

TRUCKEE MEADOWS COMMUNITY COLLEGE
SPECIAL COURSE FEES
Response to Internal Audit Report
July 1, 2011 through September 30, 2012

GENERAL OVERVIEW

Board of Regents policy allows institutions to charge Special Course Fees to students in addition to the standard per credit registration fees. Special Course Fees were initiated many years ago and are authorized for courses with extraordinary instructional costs due to individual instruction, class supplies, specialized equipment and software, third party charges for use of facilities, special transportation requirements, intensive supervision or technical requirements, or some combination of these reasons. At Truckee Meadows Community College (TMCC), the president is responsible for providing final approval of Special Course Fees. Fees in excess of \$50 require Board of Regents approval and are listed in the Nevada System of Higher Education (NSHE) Procedures and Guidelines Manual. As of the Fall 2012 semester, there were 541 Special Course Fees approved by TMCC.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of Special Course Fees at TMCC for the period of July 1, 2011 through September 30, 2012.

The scope of our review included tests of the accounting records and other procedures as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Testing Special Course Fees to determine whether the fees were properly approved and that students were assessed the correct fees.

2. Reviewing the balance of funds maintained in Special Course Fee accounts to determine whether fees collected were adequately expended and there is not an unreasonable balance in the accounts.
3. Reviewing expenditures paid with Special Course Fees for reasonableness, supporting documentation, and proper signature approvals.

In our opinion, we can be reasonably assured that the college is managing Special Course Fees in a satisfactory manner. However, implementation of the following recommendations would further improve this process.

SPECIAL COURSE FEES

We obtained a list from the TMCC Academic and Student Affairs Office, of the college's approved Special Course Fees for the Fall 2011 and Spring 2012 semesters. The list was compared to the Special Course Fees that have been established within the college's student information system, and for the Fall 2012 semester, to the fees that were published in the class schedule. The intent of the review was to determine whether the fees were correctly charged and documented within the college. The following exceptions were noted.

1. Ten Special Course Fees from the student information system were not included on the college list.
2. Four Special Course Fees from the student information system were higher than those on the college list. We were informed the fees on the college list were correct, however, students were charged the higher fee.
3. One Special Course Fee was approved for \$10 but was listed on the college list and in student information system as \$15. Students were charged \$15.

For items one through three, we recommend the discrepancies noted be reviewed by college personnel and that adjustments be made to the college list and/or the student information system, as necessary. In the future, we recommend greater care be taken to ensure Special Course Fees approved by the college are accurately recorded and assessed within the student information system.

Institution Response:

TMCC agrees with the recommendation. College staff have reviewed the noted discrepancies and made the appropriate adjustment to the college list and the student information system.

In addition, the College revised its procedures in processing special course fees. The new process standardized the approval form for fee changes and their approval. This standardized form becomes the official input to the college's fee master list. The latter is then the only source of information for the PeopleSoft student account system. The Program Director of Accounting Services and his designees will be reviewing the entries to the student account system and will be comparing it with the master list.

In preparation for the new system, the VP of Finance & Administration, in coordination with staff at each academic division and Accounting Services, reconciled all the existing lists of fees to create the Fee Master List. Plans are also underway to develop an automated workflow fee approval process that will result in the college's fee master list.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

4. On 111 occasions, Special Course Fees on the college list were not included in the Fall 2012 Class Schedule.

We recommend Special Course Fees be included in the class schedule so students are made aware of the fees that are due.

Institution Response:

With the implementation of PeopleSoft, new methods of inserting Special Course Fees into the class schedule were necessary. Those fees are now added to Class Notes

by department administrative assistants, a process which resulted in omissions. The two actions being taken by TMCC are designed to address this problem. First, there will be one institutional Master List of Special Course Fees kept by the Accounting Services department against which the semester schedule can be cross checked. Secondly, TMCC is working with the PeopleSoft implementation teams to create a modification that will automate the insertion of the fee with each course.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed. TMCC created one institutional Master list and has put in place a rigorous process to update it annually. TMCC also worked closely with iSIA or the PeopleSoft Shared Instance Governance committee to prioritize the implementation and testing of the Course display fee modification. As of August 30, 2013, this modification has been implemented in time for Spring 2014 registration.

SPECIAL COURSE FEE APPROVAL

TMCC policy requires proposals for new or modified Special Course Fees to be submitted to the Vice President of Academic and Student Affairs for review and approval. A final list of fees is then submitted to the president for final approval. A Lab Fee Request Form has been developed to document the submission and approval of the proposals.

