervisor also has the ability to make disbursements from the financial aid account. Ideally, someone independent of the accounting transactions for federal funds should perform the bank reconciliation. Without properly separating these duties, unauthorized expenditures could be charged to the financial aid account without detection.

Recommendations

- *The college should separate duties over the awarding and disbursing of financial aid and should limit system access accordingly.*

- *Someone independent of the accounting transactions for financial aid should reconcile the bank account. At a minimum, someone independent should review the reconciliation*

12. Riverland Community College did not adequately monitor cost of attendance budget changes.

Riverland Community College did not review the propriety of changes made to cost of attendance budgets. Employees in the financial aid office and the customer service centers had the ability to adjust the cost of attendance budgets for students enrolled in programs that required fees and materials beyond those included in the basic cost of attendance budget. Employees used professional judgment and maintained supporting documentation for any changes made. Allowing all employees to make budget changes without a review process in place increases the risk that inappropriate adjustments may occur and go undetected, although we noted no exceptions. The college should consider limiting access to budget changes or having the financial aid director monitor changes to ensure that they are appropriate. The cost of attendance budget is a key component in the process of determining an applicant's financial need. It determines a student's eligibility for financial aid.

Recommendation

- *The college should restrict access to change the cost attendance budgets or establish a review process over such changes.*

This page intentionally left blank.

Chapter 7. Bookstore Operations

Chapter Conclusions

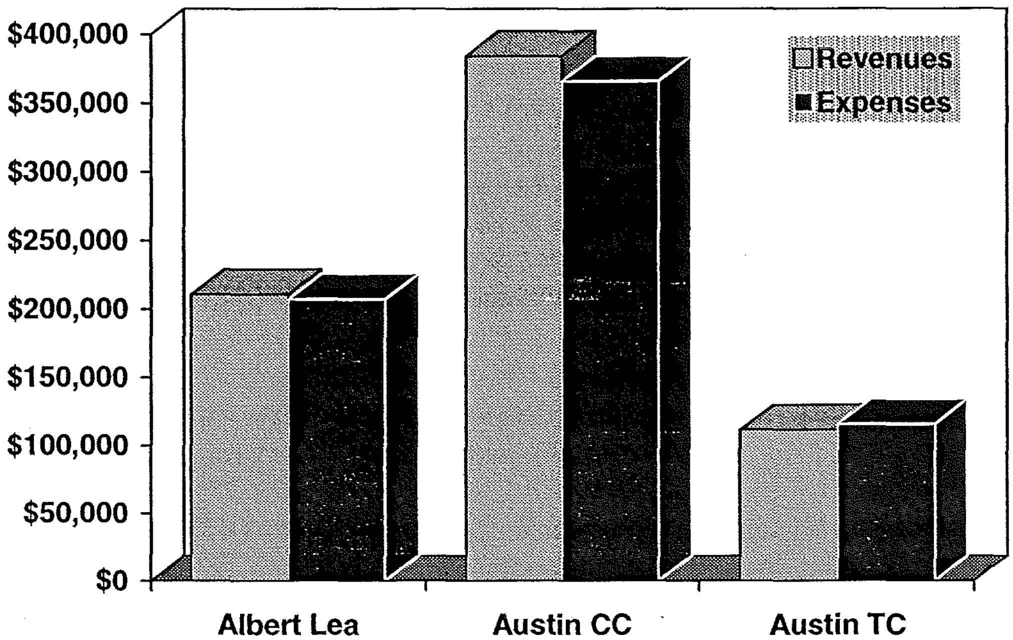
Riverland Community College did not design and implement internal controls to provide reasonable assurance that bookstore revenues and expenses were accurately recorded and in compliance with related legal requirements. The college did not adequately control or monitor bookstore operations. In addition, the college did not deposit receipts timely or encumber bookstore expenditures.

During our audit period, Riverland Community College operated bookstores on three campuses - Austin East, Austin West, and Albert Lea. The college merged the two Austin bookstores at the beginning of fiscal 1998 for economic and efficiency reasons. Riverland Community College employs two coordinators at the Austin campus bookstore and one coordinator at the Albert Lea campus. The three bookstore employees report to the assistant business office manager. The bookstores sell a variety of merchandise including books, supplies, and apparel.

