

**ADVISORY LETTER
OF THE
NORTHEAST COMMUNITY COLLEGE AREA
EXAMINATION OF TRAVEL POLICIES, TRAVEL
DISBURSEMENTS, AND OTHER SELECTED AREAS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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NORTHEAST COMMUNITY COLLEGE AREA

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Dr. Bill Path, President
Northeast Community College Area
801 E. Benjamin Avenue
P.O. Box 469
Norfolk, NE 68702-0469

Dear Dr. Path:

In accordance with Neb. Rev. Stat. Section 84-304 R.S. Supp., 2000 we have performed certain procedures related to the objectives enumerated below for the Northeast Community College Area. We conducted those procedures in accordance with *Government Auditing Standards*.

The scope of the procedures was the fiscal year ended June 30, 2002. The objectives of the procedures were to:

1. Compile the total travel disbursements for the College Area.
2. Document and examine the reasonableness of the travel policies of the College Area.
3. Test selected travel disbursement transactions to determine whether they were in accordance with College Area policies and were reasonable and necessary expenses of the College Area.
4. Examine the adequacy of internal control over travel disbursements.
5. Accumulate statistical data for each College Area.
6. Document each College Area's relationship with any associated foundations.

Summary of Results

We performed certain procedures we considered necessary to meet the objectives enumerated above. Those procedures consisted primarily of reviewing the accounting records, obtaining an understanding of internal control procedures and accounting systems, inquiry of management, and testing transactions. Based on the procedures performed we noted: 1) the written travel policies should be improved, and 2) no documented review of vehicle usage was completed. For more information on our comments and recommendations see the Comments Section of this letter.

We compiled the accompanying financial data on the schedules on pages 8 through 10 from the records of the Northeast Community College Area. We have not audited, or reviewed the accompanying data and, accordingly, do not express an opinion or any other form of assurance on this data.

This advisory letter is intended for the information of the Northeast Community College Area; however, this advisory letter is a matter of public record and its distribution is not limited.

We appreciate the cooperation and courtesy extended to our auditors.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

October 11, 2002

NORTHEAST COMMUNITY COLLEGE AREA

BACKGROUND

A statewide system of locally governed community colleges was created in 1971 when the Legislature combined all public two-year schools in Nebraska. Five junior colleges, five area vocational technical schools, and two State schools formed the Nebraska Technical Community College Areas. The following is a list of the six College Areas, their campuses and off-campus sites, and the location of their administration offices.

College Area	Campuses	Off-Campus Centers	Admin. Offices
Central	Columbus, Grand Island, Hastings	Holdrege, Kearney, Lexington	Grand Island
Metropolitan	Omaha, Elkhorn		Omaha
Mid-Plains	McCook, North Platte		North Platte
Northeast	Norfolk		Norfolk
Southeast	Beatrice, Lincoln, Milford		Lincoln
Western	Scottsbluff	Sidney, Alliance	Scottsbluff

Control over financing of the State’s community college areas is vested in area boards of governors. The college areas are financed by local property taxes, which are levied in the area by each County Board of Equalization; State general fund appropriations; and tuition and fees set by each area board. The State general fund appropriations are distributed to the six areas primarily on two formulas: an enrollment-driven formula and an equalization formula.

According to Neb. Rev. Stat. Section 85-962 R.R.S. 1999 the role, mission, and instructional and service priorities of the community colleges are:

1. Applied technology and occupational education, and when necessary, foundations education;
2. Transfer education, including general academic transfer programs, or applied technology and occupational programs that may be applicable to the first two years of a bachelor’s degree program, and when necessary, foundations education;
3. Public service, particularly adult continuing education for occupations and professions, economic and community development focused on customized occupational assessment and job training programs for business and communities, and avocational and personal development courses; and
4. Applied research.

Neb. Rev. Stat. Section 85-1503 R.R.S. 1999 defines these terms. Applied technology or occupational course shall mean a course offering in an instructional program, at the associate degree level or below, intended to prepare individuals for immediate entry into a specific occupation or career. General academic transfer course shall mean a course offering in a one-year or two-year degree-credit program, at the associate degree level or below, intended by the offering institution for transfer into a baccalaureate program.

All colleges in the community college system are accredited by the Higher Learning Commission, a commission of the North Central Association of Colleges and Schools.

NORTHEAST COMMUNITY COLLEGE AREA

**BACKGROUND
(Concluded)**

Community College Areas intercollegiate athletic teams.