During a review of the fee approval process, documentation was reviewed that indicated the college's final list of 24 new and increased Special Course Fees that were to be effective in the Spring 2011 semester would not be implemented. We noted, however, that the fees included on the list were assessed by the college.

We recommend the Special Course Fees for these courses be reviewed and adjusted as necessary.

Institution Response:

TMCC agrees with the recommendation and the required adjustments have been made to the student information system. With the new revised procedures, a standardized fee request form approved by the President will serve as the only official form to update the fee master list. The latter is then the only source of information to update the PeopleSoft student account system. In addition, the Program Director of Accounting Services will be reconciling the fee master list every semester with the PeopleSoft system.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

ACCOUNT BALANCES

In general, Special Course Fees should be spent as they are collected so as to benefit the students that pay the fees. Fees should not accumulate unless there is a specific reason for doing so, such as to make a major purchase. We examined the balance of funds contained in the various Special Course Fee accounts, within the college's financial accounting system, for reasonableness. We noted 11 accounts with balances in excess of \$15,000 as of June 30, 2012.

We recommend the Special Course Fees associated with these accounts be reviewed to determine whether the fees are reasonable or need to be adjusted.

Institution Response:

TMCC agrees with the recommendation. These accounts have been reviewed by the Program Director of Accounting Services. Two of the account balances decreased to \$5k and \$11k during Fall 2012 for planned expenditures in the fiscal period. In the meantime, the other nine accounts will be reviewed by the Academic Deans as charged by the Vice President of Academic Affairs to review these balances and ensure compliance with the Board of Regents policy. Any excessive balances will require a detailed justification or these fees will be subject to fee modification during the next approval process.

The process for updating and implementing changes to Lab Fees has been revised to include an annual review for each fee account's expenditure plan and balances. Account balances could be set for at most 15% of fee revenues to allow for liquidity and fluctuations in fee collection and when expenditure are made. Other account balances are maintained for planned replacement. These justifications will be documented during the annual fee review.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

We also noted two accounts with deficit balances as of June 30, 2012. There was no revenue posted to the accounts during the year, however, a significant amount of expenditures was charged to the accounts.

We recommend a review of the accounts be performed to determine the reason for these transactions and that an adjusting entry be made to correct this situation in the financial accounting system. If there are no Special Course Fees associated with the accounts, we recommend the accounts be deactivated in the financial accounting system.

Institution Response:

TMCC agrees with the recommendation. These are suspense accounts for recording and allocating bad debt expense and fee waivers to Special Course Fees. The expense was recorded but the allocation to the individual accounts was not performed. The accounts have been reviewed and adjusting entries have been made in the financial accounting system. To prevent this from occurring in the future, these accounts will be reviewed quarterly by the Program Director of Accounting Services and the adjustments will be made to these accounts to ensure they are distributed appropriately to other accounts.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

INACTIVE ACCOUNTS

During this review, we noted two accounts had revenue but no expenditure activity during fiscal year 2011-12. We noted seven other accounts had no revenue or expenditure activity during fiscal year 2011-12, except for one account that incurred \$141 in expenditures.

We recommend the Special Course Fees associated with these accounts be reviewed to determine whether the fees are still necessary and whether the accounts should be deactivated.

Institution Response:

TMCC agrees with the recommendation. These accounts have been reviewed by Accounting Services staff with the responsible managers. One of the accounts with revenue but no expenditure activity had a significant purchase of software in Fall 2012. The other had no activity due to open faculty positions and the temporary replacement faculty not purchasing materials. Full time faculty has been hired and expenditures are expected to increase. Three of the seven accounts with no activity are expected to have revenue and expenses going forward. Another three continue to have expenses, and the balance in the remaining account has been moved and the account deactivated.

The process for updating and implementing changes to Lab Fees has been revised. With the new special course fee procedures now approved at TMCC, a review of every fee at least every three years will occur (policy) but actual procedures provide review of all fees annually.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

EXPENDITURES

We reviewed a sample of 94 expenditures charged to Special Course Fee accounts. The expenditures were reviewed for reasonableness and proper use of Special Course Fee revenue, proper supporting documentation and approval, and compliance with established purchasing procedures. The following exceptions were noted.

1. On five occasions, Special Course Fees, which are intended to cover extraordinary expenses directly associated with a specific course, were used to purchase general supplies.

