Audit Recommendations

Cash

1. We recommend that the individual reviewing the bank reconciliations initial or sign off on it to document the review process that is in place. We already have someone other than the person that reconciles the accounts review them; however we had never initialed them. We started this process once we were notified by the current auditors.

2. We recommend that the cash drawer and petty cash be reconciled weekly. In addition we recommend that the College reevaluate the amount of cash that is kept on hand within the business office. The cash drawer is currently being reconciled weekly and the amount of cash has been reduced.

Accounts Receivable

1. We recommend that the accounts receivable write-offs be reviewed and initialed by the Dean of Business Administration on a periodic basis. This will ensure that all accounts are properly written off and approved by management. All write offs are now reviewed and OK's by the Dean of Administration.

2. We recommend that the College calculate their estimated allowance for doubtful accounts based upon historical collection and use this percentage when determining the current year allowance for doubtful account amount. This should be documented in a formal policy. We already have a process for doing this; however we don't have it as a policy. A new procedure has been submitted for determining the doubtful accounts.

Inventory

1. We recommend that the College consider purchasing a perpetual inventory system and a point of sale software program. A perpetual inventory system would help determine if items are missing.
We recommend that the cost shown on the inventory count sheet be the actual cost of the item and not the replacement cost. I have looked at the POS system for the bookstore in the past. We use software from Nebraska Book for our bookstore. The cost of the POS system is around $65,000 upfront, with an annual cost of around $6,000 for licensing fees. To date, we just have not been able to move forward with the POS software. There is some efficiency and benefits to having such a system, however the cost has been holding us back. This can be discussed.

Without a POS system, we cannot show the actual cost of the item versus the replacement cost for the inventory.

Capital Assets

1. We recommend that capital assets are recorded at their historical costs plus any ancillary charges necessary to place the asset into its intended location and conditions for use. Ancillary charges include costs that are directly attributable to asset acquisition such as freight and transportation charges, site preparation costs and professional fees. The costs of capital assets reported in the business-type activities, which are capital assets reported in enterprise funds, should include capital interest. We have always recorded the costs of the capital assets; however we have never recorded the ancillary costs to the asset. Examples of this would be architectural fees. We will record future assets with these additional charges included.

2. We recommend that the College update their capitalization policy to, at the very least, stipulate construction in process policies, cost-accumulation methods, adjustments, transfers, impairments, betterments, and disposals. This was a general statement taken from the GAAP regulations and our auditors have not been able to provide us of an example of what they are looking for. I have submitted a new capitalization procedure for approval.

3. Proper accounting treatment for traded assets should be booked in the future. Currently, the cost of the old asset is booked as a loss on the books and the price of the new asset is then capitalized. The new asset should be booked as the net book value of the traded asset plus any cash paid. This has been changed and will be booked as the net book value.

Accounts Payable

1. We recommend that someone other than the person who prepared the checks mail them. We are not intending to do this. We believe we have the checks and balances in place to prevent fraud in this area. If a check were manually changed after I sign off on it, we would catch it during the reconciliation process.

2. As part of the control process surrounding expenditures, it is imperative that all invoices processed for payment be "cancelled" upon payment in order to avoid duplication of payment. All invoices are currently stamped paid. The auditors only found a few that had been missed during an employee transition period.

Encumbrances

1. Encumbrances represent commitments related to contracts not yet performed and orders not yet filled (executory contracts and open purchase orders) and they are used to control expenditure commitments for the year and to enhance cash management. We recommend that the College track their encumbrances at year end to ensure that they are properly recorded in the government-wide financial statements as committed fund balance and to avoid possible budget violations. This

recommendation came from the auditor's requirement to show the COP (certificates of participation) funds as encumbered funds. We have never recorded the COP funds as cash received and past auditors did not require it. We agree to disagree on this. We never receive the cash from the COP (dorm construction), as the bank holds the funds, and once I submit the bill, the bank pays the contractor directly. Our opinion is that we never received the cash so we would not show it as encumbered. In the future, we will provide the amounts to the auditors.

Credit Cards

1. We recommend that the College implement a campus policy for safeguarding the Dillons credit cards within each department. This has been completed. All Dillon's credit cards were cancelled and new cards were ordered and selectively provided to a few departments. No other cards will be dispensed.

Payroll

1. We recommend that activity related to the cafeteria plan be ran through a liability account and not through revenue and expenditure accounts. This is currently being done.

2. We recommend that the College complete an annual reconciliation of wages from the payroll side of the software to the general ledger side of the software. We are making this recommendation due to the fact that there are multiple transactions posted to the payroll line items that did not come from the payroll software. Terry Barrow was able to reconcile this for us during audit field work and we suggest that this become an annual practice of the College. This was done for the audit and will be done for future audits.

Kansas Statute Requirements

1. The College entered into contracts for construction, alteration, or repairs during the current fiscal year that did not comply with the mandatory nondiscrimination provision, which is a violation of K.S.A. 44-1030. We have never done this unless it was a Federal requirement (using Federal money). It is a simple fix and will include this information in future contracts.