<u>College Area</u>	<u>Campuses</u>	<u>Athletic Teams</u>
Central	Columbus	Volleyball (women), Basketball (men)
Metropolitan	Omaha, Elkhorn	None
Mid-Plains	North Platte	Basketball (men), Basketball (women), Volleyball (women)
Mid-Plains	McCook	Basketball (men), Basketball (women), Golf (men), Softball (women), Baseball (men), Volleyball (women)
Northeast	Norfolk	Volleyball (women), Basketball (men), Basketball (women), Golf (men)
Southeast	Beatrice	Volleyball (women), Basketball (men), Basketball (women), Golf (men)
Western	Scottsbluff	Volleyball (women), Basketball (men), Basketball (women), Fast Pitch Softball (women), Baseball (men)

The Community College Area’s travel disbursements generally include expenses for employees to attend conferences, athletic team travel, travel between Area campuses, Board member travel, and travel to other class locations. Travel expenses generally include meal reimbursements, lodging costs, airfare, mileage, rental cars, parking, taxis, tips, and conference registrations.

MISSION STATEMENT

Northeast Community College provides comprehensive, lifelong, learning-centered educational opportunities and services to meet the diverse needs of our public.

NORTHEAST COMMUNITY COLLEGE AREA

SUMMARY OF COMMENTS

In performing the procedures related to the advisory service objectives enumerated in our transmittal letter for the Northeast Community College Area, we noted certain matters involving the internal control and other operational matters that are presented here. Comments and recommendations are intended to improve internal controls, ensure compliance, or result in operational efficiencies.

1. ***Travel policies:*** Written travel policies should be improved by requiring additional documentation for expense reimbursements, and adopting time restrictions for meal reimbursement.
2. ***Vehicle logs:*** No documented review of vehicle usage was completed by supervisory staff.

More detailed information on the above items is provided hereafter. It should be noted this advisory letter is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this advisory letter were furnished to the Northeast Community College Area to provide them an opportunity to review the advisory letter and respond to the comments and recommendations included in this advisory letter. All formal responses received have been incorporated into this advisory letter. Responses have been objectively evaluated and recognized, as appropriate, in the advisory letter. Responses that indicate corrective action has been taken were not verified at this time.

NORTHEAST COMMUNITY COLLEGE AREA

COMMENTS AND RECOMMENDATIONS

1. Travel Policies

Good business practices require written travel policies and procedures to ensure expenses claimed meet College Area, State Statute, and IRS requirements.

The College Area's written travel policies **did not** include the following:

- A requirement that conference registrations and agendas be filed as support for travel expense reimbursement claims.
- A requirement that start and stop times be documented on expense reimbursement vouchers for all travel.
- Time restrictions on reimbursement of meals, e.g. breakfast meal reimbursement only when on overnight travel or travel beginning before 6:30 a.m. Dinner only if on overnight travel or travel ending after 7:00 p.m.

There is an increased risk of overpayment of expense reimbursements if written travel policies do not address these items.

We recommend the College Area consider including these additional documentation requirements and time restrictions in their written travel policies.

College Area's Response: Northeast Community College does require documentation to support actual expenses claimed for reimbursement. A conference fee would require a document that supports that expenditure such as a conference registration form or a conference agenda that identifies the specific fee. We do not agree that conference registrations and agendas should be attached if they are not necessary to document the conference fee.

Northeast Community College does not provide meal stipends or allowances. Our policy provides for reimbursement for the actual cost of business meals. We do not agree that the policy should be changed to include start and stop times and that time restrictions be made on meal reimbursements. The cost of implementing such restrictions would clearly exceed any savings in travel expenditures.

Auditors' Response: Without conference registrations and agendas available when expense reimbursements are processed it is not possible to determine if meals claimed for reimbursement were provided as a part of the conference and are not eligible for reimbursement. Also, the dates and times of the conference cannot be verified to the dates and times associated with the claim for expense reimbursement. Without a policy requiring the documentation of start and stop times and a policy restricting the times when meals are eligible for reimbursement there is an increased potential for reimbursement of

NORTHEAST COMMUNITY COLLEGE AREA

COMMENTS AND RECOMMENDATIONS

1. Travel Policies (Concluded)

Auditors' Response, Concluded:

meals that are not an expense directly associated with travel for business of the Community College Area. Although we agree there could be additional costs associated with enforcing these policies, if they are not followed, there should be minimal costs associated with including these requirements as a part of the Community College Area's written travel policy.