We recommend employees involved in the purchase or approval of Special Course Fee expenditures be reminded that only extraordinary expenses directly associated with the courses are allowed to be purchased.

Institution Response:

TMCC agrees with the recommendation. The five transactions each include purchases for several items (from 2 to 39 items with unit prices between \$2.19 and \$89.42). The purchaser made the determination that the procurements were items that could be legitimately charged to a lab fee account. However, the receipts do not always provide enough information for an outside reviewer to determine that the purchase qualifies under lab fee restrictions (extraordinary expenses), as opposed to general supplies. Academic Deans and Chairs have been notified of the five items and the distinction between extraordinary lab fee expenses and general expenses. To clarify the issue, we have added specific instructions to our annual training workshop (April 2013) for self-supporting budgets, which include lab fees. We have updated our self-supporting instructions for preparing self-supporting budgets on the TMCC Budget & Planning web site. We included guidance on the items that can, or cannot be applied to lab fees. We ask departments to review their receipts

for clarity, and add an explanatory memo when the receipt may not provide enough specific information for an outside person to make the appropriate determination. The Budget & Planning department provides training workshops (4-6 times per year) on how to review and research financial transactions in Financial Data Warehouse.

The instructions for the annual self-supporting budgeting process include the guidelines from the Board of Regents Handbook for Section 17 Student Fees and Section 18 Special Course Fees; these instructions are emailed to all deans, chairs and self-supporting budgeters and are posted on the Budget Office website.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

2. Nevada sales tax was paid on one purchase.

We recommend employees be reminded that the college is exempt from paying Nevada sales tax. We also recommend that if payment of Nevada sales tax cannot be avoided at the time a purchase is made or is not noticed until a later date, employees should request a credit from the vendor and provide an explanation on the supporting documentation.

Institution Response:

TMCC agrees with the recommendation. The transaction in question included \$8.63 in Nevada sales tax. The employee used a TMCC procurement card (credit card) to purchase items from the vendor without requesting the purchase be exempt from sales tax. The employee has been reminded that TMCC is exempt from paying Nevada sales tax, and it is critical that we must request that the vendor exclude the tax from any transactions. When P-Cards are distributed to employees, we include a reminder that states, in part: “Cardholder’s Responsibilities: To ensure that State of Nevada sales tax is not charged.” Additionally, we include a copy of a memo from the chief of the Nevada Department of Taxation citing the basis for sales tax exemption, NRS 372.325. When necessary, this memo can be provided to the vendor as justification for the tax exemption request. As evidenced by this audit, these procedures are not always effective.

To assure compliance, we have added additional procedures. During Q4 2012, the TMCC Budget & Planning department has instituted regularly scheduled training workshops for the P-Card that includes sales tax exemption training. As of the date of this response, eight workshops have been conducted. We will continue to provide these workshops. Before receiving a new or replacement P-Card, any employee that has had a purchasing violation will be required to attend the P-Card workshop

before receiving their new P-Card. Also, the accounting assistant that processes P-Card transactions in the Budget & Planning department has been instructed to review each P-Card to determine if Nevada sales tax has been paid. If it has, the employee that made the transaction will be asked to contact the vendor requesting reimbursement, and provide a memo to the Budget & Planning office detailing their efforts and the vendor's response. Repeat violations will be directed to the employees Dean/Director/VP in an attempt to improve compliance. The accounting assistant's supervisor will periodically review reports from the P-Card system to monitor compliance.

Prevention and Monitoring: The Accounts Payable department has been reorganized to allow individuals to focus on more narrowly defined areas (i.e. purchasing card separate from PO's and DPO's). Communications to all TMCC employees announcing the new organization included reminders of important procedures. The PO/DPO accounting assistant has instituted tighter controls and follow-ups with errors and omissions. The purchasing card accounting assistant has instituted regular training on our purchasing card procedures and has held 8 training sessions from December 2012 – April 2013. The sessions include reminders that the college is exempt from paying Nevada sales tax and explains required steps to correct an improperly charged sales tax. Bi-monthly purchasing card reports are reviewed to identify issues for follow-up with departments; if problems continue, chairs and deans will be notified to schedule training for users.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

3. For two purchasing card transactions, itemized receipts showing the cost breakdown and description of items purchased was not included in the supporting documentation.

We recommend itemized receipts be provided to support expenditures.

