

THE FOLLOWING
MATERIALS WERE
ADDED AT THE
MEETING

PROGRESS OF COLLEGE FINANCIAL POLICIES

At the October 15, 2008 Special Board Meeting, the Oregon School Board Association presented the following recommendations regarding financial operations of the College. The progress made thus far is indicated.

13. The College should adopt policies and procedures specifically addressing the financial operations of the College. Initially policies and procedures should focus on: internal controls (e.g., cash transactions, payment of bills, etc.), purchasing and financial reporting. In addition, the business office staff should develop an accounting handbook and/or written procedure manual for each aspect of daily operations. This will help ensure clear and appropriate internal controls within the Business office.

Progress:

- Currently working on new purchasing procedure/policy with pre-approval for all purchases.
- New requisition software that assists staff with complying with new draft procedures and stronger internal controls.
- Staff is aware of need for written procedure manual and is working on documenting daily operations.

14. The College should consider continued independent review of performance control measures in the finance department. This will require additional intense interviews with staff, review of daily transactions and procedures utilized.

Progress:

- Mike Ionno – Datatel Consultant – reviewing procedures and processing recommendations to the College.

15. Begin the process of creating a financial plan for the College. This will include enrollment projections, review of capital projects, cash flow analysis and development of a financial forecasting model.

Progress:

- Committee is currently working on a financial plan for the College.
- Process of getting FRx Software and training to assist with report preparation for analysis.
- Current daily cash flow report distributed
- Developed cash flow report for a fiscal year. As months go by, actual data is entered and estimates for future months are adjusted.

At the October 15, 2008 Special Board Meeting, the Board took the following action:

MSM10/08-4 Chair Anderson motion to *hire OSBA to review performance control measures in the finance department* was seconded by David Bridgham.

A happy amendment was made to *have OSBA provide the scope of work and costs that would encompass the OSBA report's recommendations #13-15 on financial operations policies and procedures, performance control measures and the creation of a College financial plan.* Upon call for the vote, the **MOTION CARRIED.**

Auditor

J. ROBERT WALL, C.P.A.
KAREN S. WALL, C.P.A.

September 29, 2006

To the Board of Education
Southwestern Oregon Community College District

In compliance with Oregon Municipal Audit Law, we were engaged to audit the fiscal affairs, accounts and financial statements of the Southwestern Oregon Community College District for the year ended June 30, 2006.

Our audit was designed to comply with the requirements of:

- Generally Accepted Auditing Standards
- Oregon Municipal Audit Law and related Administrative Rules
- Government Auditing Standards
- Government Accounting Standards Board (GASB) Statements
- Single Audit OMB Circular A-133

Our audit included examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. We also assessed the accounting principles used by the College District and evaluated the overall financial statement presentation and internal controls.

In your audit report under Auditor's Comments on pages 67 and 68 you will note that the Southwestern Oregon Community College District's accounting system is adequate and the accounting records are properly maintained. The internal control reports on pages 66, 69 and 70 noted no material weaknesses.

However, during our audit process we noted several recommendations and suggestions whose implementation could strengthen internal controls and enhance the College District's accounting system.

1. Accounting System

a. Fixed Assets Subsidiary Journals

The College District has continued to expend efforts and make strides in identifying, summarizing, and reconciling individual capital items that are in service at the present time. Accomplishments have been achieved in this area with enhancements considered. Annual physical inventories verifying completeness, existence, and additions or deletions of specific fixed asset items, should also continue to be maintained. These procedures, along with accurate depreciation records, are all important with the monitoring of *Governmental Accounting Standards Board's (GASB) Statements No. 34 and 35*.

b. Capital Assets Inventory

The College District should continue monitoring compliance with the policies and procedures controlling capital acquisitions, their inventoriable condition, and intended use. Timely control schedules detailing status, location, availability, and use approval should be accurately maintained, kept, and approved by respective authorized department heads while retained by the business manager's office. Check-in/check-out forms and procedures, containing accurate and complete information at fiscal year end with no personal use, should be closely and thoroughly monitored.

c. Cash and equivalents controls

Effective internal controls and careful monitoring of cash activity (part 2b, below) should continue to be emphasized in the cash funds while maintaining the limited access and security controls. Additionally, adequate certificates of participation, securing deposits at financial institutions, should be maintained to ensure complete and continuous insurance coverage.

2. Office Management

a. Accounting Procedures

State-wide reduced funding and other budgetary constraints have continued to necessitate reduction in staffing considerations making it even more important for key accounting positions and functions to be continuously and accurately maintained. The College District has excellent and competent personnel and staff within the business department, but adequate levels require consideration of priority. This would also enable the providing of timely financial reports to the College's Board and management to be utilized as an effective decision making tool.