The Austin campus bookstore accounts for sales through a point-of-sale computer program called Red Wing that the former technical college bookstore used. The Red Wing system is directly linked to the cash register. The college uses the Red Wing system to prepare purchase orders, account for bookstore sales, maintain accounts receivable, and manage inventory. Prior to the merger, the community college bookstore used a cash register to record sales and prepared manual purchase orders. The Albert Lea bookstore currently uses a cash register and prepares manual purchase orders.

Riverland Community College recorded $688,979 in expenses and $706,247 in revenues for the bookstore in fiscal 1997. Figure 7-1 shows the financial activity by bookstore.

Figure 7-1
Bookstore Revenues and Expenses (1)
Fiscal Year 1997



(1) The bookstore expenses do not include indirect costs, such as maintenance and utilities.

Source: MnSCU Accounting System.

Audit Objectives and Methodology

Our review of bookstore operations was to answer the following questions:

- Did the college design and implement internal controls to provide reasonable assurance that bookstore revenue and expense transactions were accurately recorded in the accounting system?

- Did the college comply with applicable legal provisions and management's authorization?

To answer these questions, we interviewed the bookstore coordinators and business office personnel to gain an understanding of the controls in place over bookstore revenues and expenses. We tested samples of transactions to determine if the college had adequate supporting documentation and had accurately recorded the transactions on MnSCU accounting. We also conducted analytical procedures to determine the revenue and expenses recorded on MnSCU accounting were reasonable.

Conclusions

Riverland Community College did not design and implement internal controls to provide reasonable assurance that bookstore expenses and revenues were accurately recorded, adequately supported and in compliance with related legal requirements. Our review revealed that the college did not adequately control or monitor bookstore operations, as discussed in Finding 13. In addition, the college did not deposit receipts timely or encumber bookstore expenditures. We discuss these issues in Findings 14 and 15.

13. Riverland Community College did not adequately control or monitor bookstore operations.

Riverland Community College assigned all duties relating to bookstore operations to the bookstore coordinators which resulted in a lack of segregation of duties. We noted other control weaknesses including the lack of verification of the completeness and accuracy of receipts and disbursements recorded on the accounting system. In addition, the college did not prepare periodic financial statements for monitoring bookstore operations.

During our audit period there was only one coordinator in each campus bookstore. There was no separation of duties over purchasing, receipts and maintaining accounts receivable, or the taking of physical inventories, as follows:

- Each coordinator created vendors, prepared purchase orders, and received merchandise. In addition, the coordinators authorized payments to vendors.

- Each bookstore coordinator billed accounts receivable for bookstore charges, collected payments on receivables, and posted receipts to accounts.

- The bookstore coordinators completed the bookstore annual physical inventories. The coordinator for the Austin Technical College bookstore would adjust the perpetual inventory on the Red Wing system to agree with the physical count.

Having one individual responsible for all aspects of these accounting functions increases the risk that monies collected could be credited to the account but not deposited. The lack of independent review increases the risk that improper transactions could occur and go undetected in each of these areas.

In addition to the lack of segregation of duties, the college did not verify the accuracy of bookstore receipts recorded on the MnSCU accounting system by each coordinator. The college did not independently reconcile the information recorded on the accounting system to bookstore supporting receipt documentation, such as cash register tapes to ensure that MnSCU accounting included all activity.

There was also a lack of control over bookstore receipt processing and voided transactions at specific bookstore locations. The Austin bookstore coordinators did not always complete a daily reconciliation of the cash in the drawer to the activity reports. We found small, unexplained differences between the amount the Austin bookstores deposited and the amounts recorded on the activity reports that the college had not followed up on. While the coordinator at the Albert Lea bookstore performed a daily reconciliation of receipts, the reconciliation was not reviewed by someone independent of the cashiering function. Daily reconciliation of the activity reports to the cash in the drawer and independent verification would ensure that discrepancies are identified and addressed timely.

The bookstores also lacked adequate control over voided transactions. The coordinator at the Albert Lea campus bookstore did not prepare documentation to support voided transactions. While the coordinators at each Austin campus bookstore maintained signed void slips, no one independent of the bookstore operations reviewed them. Preparing adequate supporting documentation and independently reviewing the propriety of voided transactions reduces the risk that receipts could be diverted through inappropriate transactions.