Institution Response:

TMCC agrees with the recommendation. One of the transactions was paid for through an online, third party payment process. The receipt received from the third party listed the cost and vendor name, but did not include a detailed description of the item(s) purchased. The employee that made the transaction has been asked to provide a detailed vendor receipt when using a third party payment process. If that is not possible, we ask departments not to use the third party payment process, and pay the vendor directly or use other vendors. Alternatively, the employee may submit a detailed memo describing the procurement, including the items purchased, which will require supervisor approval. The second transaction was a purchase of seventeen online access accounts for students. The receipt from the vendor listed the amount and item purchased. The description of

the items purchased was correct, but possibly not detailed enough to fully describe the items to someone not familiar with the academic department. The department has been requested to provide detailed descriptions of items purchased if the receipt does not give a description that is clear to an outside party.

Both of these transactions were paid for with the TMCC procurement card. During Q4 2012, the TMCC Budget & Planning department has instituted regularly scheduled training workshops for the P-Card. Part of this training emphasizes the need for clear, detailed descriptions of the items being purchased. As of the date of this response, eight workshops have been conducted. We will continue to provide these workshops. During Q3 2012, the Budget & Planning department was reorganized to allow employees to focus on more narrowly defined areas, including the functions of P-Card, travel, procurement, and accounts payable. The accounting assistant responsible for P-Cards has instituted review procedures designed to identify errors and omissions on completed transactions, and follow up with departments to notify them of the concern and request corrections and compliance for future transactions.

As mentioned in item 2, TMCC has instituted regular trainings on purchasing card procedures and includes reminders that itemized receipts must be included as supporting documentation. Departments failing to follow these procedures are contacted to correct the problem or document the cause of the problem. As mentioned above, reorganization of department and bi-monthly report monitoring will support the prevention and monitoring process.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

4. One transaction was not approved by an authorized signer on the account charged.

We recommend expenditures be properly approved.

Institution Response:

TMCC agrees with the recommendation. The transaction was approved by the accounting assistant in the academic department, who is not listed as an authorized person to sign documents for this account. The transaction should have been authorized by one of the three managers listed as authorized persons in Advantage. The employee and the employee's supervisor have been reminded of the necessity of the correct authorization. During Q3 2012, the Budget & Planning department was reorganized to allow employees to focus on more narrowly defined areas, such as accounts payable. The accounting assistant responsible for accounts payable has been directed to verify that required approvals are included with each request for payment.

When documents are not signed by authorized signer, the department is contacted to identify the problem and implement the necessary solution (either signed appropriately or submit an Account Master Input Form to update those authorized to sign).

The Budget and Planning department, including Accounts Payable, will continue to do regular checks to ensure that authorized signers are updated in the financial system, requesting the departments submit Account Master Input Forms when discrepancies occur, and the Cashier's Office will input these changes into the financial system. Departments are contacted when unauthorized signers appear on financial documents and are requested to resubmit documents with authorized signer.

Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

5. Eight transactions involved the rental of automobiles for two student field trips. A travel request form and a travel claim form were not filed for either trip, as required by TMCC policy.

We recommend the required travel documents be completed when field trips occur.

Institution Response:

The Vice President of Academic Affairs is evaluating field trip procedures to identify appropriate procedures to accommodate field trip requirements. Field trips are class assignments, rather than employee travel, and requirements will be designed to meet those needs.

Revised procedures for field trips will be communicated and the Deans will be charged with ensuring classes with field trips follow the revised procedures. (Posted by VPAA and it will be in the accounting manual link on the controller's site.)

Follow-up Response:

As of September 30, 2013, this recommendation has been implemented and we request that this finding be closed.

PRIOR AUDIT

The prior audit of Special Course Fees was conducted for the period of July 1, 1996 through June 30, 1998. All recommendations from the prior audit have either been implemented, are no longer applicable, or are addressed in the current audit.

STATEMENT OF REVENUES AND EXPENDITURES

The statement of revenues and expenditures provided below is based on the activity of 50 self-supporting accounts that have been established for the administration of Special Course Fees. The revenue and expenditure information was obtained from the financial accounting system.

During this review, seven occasions were noted in which revenue collected by departments other than Special Course Fees was posted to Special Course Fee accounts.

We recommend that only the revenue received from Special Course Fees be posted to the accounts so that the activity and associated balances within the accounts can be effectively monitored by the college.

Institution Response:

TMCC agrees with the recommendation. The entries in question should have been recorded in the self-supported accounts. The Program Director of Accounting Services has informed the managers of these accounts, the Cashiers, and the Cashier Supervisor that only Special Course Fee revenue is to be posted to Special Course Fee accounts.