2. Vehicle Logs

Good business practices require that all use of College Area-owned vehicles be appropriately documented. This documentation should include for each vehicle used, at a minimum, the dates of use, start and stop times of travel, purpose of travel, destination, starting and ending mileage, and the signature of traveling employee. Good internal control would include the review of vehicle logs by supervisory staff to ensure vehicle usage is appropriate. This review should be documented.

Vehicle logs were reviewed for reasonableness but this review was not documented.

The lack of a documented review of the College Area-owned vehicles usage increases the risk of misuse of College Area vehicles.

We recommend the College Area improve accountability over its vehicle usage by requiring a documented review of the vehicle travel logs by supervisory staff.

College Area's Response: Northeast Community College does maintain vehicle logs for every vehicle in our motor pool. The logs are reviewed after each trip. However, those reviews are not documented by having a signature or initials on the log. We will change this review process so that the log includes the initials of the person reviewing the log.

Note: See the following page for a common response provided by the Nebraska Community College Association.



Dennis G. Baack, Executive Director
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E-mail: dbaack@ncca.state.ne.us

December 11, 2002

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STATE AUDITOR'S OFFICE

Kate Witek, State Auditor
Auditor of Public Accounts
P.O. Box 98917
Lincoln, NE 68509-8917

Dear State Auditor Witek,

This letter is in response to your recent review of the travel expenses of the Nebraska Community College Areas. This letter will address one common finding for all of the community college areas and each college may have other specific issues that they will address through individual letters to the auditor.

The one finding that was noted for each of the colleges was that their travel policies needed further review and needed to be more specific. The colleges certainly appreciate the work of the auditor and will consider any suggestions that have been made regarding their travel policies. Each college governing board will review their travel policies and make an assessment of any suggested changes. Each policy change will be considered as to whether making a more specific policy will trigger further review, which will certainly add administrative costs. The individual boards may look at other policy alternatives that would provide better accountability: One policy that was particularly noted was individual meal costs. If an individual is attending a conference many of these meals have a set price that is non-negotiable by each individual so any travel policy must maintain some flexibility to deal with situations such as this.

Each community college governing board will be doing a thorough review of their respective travel policies with the goal of having a very accountable travel policy for their college area.

Sincerely,

DENNIS G. BAACK
Executive Director

Nebraska Community College System

Central
Community
College Area

Metropolitan
Community
College Area

Mid-Plains
Community
College Area

Northeast
Community
College Area

Southeast
Community
College Area

Western
Community
College Area

NORTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF TRAVEL DISBURSEMENTS AND OTHER INFORMATION
For the Fiscal Years Ended June 30, 2001 and 2002

Description	Fiscal Year 2001	Fiscal Year 2002	Increase (Decrease)	Percent of Change
Expenditures:				
General Fund	\$ 17,020,461	\$ 17,647,837	\$ 627,376	3.69%
Other	8,950,546	9,298,396	347,850	3.89%
Total Expenditures	<u>\$ 25,971,007</u>	<u>\$ 26,946,233</u>	<u>\$ 975,226</u>	<u>3.76%</u>
Travel Expenditures:				
Board Members	\$ 9,771	\$ 9,288	\$ (483)	-4.94%
General Fund:				
Instruction	122,349	139,346	16,997	13.89%
Academic Support	24,440	31,361	6,921	28.32%
Student Service	35,309	35,679	370	1.05%
Institutional Support	36,049	38,872	2,823	7.83%
Physical Plant Operations	980	1,774	794	81.02%
Total General Fund Travel	<u>228,898</u>	<u>256,320</u>	<u>27,422</u>	<u>11.98%</u>
Other	47,744	43,226	(4,518)	-9.46%
Total Travel Expenditures	<u>\$ 276,642</u>	<u>\$ 299,546</u>	<u>\$ 22,904</u>	<u>8.28%</u>
Percentage of General Fund Travel to Total General Fund Disbursements	1.34%	1.45%		
Percentage of Total Travel to Total Disbursements	1.07%	1.11%		
Total College Area Property Valuations	\$ 8,828,119,790	\$ 9,237,867,152	\$ 409,747,362	4.64%
Total Tax Levy (Note 1)	3.512	6.851	3.339	95.06%
Reimbursable Full-Time Equivalent (FTE) Students	3,099	3,245	146	4.71%
General Fund Cost per FTE Student	\$ 5,492	\$ 5,438	\$ (54)	-0.98%
Resident Tuition Rates Per Semester Hour	\$ 43.00	\$ 45.00	\$ 2.00	4.65%
Fees Per Semester Hour	6.25	6.25	-	0.00%
Total Tuition and Fees Per Semester Hour	<u>\$ 49.25</u>	<u>\$ 51.25</u>	<u>\$ 2.00</u>	<u>4.06%</u>
Number of Credit Hours				
Semester	84,276	88,404	4,128	4.90%
Contact	222,217	224,711	2,494	1.12%