Finally, the college did not prepare comprehensive financial statements to measure the financial results of bookstore operations. Business office staff reviewed bookstore revenues and expenditures recorded on the MnSCU accounting system. However, these figures did not show all bookstore activities on an accrual basis. The college did not allocate indirect costs such as janitorial, maintenance, utilities, and rent expenses to the bookstore. Complete and accurate financial information on the bookstore is necessary to making management decisions concerning bookstore operations. We also found that for several years the college had maintained a savings account with excess community college bookstore profits of approximately $12,000. The college should develop a policy to determine the use of any bookstore profits.

Recommendation

- *The college should improve bookstore operations by:*

  - establishing adequate separation of duties;
  - having someone independent of the bookstore operations review the supporting documentation for deposits;
  - reconciling bookstore activity to the MnSCU accounting system on a timely basis; and
  - preparing comprehensive financial statements and establishing a policy on the use of bookstore profits.

14. Riverland Community College did not encumber bookstore purchases.

The bookstore coordinators created purchase orders, submitted them to the vendors, and received the merchandise at the bookstores. The coordinators entered the expenditure on the MnSCU accounting system when the payment was due. The accounts payable department then generated and mailed checks to the vendors. The accounts payable department was not aware of the obligation until the bookstore coordinators recorded the expenditure on the accounting system. The lack of encumbrance exposes the college to the potential liability that it would exceed its budget for the bookstore. In addition, the college's financial information on MnSCU accounting would be incomplete without recording encumbrances.

Recommendation

- *The college should encumber bookstore purchases.*

15. The bookstores on the Austin campuses did not deposit bookstore receipts timely.

The bookstore coordinators on the Austin campuses generally accumulated receipts over a period of two to three days before making a deposit into the bank and recording the revenue on MnSCU accounting. In one instance, we noted that the bookstore deposited $2,270 which represented receipts collected over a nine-day period. The college could reduce the amount of potential loss from theft by depositing receipts daily. In addition, Minn. Stat. Section 16A.275 requires state agencies to make daily deposits when the receipts exceed $250.

Recommendation

- *The college should deposit receipts daily when the receipts exceed $250.*

This page intentionally left blank.

Chapter 8. Foundations

Chapter Conclusions

Riverland Community College did not have fully executed contracts with its affiliated foundations. The college lacked independence with the Austin Technical College Foundation because a college employee signed foundation checks.

Riverland Community College is affiliated with three foundations: the Austin Community College Foundation, the Austin Technical College Foundation, and the Albert Lea Technical College Foundation. The Austin foundations merged in 1998. The foundations are private nonprofit organizations created to support programs and students at the college. Each foundation has its own board of directors, articles of incorporation, and by-laws. During fiscal year 1997, Austin Community College Foundation, Austin Technical College, and Albert Lea Technical College Foundation disbursed to the college $11,043, $44,705, and $24,878, respectively, for scholarships and grants.

Audit Objective and Methodology

The primary objective in our review of the college's relationship with its affiliated foundations was to answer the following question:

- Did the college have an appropriate relationship with its foundations?

To answer this question, we interviewed college staff and reviewed documentation relating to each foundation.

Conclusions

As discussed in Finding 16, Riverland Community College did not have contracts with its affiliated foundations. The college also lacked independence from the Austin Technical College Foundation as reported in Finding 17.

16. Riverland Community College did not have contracts with its affiliated foundations.

Riverland Community College did not have written contracts with its affiliated foundations. During our review, we found draft copies of contracts with the Austin Technical College Foundation and the Austin Community College Foundation. These contracts were not approved by the college or authorized by the Attorney General's Office. Written contracts are necessary to establish and enforce essential aspects of the relationship between the college and the foundations, including the rights and responsibilities of the respective parties.

Recommendation

- *The college should have written contracts with its affiliated foundations.*

17. Riverland Community College lacked independence from the Austin Technical College Foundation.

Riverland Community College's authorized agent for oversight of the foundation signed scholarship checks written to the college from the foundation's bank account. The foundation submitted a list of scholarship recipients to the college. College staff then prepared an invoice based on the scholarship list. The college's authorized agent approved the invoice. Another college employee prepared a check payable to the college for the total invoice amount. The college's authorized agent then signed the check. During our review, we found that the college's authorized agent signed checks totaling $44,705 during fiscal year 1997 and $49,102 for fiscal year 1998. We also noted that the college president signed two of the checks. The relationship between the college and the foundation should be distinct and separate. As a separate legal entity, the foundation should operate independently from the college.