Prevention and Monitoring: Special Course Fee revenue accounts are reviewed quarterly by the Program Director of Accounting Services. Any incorrect postings will be reclassified to the correct account.

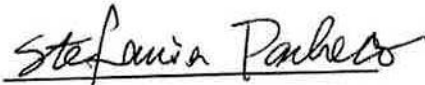
Follow-up Response:

As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.

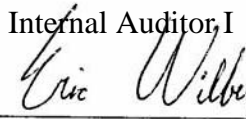
	Special Course Fees
Balance July 1, 2011	<u>\$ 402,771</u>
Transfers In	<u>6,000</u>
Revenues	
Tuition and Fees, Unrestricted	592,747
Other	351
Sales of Educational Activities	<u>4,615</u>
Total Revenues	<u>597,713</u>
Transfer Out	<u>9,047</u>
Expenditures	
Salaries	59,386
Travel	4,258
Operations	519,279
Equipment	<u>270</u>
Total Expenditures	<u>583,193</u>
Balance June 30, 2012	<u><u>\$ 414,244</u></u>
Balance July 1, 2012	<u>\$ 414,244</u>
Revenues	
Tuition and Fees, Unrestricted	261,936
Sales of Educational Activities	<u>240</u>
Total Revenues	<u>262,176</u>
Expenditures	
Salaries	36,173
Travel	859
Operations	<u>281,715</u>
Total Expenditures	<u>318,747</u>
Balance October 31, 2012	<u><u>\$ 357,673</u></u>

The Internal Audit Department appreciates the cooperation and assistance received from
TMCC during this review.

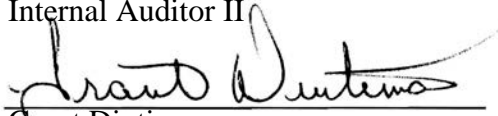
Reno, Nevada
March 22, 2013



Stefania Pacheco
Internal Auditor, I



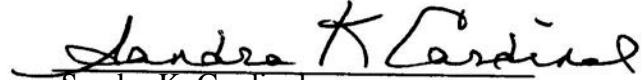
Eric Wilber
Internal Auditor II



Grant Dintiman
Information Technology Auditor



Scott Anderson
Internal Audit Manager



Sandra K. Cardinal
Assistant Vice Chancellor for Internal Audit

#	Recommendation	Implemented	Update*	Est. Date of Completion
3	<p>We recommend the Special Course Fees for these courses be reviewed and adjusted as necessary.</p> <p>Account Balances</p> <p>We recommend the Special Course Fees associated with these accounts be reviewed to determine whether the fees are reasonable or need to be adjusted.</p> <p>We recommend a review of the accounts be performed to determine the reason for these transactions and that an adjusting entry be made to correct this situation in the financial accounting system. If there are no Special Course Fees associated with the accounts, we recommend the accounts be deactivated in the financial accounting system.</p>	Yes	<p>implemented and we request that this finding be closed.</p> <p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	June 30, 2013
3	<p>Inactive Accounts</p> <p>We recommend the Special Course Fees associated with these accounts be reviewed to determine whether the fees are still necessary and whether the accounts should be deactivated.</p>	Yes	<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	June 30, 2013
4	<p>Expenditures</p> <p>We recommend employees involved in the purchase or approval of Special Course Fee expenditures be reminded that only extraordinary</p>	Yes	<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	June 30, 2013

#	Recommendation	Implemented	Update*	Est. Date of Completion
5	<p>expenses directly associated with the courses are allowed to be purchased.</p>	Yes	<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>
	<p>We recommend employees be reminded that the college is exempt from paying Nevada sales tax. We also recommend that if payment of Nevada sales tax cannot be avoided at the time a purchase is made or is not noticed until a later date, employees should request a credit from the vendor and provide an explanation on the supporting documentation.</p>		<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>
	<p>We recommend itemized receipts be provided to support expenditures.</p>		<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>
	<p>We recommend expenditures be properly approved.</p>		<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>
	<p>We recommend the required travel documents be completed when field trips occur.</p>		<p>As of September 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>Sept. 30, 2013</p>
<p>Statement of Revenues and Expenditures</p>	Yes	<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>	
<p>We recommend that only the revenue received from Special Course Fees be posted to the accounts so that the activity and associated balances within the accounts can be effectively monitored by the college.</p>		<p>As of June 30, 2013, this recommendation has been implemented and we request that this finding be closed.</p>	<p>June 30, 2013</p>	