Note 1: The increase in levy was due to the reduction in State Aid to the Colleges. In the 2000 and 2001 fiscal years, the Legislature drastically increased State Aid to the Colleges in order to reduce property taxes. See the Total State Aid for all Colleges below.

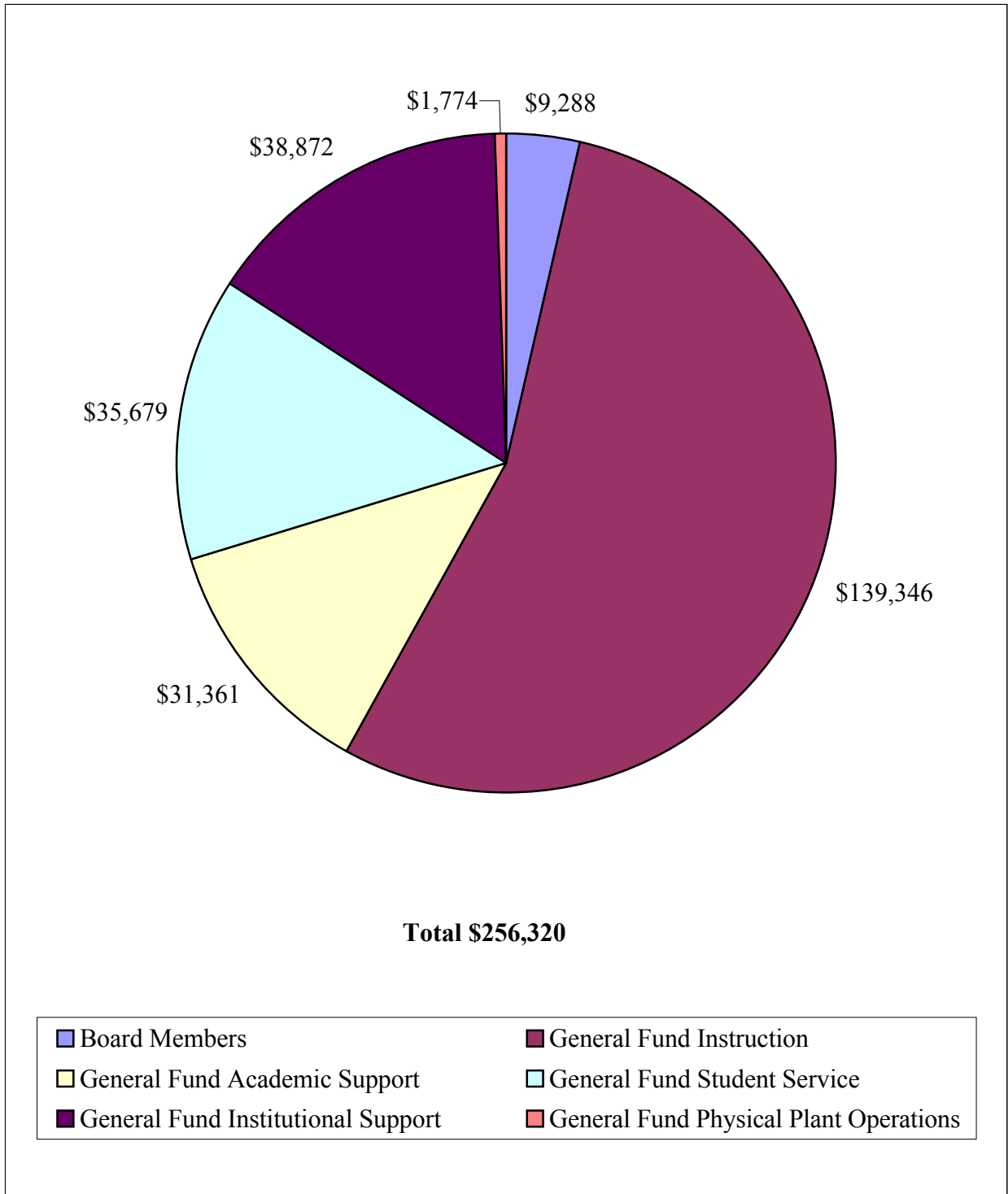
Fiscal Year	Total State Aid
1999	\$ 48,011,822
2000	\$ 84,255,228
2001	\$ 92,157,438
2002	\$ 65,255,062