Recommendation

- *The college should not sign scholarship checks.*

Status of Prior Audit Issues
As of May 29, 1998

Most Recent Audits

We audit federal financial aid programs on an annual basis for compliance with federal eligibility requirements as part of the Single Audit of the state's federal expenditures. **Legislative Audit Report 98-16**, issued in March 1998, and **Legislative Audit Report 97-29**, issued in June 1997, covered federal financial aid programs administered by the State of Minnesota in fiscal years 1997 and 1996 respectively. These reports did not include any findings related specifically to Riverland Community College.

Other Audit History

Legislative Audit Report 96-35, issued in August 1996, covered fiscal year 1996 and addressed the Transition of Technical Colleges into state government. During that audit, Austin Technical College was part of the Minnesota Riverland Technical College and Albert Lea Technical College was part of South Central Technical College. Since that audit, the structure of the colleges has changed. We reviewed report 96-35 as it relates to this audit. Findings for that audit included a lack of separation of duties over revenue, lack of separation of duties over personnel and payroll functions, inadequate inventory system for equipment, and lack of reconciliation of tuition and fee revenue to the accounting system. We address some of these issues in this report.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. However, Finance has delegated this responsibility for audits of the Minnesota State Colleges and Universities (MnSCU) to the MnSCU Office of Internal Auditing. MnSCU's Office of Internal Auditing process consists of quarterly activity reports documenting the status of audit findings. The follow-up process continues until the Office of Internal Auditing is satisfied that the issues have been resolved. The process covers all colleges and universities within the MnSCU system.

This page intentionally left blank.

RIVERLAND
COMMUNITY COLLEGE
A TECHNICAL & COMMUNITY COLLEGE

September 2, 1998

Mr. James R. Nobles
Legislative Auditor
100 Centennial Office Building
St. Paul, MN 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to the recently completed audit report for Riverland Community College for the period of July 1, 1995 through June 30, 1997. This period of time was very challenging for our college(s). During the fiscal year of 1996, we were operating as three different colleges, Minnesota Riverland Technical College-Austin campus, South Central Technical College-Albert Lea campus and Austin Community College, and the first year of the merged Minnesota State Colleges and Universities. During the fiscal year of 1997, the former two technical colleges were separated from their previous entities and combined with the community college to form Riverland Community College.

This audit is also very timely since there is a new President of Riverland Community College as of August 15, 1998. Below are responses to each finding as well as the action that has or will be taken.

1. Riverland Community College did not verify the accuracy and completeness of tuition collections.

Assigned to resolve: Brad Doss, Accounting Supervisor
Target resolution date: 12/31/98
Action to be taken: A spreadsheet listing billable credits recorded on CIS will be reconciled with the tuition receipts recorded in the MnSCU accounting system on a semester basis. This will not be necessary to do once Riverland Community College converts to the new MnSCU student information system in the fall of 1999.

1900 Eighth Avenue Northwest • Austin, Minnesota 55912
Phone: (507) 433-0600 1-800-247-5039 • Fax: (507) 433-0665

2. **Riverland Community College did not establish an adequate separation of duties over certain functions associated with receipts for courses.**

Assigned to resolve: Brad Doss, Accounting Supervisor
Target resolution date: 12/31/98
Action to be taken: The college will review the security levels of those involved and reduce the number of individuals with the "HOLD" feature. Riverland Community College will work with MnSCU's internal auditors on how separation of duties with the customized training centers can be achieved at the same time as serving the customer's needs.

3. **Riverland Community College did not enforce tuition waiver policies.**

Assigned to resolve: Celeste Ruble, Human Resource Director
Target resolution date: 8/27/98
Action to be taken: All employees received communication clarifying the tuition waiver policy and procedure. Those involved in the registration policy were informed of the procedures involved prior to registering a student under the tuition waiver policy.

4. **Riverland Community College did not adequately safeguard tuition receipts and blank checks.**

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Target resolution date: 9/30/98
Action to be taken: All employees in the customer service centers will receive "deposit only" stamps and will endorse the checks as they are received. Immediately, the college started to lock up the blank checks and the signature stamps at night in separate locations. The cash drawer on the Abert Lea campus will be reduced to $300.00. Immediately, the college started to lock the safe at all times, including during the day.

5. **Riverland Community College did not adequately control customized training receipts.**

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Target resolution date: 12/31/98

Action to be taken: Customized Training, including Fire Fighting and Industrial Safety will record their classes in the CIS system. Customized Training will deposit all checks received and in cases where the classes are cancelled, Customized Training will use the CIS system to refund the customer. The Owatonna Center will endorse all their checks and have them deposited into a local bank instead of transporting funds to the Austin campus. The college will issue self-addressed envelopes to students in FBM, SBM and customized training classes, so students can mail in their tuition instead of having the instructors collecting tuition.