The College District should consider more cross-training of accounting personnel in certain accounting procedures (as possible with the necessarily reduced personnel). Other qualified additional staff could also become knowledgeable and proficient in the regular specific tasks performed by those in certain accounting positions. Accounting functions within payroll, receivables, the payables office, and other general accounting system procedures should continue to be learned by more than one employee in case of unexpected leave or turnover. Departments should continue to strive to work together in an environment of cohesiveness and cooperation.

b. Accounting Manual

The College District should further develop and update office procedures, specific accounting tasks, checklists, and manuals to further delineate specific processes and detailed requirements, by position. Areas of examples include monthly cash reconciliations, by source and fund, along with timely recording of amortization of all capitalized costs: pension assets, bond discounts and issuance costs, and debt defeasance differences. This would also facilitate monthly financial reports' presentations to the Board and management (part 2a, above). We would be willing to work with the College District on development in these areas.

c. Other Accounting Matters

Education should continue to be emphasized in order to maintain knowledge of expertise in current accounting areas. Examples might include applicable governmental standards, budgetary matters, technical accounting issues, and computer update seminars. Continued priority and support to the College District's accounting functions should be emphasized by the Board and Administration especially with the new and existing debt issuances and facility construction projects and continued *Governmental Accounting Standards Board* (GASB) Statement requirements.

3. Grant Administration

The College District should continue to enhance monitoring, controls, and procedures regarding federal and state grant programs administration while centralizing oversight, grant agreement retention and documentation maintenance. Quarterly grant meetings should continue to address improved control policies and procedures, such as use of detailed checklists specifying agency and program requirements, while ensuring timely and accurate reporting and compliance, (such as proper matching, meeting allowable cost criteria, and maintaining complete, orderly and readily retrievable documentation.

4. Other Controls Considerations

a. Disaster Plan

The College District has made considerable efforts and accomplishments with its Disaster Plan. Further consideration to having the Plan continue to be further analyzed, reviewed, enhanced, and documented could also be addressed. Sufficient and on-going monitoring would also be encouraged.

b. Facility Security

The mail room and postal department should consider enhancing security and increasing privacy for confidential information. By limiting access to, and more closely monitoring of, mail boxes, the overnight mail bin, packages and other temporarily stored items tighter controls could be achieved. Locking mail boxes may also be considered if cost effectiveness is feasible.

c. Employee Contracts

The College District should require, and more closely monitor, employee contracts to ensure that all are completed, signed, returned, and readily available in the College District's designated files.

The Southwestern Oregon Community College District's business department and management should be commended for efforts and steps taken during the year ended June 30, 2006 to improve and maintain the College District's financial recording, reporting, and overall accounting system.

Thank you for your consideration in these matters, which are recommendations and suggestions intended only for the internal use of the Southwestern Oregon Community College District's President, management, business and finance department personnel, and Board of Education.

Sincerely,

J. Robert Wall, CPA

J. Robert Wall, CPA
Wall & Wall P.C., Certified Public Accountants

RW & KW
w/ Judith
Sheldon
Room

SOCC – 6/30/06

BUDGETS

- Supplemental budget detail
- Resolutions and ordinances
- Blanket resolution each year at beginning of year.

A-133

- Improve Schedule of Financial Assistance – Timely and reconciled
- Business office needs more timely and accurate information from grant coordinators
- Work study – Job descriptions in W/S files with Gina Gregg

ACCOUNTING STAFF

- Monthly financial reports for board meetings in advance for proper review to enable adequate discussion
- Financial aid department was understaffed. It was difficult for interim director.
- Imminent turnover, transition, loss of knowledge
- Consider more thoroughly documented procedures
- Audit preparation should be thoroughly completed before the start of audit field work, including final general ledger, and GASB 34 conversions.
- College should strive to have accounting staff continue the educational process and in turn more responsibility and preparation of financial statements and schedules.
- More cross training, especially for three or four key business office personnel.

FIXED ASSETS

- Need more timely and accurate information.
- This may require additional assistance or staffing

INVENTORY

- Continue monitoring and striving for accurate non-capitalized inventorable items (laptops, cameras, equipment under \$5,000, etc.)

TURNOVER OF GRANT MANAGERS

- Compliance concerns
- Needs some oversight and monitoring

OTHER ACCOUNTING MATERS

- Greater detail on journal entries – backup documentation to support them
- Program travel expenditures should say who the travel or food was for with supporting documentation attached to payment voucher.
- Strive to improve travel documentation (evidential matter)

REPEAT MANAGEMENT LETTER POINTS

- Collateral
- Accounting manual

Auditors need more accessibility to key employees or management. Keep open all lines of communication. Grant managers are not easily accessible or readily available.

NEW GASB 43 & 45: preparation and background gathering of information for proper and full implementation within two years.

November 15, 2007
SOCC – Meeting with Management

✓ RW, KW
w/Judith, Shel
1/15/07
Z:app

Fixed Assets Forms to other departments no longer used for monitoring & YE controls.

Ledgers need to be updated & reconciled at YE.

Individual items need to be accurately tracked, monitored, accounted for & safeguarded.

Capital Asset Inventory to be implemented by College..

Accounts Payable Accurate cut-off procedures should be maintained and monitored.

Decentralized (receiving) Opportunities for integrating PO, receiving & booking payables to be in compliance GAAP.

Under current system – at least suggest a photocopy of partial receipts be sent to AP.

Bank Reconciliations Lack of controls in system. (staffing) Need third party reviews.

Financial Aid Training of staff in financial aid

Consistency in files and forms filled out. (Documentation of procedures completed for compliance)

Major Programs to be audited Trainings in federal compliance with grants –
Scheduling