2. The College entered into a public works contract that exceeded $100,000 with Concrete Services, Inc. and did not have a proper bond in place, which is a violation of K.S.A. 60-1111. For short term contracts we have not done this. Our thought is that if the contractor starts the job, completes the job, and provides lien releases to us before we pay them for the job we are protected. For all short term contracts that fall into this category we have not required bonding. Once the auditors made us aware of this, we added the requirement to the Kirkman floor. The additional cost to the college was $4,800 to get the bond. Realistically, this is a waste of money for the short term contracts. To avoid this violation in the future, I will start requiring bonds for future projects, but it will increase the cost to the college.

Adjusting Journal Entries

1. We recommend that adjusting journal entries prepared by the comptroller be reviewed and signed off on by the Dean of Business Administration. In addition, we recommend that proper supporting documentation for the journal entries be maintained. We are currently doing this.

Cash to Accrual Adjustments

1. The College's books are kept on a cash basis and accrual to cash adjustments have not been prepared by the comptroller or appropriate accounting personnel and given to the auditors for their review in the audit process. The auditor needs to maintain their independence and should not be making these entries, but rather should audit the entries provided by the college and reviewed by the auditors as part of the audit process. We will provide the adjustments to the auditors.

2. We recommend that the College compute the amount of prepaid expense for insurance and software computer maintenance at the end of the year in order for the amount to be properly recorded on the government-wide financial statements. We will provide the prepaid expenses to the auditors.

3. We recommend that the amount of accrued interest be calculated on the COP's at year end and supplied to the auditors as part of their known audit adjustments. We already have this, they never asked for it. We can and will provide it to them next year.

General

1. We recommend that all members of the Board of Trustees, significant employees, department heads, and deans complete an annual related party questionnaire to disclose possible related party interests. I am working on this document and will have all requested individuals complete the document.

2. Since the college offers health insurance to its retirees at the same premium rate as the other employees participating in the plan, the College must determine the amount of pension cost by calculating their annual required contribution (ARC) and this should be completed by having an actuarial completed every two years to determine the net other post employee benefit obligation (OPEB). There is a state statute that requires that the College allow KPERS retirees to remain on our health insurance plan. The retirees cannot pay any more than 125% of the current employee premium. We have two retirees that fall into this category and they are paying the full 125% of the premium as allowed by law. The thought is that if these individuals were to purchase insurance from another provider, it may cost them more. If it does, then we would in fact be subsidizing the retiree's health coverage. The Federal Government requires us to have an actuarial study done every two years to determine if there is a subsidy and if so how much. Our past auditors did not feel the amount was significant enough to warrant a finding or the need for the study, but the current auditors will require the study. I have

contracted with a firm to provide the actuarial study on our health benefits. The cost every two years will be approximately $6,000. The only benefit to us is that it will avoid a finding on the audit.

3. The Board of Trustees' minutes serve as a record of what was done at the meeting and should document all important topics discussed and decisions reached. Board minutes can be a crucial document in the event of future legal matters or other compliance issues. Therefore, it is imperative that the minutes accurately document the proceedings. President's office to determine

4. We recommend that transfers of cash from one fund to another fund to supplement the receiving fund's activities be accounted for as a transfer in in the receiving fund and as a transfer out in the paying fund. Currently, the transfer in is showing up as a revenue item and the transfer out is showing up as an expenditure item, and this is not an accurate presentation of revenues and expenditures. In the past the auditor has backed out these transfers. The current auditor does not want to do this so we have created transfer accounts to eliminate the problem.

5. If the College determines that its investment in Workfit, LLC is an allowable investment under Statute K.S.A. 12-1675, then the College will need to complete a 990T and report and pay tax on any income derived from this investment. This will need to be discussed and a resolution will be in place within the next couple of months.

6. The College is required to have a policy under which Federal Pell Grant eligible students may opt out of the institution's option to obtain or purchase books and supplies. Review of the college's procedures regarding disbursement of Title IV funds produced relevant information that students were required to purchase their books from the campus bookstore or through a pre-selected online vendor. The college needs to approve a policy allowing students to opt out of purchasing their books at the campus bookstore, if they so choose. This will allow them to be fully in compliance with CFR 668.164(i)(3). The college provides vouchers to any student with pending aid, enrollment in the payment plan, or third party pay. These vouchers are to be used for the purchase of books/supplies, but must be used at one of our bookstores. The vouchers are basically a loan to our student to allow them to get their books/supplies. The auditors now understand how our process works and would like a policy which the student can request their PELL to pay out sooner to avoid the use of a voucher. We are in the process of creating this policy.

7. The college is required to have knowledge about the federal grants that it receives, as well as the ability to compile the information necessary for the schedule of federal expenditures. The schedule of federal expenditures of federal awards completed by the College should be materially correct and agree with the College's accounting records. We are fully aware of the grants we receive. The issue was that these federal grants were funneled through the state. When we received them from the state of KS, they were recorded as a state grants instead of a federal grants. It is sometimes difficult to determine where the money originated from since we may apply to the state for the grant, receive the grant from the state, have all correspondence with the state, but the funds were provided to the state from the federal government.