6. **The customer service centers did not accurately record customized training revenue on the MnSCU accounting system.**

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Brad Doss, Accounting Supervisor
Target resolution date: 10/1/98
Action to be taken: The correct object code will be used in the MnSCU accounting system to record both the budget and actual revenues from customized training.

7. **Riverland Community College did not adequately restrict the payroll clerk's security clearances in SCUPPS.**

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Target resolution date: Pending System Office Action
Action to be taken: The System Office is aware of this problem. Until the MnSCU system office finds a resolution the college cannot correct this problem.

8. **Riverland Community College did not adequately control fixed assets.**

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Target resolution date: 3/31/99
Action to be taken: All new fixed assets are tagged and entered in the fixed asset system. Those assets purchased in FY97 and FY98 have been tagged and entered on the system with a few exceptions where we are waiting for faculty to return to

assist. During the fiscal year of 1999, we will be taking a physical inventory.

9. Riverland Community College did not establish an adequate separation of duties over the Parts stores operations.

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Target resolution date: 11/15/98
Action to be taken: The college will work with MnSCU internal auditors to determine if the college's proposed plan will satisfy the finding. Charges to student accounts will be done through the CIS system and purchase orders will be done through the PCS system and the business office.

10. Riverland Community College did not ensure it received sufficient value in exchange for free space provided to two businesses.

Assigned to resolve: Gary Rhodes, President
Karen Snorek, Vice President of Finance and Administration
Target resolution date: 11/1/98
Action to be taken: The college recognizes that DCA (Development Corporation of Austin) is a key economic development entity of Mower County and serves as an integral part of the college mission, working with business partnerships. In the future the college will develop written agreements with the incubator residents at a reasonable rate of rent.

11. Riverland Community College did not adequately separate duties over financial aid transactions.

Assigned to resolve: Gary Schindler, Director of Enrollment Services
Karen Snorek, Vice President of Finance and Administration
Target resolution date: 11/1/98
Action to be taken: Security will be changed in CIS to ensure that no Financial Aid Specialist will be able to disburse checks. We will also work with the MnSCU internal auditor to determine who can perform the reconciliation of bank statements.

12. Riverland Community College did not adequately monitor cost of attendance budget changes.

Assigned to resolve: Gary Schindler, Director of Enrollment Services
Target resolution date: 9/15/98
Action to be taken: The college will have a formal process in place

13. Riverland Community College did not adequately control or monitor bookstore operations.

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Brad Doss, Accounting Supervisor
Target resolution date: 11/1/98
Action to be taken: The college will work with MnSCU on the proposed plan for separation of duties, including using the PCS system to encumber purchase orders, and an independent reconciliation of daily deposits. The college will work with MnSCU on establishing a plan for allocating indirect costs to the bookstore. The college will develop a policy to determine the use of any bookstore profits.

14. Riverland Community College did not encumber bookstore purchases.

Assigned to resolve: Karen Snorek, Vice President of Finance and Administration
Brad Doss, Accounting Supervisor
Target resolution date: 10/15/98
Action to be taken: The bookstore personnel will begin encumbering purchase requisitions into the PCS and the purchasing agent will then encumber the purchase order into the MnSCU accounting system.

15. The bookstore on the Austin campus did not deposit bookstore receipts timely.

Assigned to resolve: Brad Doss, Accounting Supervisor
Target resolution date: 9/1/98
Action to be taken: Daily receipts are deposited when the receipts exceed $250.

16. Riverland Community College did not have contracts with two of its affiliated foundations.

Assigned to resolve: Rick Casey, Institutional Development
Target resolution date: 10/31/98
Action to be taken: In May, 1998, the two Austin foundations merged to form Riverland Community College Foundation. New contracts are in process which include the exchange of college expenses for college benefits.

17. Riverland Community College lacked independence from the Austin Technical College Foundation.

Assigned to resolve: Rick Casey, Institutional Development
Target resolution date: 7/1/98
Action to be taken: No employee of the college is allowed to sign any foundation scholarship checks.

Thank you again for helping Riverland Community College improve its fiscal operations.

Sincerely,

Gary L Rhodes

Gary L. Rhodes, Ed.D.
President

GLR:sdb