ALL COMMUNITY COLLEGE AREAS
SCHEDULE OF TRAVEL DISBURSEMENTS AND OTHER INFORMATION
For the Fiscal Year Ended June 30, 2002

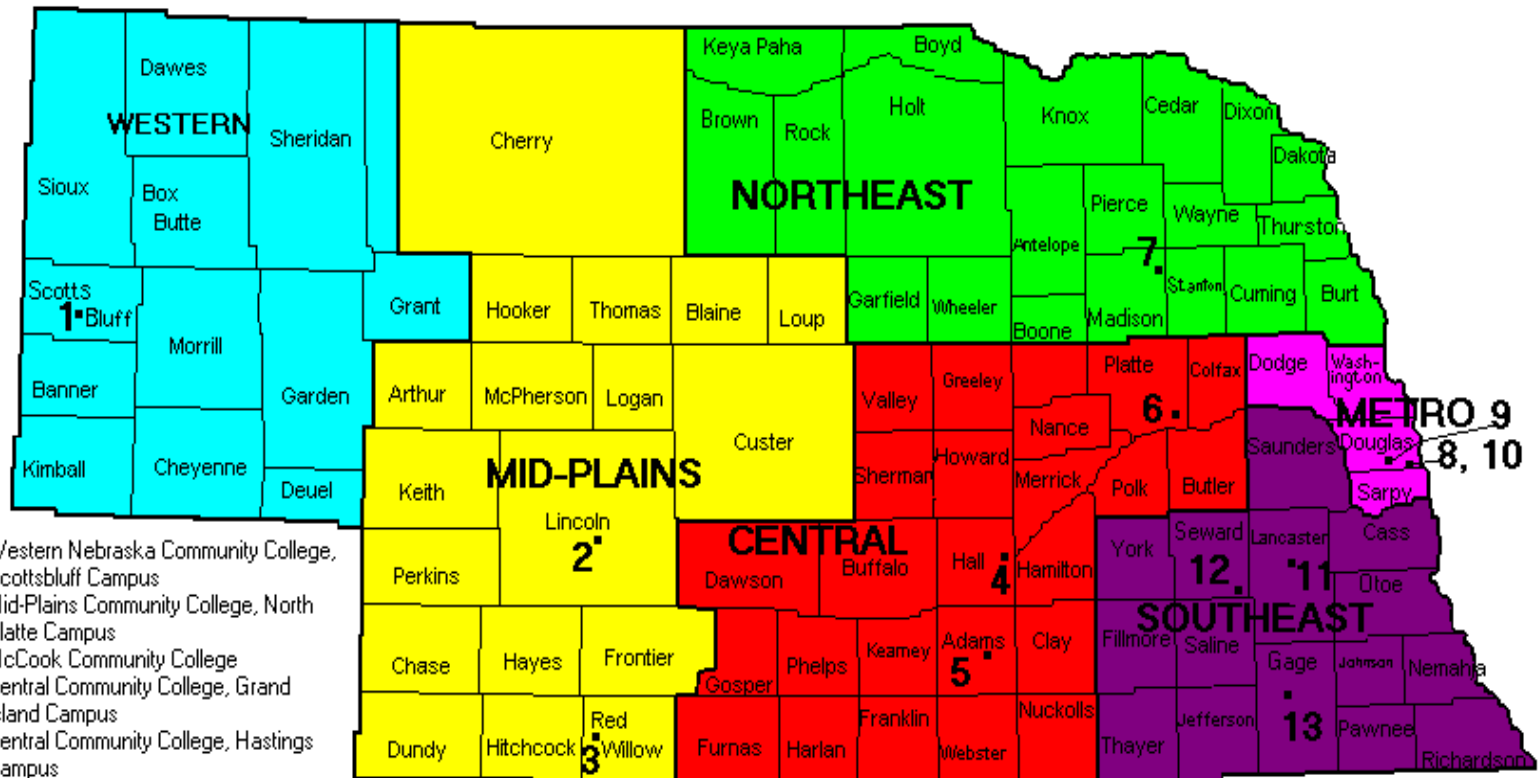
Description	Metropolitan Community College Area	Southeast Community College Area	Central Community College Area	Northeast Community College Area	Mid-Plains Community College Area	Western Community College Area
Expenditures:						
General Fund	\$ 46,064,561	\$ 39,748,636	\$ 27,440,527	\$ 17,647,837	\$ 11,734,407	\$ 11,726,166
Other	10,961,355	14,263,723	19,097,507	9,298,396	3,162,179	7,836,293
Total Expenditures	<u>\$ 57,025,916</u>	<u>\$ 54,012,359</u>	<u>\$ 46,538,034</u>	<u>\$ 26,946,233</u>	<u>\$ 14,896,586</u>	<u>\$ 19,562,459</u>
Travel Expenditures:						
Board Members	\$ 20,228	\$ 25,280	\$ 14,438	\$ 9,288	\$ 22,280	\$ 25,345
General Fund:						
Instruction	115,710	106,168	79,660	139,346	9,271	37,989
Academic Support	61,453	47,955	58,768	31,361	7,409	27,075
Student Service	40,694	7,489	18,724	35,679	66,094	70,650
Institutional Support	84,847	30,513	53,983	38,872	29,229	79,475
Physical Plant Operations	48,200	736	1,592	1,774	10,052	2,452
Total General Fund Travel	<u>371,132</u>	<u>218,141</u>	<u>227,165</u>	<u>256,320</u>	<u>144,335</u>	<u>242,986</u>
Other	132,785	75,124	169,191	43,226	23,270	233,740
Total Travel Expenditures	<u>\$ 503,917</u>	<u>\$ 293,265</u>	<u>\$ 396,356</u>	<u>\$ 299,546</u>	<u>\$ 167,605</u>	<u>\$ 476,726</u>
Percentage of General Fund Travel to Total General Fund Disbursements	0.81%	0.55%	0.83%	1.45%	1.23%	2.07%
Percentage of Total Travel to Total Disbursements	0.88%	0.54%	0.85%	1.11%	1.13%	2.44%
Total College Area Property Valuations	\$ 32,246,499,813	\$ 23,231,779,379	\$ 17,632,466,041	\$ 9,237,867,152	\$ 6,455,425,709	\$ 5,154,029,945
