

LBA Financial Audit Report Summary:

Department of Regional Community-Technical Colleges Audit Report for the Nine Months Ended March 31, 1998

The Department of Regional Community-Technical Colleges includes the office of the commissioner, the New Hampshire technical institute, six technical colleges, the police standards and training council, and the Christa McAuliffe planetarium. The scope of this audit excluded the police standards and training council and the Christa McAuliffe planetarium as these components operate differently from the other educational facilities.

The Department is governed by a Board of Governors comprised of seven members; three from the business field, two from the education field, one from the health services field, and one from labor. The Board is responsible for determining Department policy and overseeing the administration of the Department, setting tuition rates, and developing a comprehensive strategic plan for the regional community-technical college system.

The Department is headed by a commissioner appointed by the governor, with the consent of the council, for a five-year term. An advisory board consults with and advises the commissioner with respect to the policies, programs, and operations of the Department.

The Department is headed by a commissioner, a deputy commissioner, four regional presidents who oversee the campuses, and an office of the commissioner. For the entirety of our audit period both the commissioner and deputy commissioner positions were vacant. An interim commissioner has served since July 1997. The campuses are separated into four regions, with a president presiding over each region. During fiscal year 1998, the Department employed 1,245 adjunct faculty, 128 part-time and 572 full-time employees.

The Department is funded primarily by appropriations from the General, Special, and Capital Projects Funds. In addition, the Department maintains various trust and agency funds.

Our report contained 16 observations including eight internal control comments, of which two were categorized as material weaknesses, five comments regarding noncompliance with state statutes or federal regulations, and three management issues.

The material weaknesses in internal control included:

- significant deficiencies in the Department's tuition revenue collection process. We noted numerous problems with the lack of an adequate ledger system for revenue, lack of adequate systems training for business office staff at the campuses, lack of segregation of duties, inconsistencies in processes between campuses, and untimely transfers of revenue to Treasury.
- lack of adequate documentation to support the \$69.6 million in reported real property and equipment values.

The other internal control findings included:

- weaknesses in the Department's billing procedures for third party billings and no standard contract for technology deployment center specialized training agreements.
- the Department's internal audit position was not being used for its intended purpose. The internal auditor was responsible for programming and maintaining the Department's accounting system rather than performing audits of various Departmental functions and campuses.
- the Department's agency fund activity was overstated by \$6.5 million for the nine months ended March 31, 1998 because of the method used to transfer monies between its accounts.

The state compliance issues dealt with a lack of a records retention policy and procedures, and noncompliance with various reporting requirements set in state statute.

The federal compliance issues dealt with noncompliance with various student financial aid reporting and filing requirements, and questioned costs resulting from inadequate documentation to support salary and benefits charged to a federal grant.

Management issues included:

- the lack of a disaster recovery plan for its two main computer systems.
- the lack of support for the 5.5% administrative fee charged to all the campuses to cover the cost of the commissioner's office. The rate was established in 1992 and has not been reviewed since its inception for reasonableness.
- continued diligence by the Department in determining that its mission critical computer systems, both internal and external, are Year 2000 compliant.

We recommended that the Department:

- enhance its controls over the revenue collection process, institute a new ledger system, and eliminate inconsistencies in procedures between campuses;
- develop and maintain documentation for its real property and equipment records;
- reassign administrative functions currently being handled by the internal auditor so that Departmental audit functions can be performed;
- institute changes in the accounting for transfers of funds between agency accounts at the campuses;
- comply with the various reporting requirements in state statutes or seek legislative action to amend existing statutes;
- maintain adequate documentation to support salary and benefit charges to federal programs and exercise more care in complying with financial aid reporting requirements;
- institute a disaster recovery plan for its computer systems;
- review the administrative fee charged to campuses and maintain documentation to support the charge; and
- continue to monitor its computer systems to ensure that those systems not fully Year 2000 compliant will be so before the start of the new millennium.