Total Tax Levy	6.210	6.360	7.043	6.851	6.808	7.787
Reimbursable Full-Time Equivalent (FTE) Students	7,511	7,503	3,602	3,245	1,645	1,505
General Fund Cost per FTE Student	\$ 6,133	\$ 5,298	\$ 7,618	\$ 5,438	\$ 7,133	\$ 7,791
Resident Tuition Rates Per Semester Hour (Note 1)	\$ 44.25	\$ 45.00	\$ 45.00	\$ 45.00	\$ 48.00	\$ 44.00
Fees Per Semester Hour (Note 1)	4.50	3.50	4.00	6.25	-	6.50
Total Tuition and Fees Per Semester Hour	<u>\$ 48.75</u>	<u>\$ 48.50</u>	<u>\$ 49.00</u>	<u>\$ 51.25</u>	<u>\$ 48.00</u>	<u>\$ 50.50</u>
Number of Credit Hours						
Quarter	327,201	290,798	-	-	-	-
Semester	-	25,910	105,972	88,404	47,906	41,195
Contact	216,094	159,051	62,476	224,711	43,173	118,556

Note 1: Metropolitan Community College Area tuition rate and fees were converted from quarter hours to semester hours for comparison purposes.

NORTHEAST COMMUNITY COLLEGE AREA
GENERAL FUND TRAVEL DISBURSEMENTS
For the Fiscal Year Ended June 30, 2002



Nebraska Community Colleges Areas and Campus Locations



1. Western Nebraska Community College, Scottsbluff Campus
2. Mid-Plains Community College, North Platte Campus
3. McCook Community College
4. Central Community College, Grand Island Campus
5. Central Community College, Hastings Campus
6. Cental Community College, Columbus Campus
7. Northeast Community College
8. Metropolitan Community College, Fort Omaha Campus
9. Metropolitan Community College, Elkhorn Valley Campus

10. Metropolitan Community College, South Omaha Campus
11. Southeast Community College, Lincoln Campus
12. Southeast Community College, Milford Campus
13. Southeast Community College, Beatrice Campus