

IOWA STATE UNIVERSITY

Internal Audit Report

Executive Summary

OPPTAG Special Review

June 22, 2004

Report Distribution

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Introduction

Established in 1986, the Office of Precollegiate Programs for Talented and Gifted (OPPTAG) offers a variety of summer and academic year programs to high ability precollegiate students. OPPTAG programs are designed to provide students in the second through eleventh grades with classes that they would not be exposed to in the traditional classroom setting. Several hundred children each year attend OPPTAG programs. The majority of students are from the state of Iowa; some of the students come from outside the state. Students pay tuition and fees to attend OPPTAG programs and may receive academic credit for the courses they attend.

At the time of the audit, the OPPTAG administrator was responsible for designing programs, advertising, and recruiting students and teachers. In addition, the administrator was responsible for all aspects of program administration including accepting application forms, maintaining registration information, and assessing, billing, and collecting fees.

The financial support of OPPTAG comes from the fees generated from its programs. In addition to fees, OPPTAG has received some limited funding from the Department of Psychology and the College of Liberal Arts and Sciences.

Scope

The scope of the audit included a review of spring and summer 2003 programs. Our objectives were to examine:

- Revenues, expenditures, and fund balance
- Reliability and integrity of enrollment information and record keeping
- Compliance with policies and procedures

Observations

The Detailed Observations and Management's Action Plans section of this report describes the following areas in which improvements can be made:

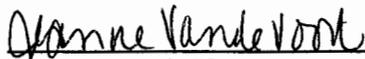
1. Program Administration
2. Monitoring of Revenues and Expenses
3. Scholarships
4. OPPTAG Staffing
5. Documentation

Management's Action Plans

We discussed with management our audit observations and recommendations for remedial action. We then assisted management in developing their action plans and establishing target dates for implementation.

For the reported observations, management's responsibility is to take appropriate action, and Internal Audit's responsibility is to monitor the status of implementation. Internal Audit will, therefore, initiate a follow-up review in August 2004. At that time, we will ask management to provide documentation describing the actions implemented or, alternatively, their acceptance of the risks of not taking action.

Completed by:


Jeanne Vande Voort
Auditor

Approved by:


Sheryl Rippke
Director of Internal Audit

Internal Audit Report
Detailed Observations and Management's Action Plans
OPPTAG Special Review
June 22, 2004

Observation 1: Program Administration

The OPPTAG staff is responsible for program administration including accepting application forms, maintaining registration information, and assessing, billing, and collecting fees for all of their programs. OPPTAG accepts cash, check, and credit card payments for student fees; the fees are often paid in installments.

OPPTAG uses a Microsoft Works registration database for each program to record students' personal, class, and payment information, including charges assessed and payments made. The databases are used to determine balances due. In addition, OPPTAG uses Excel spreadsheets and log sheets (handwritten and electronic) to record deposit information

Our review indicated errors in the databases, as they had not been consistently updated to indicate cancellations, drops, and special circumstances or adjustments. No other records such as class rosters were available to use in verifying student enrollment. The databases did not indicate if application fees, tuition, or other payments were refunded and how refunds were handled (e.g., shredded check, returned check, credit card adjustment, etc.).

The registration databases had not been reconciled with deposit information; therefore, in many cases the student records did not match up with payment information. We found instances of apparent uncollected fees, overcharges, unprocessed credit card payments, and undeposited receipts. Due to changes in enrollment, the acceptance of installment payments, and accounting for charges assessed and payments received, OPPTAG administration is a very complex task.

OPPTAG's record keeping is not adequate for administering accounts receivable of this complexity. OPPTAG does not utilize the University Receivables System for billings and collections. Use of this centralized system would relieve the OPPTAG staff from tuition billing and collections and would help to reduce unpaid charges. The University Receivables system generates reports that would facilitate reconciliation with the OPPTAG registration databases.

In addition to converting to the University Receivables System, upgrading the OPPTAG record keeping system to relational databases would help to improve the reliability of records. For application fees, improved record keeping procedures and timely reconciliations are needed to ensure the fees are correctly deposited and accurately reflected in the databases.

Management's Action Plan:

OPPTAG has been working with the University's Receivables office to have Receivables take over the billing and collections for OPPTAG programs. OPPTAG will be able to use the University Receivables reports for reconciliation with the OPPTAG registration databases.

As part of the transition to the Receivables system, OPPTAG has upgraded their record keeping system to relational databases to help improve the reliability of records.

We will establish reliable record keeping procedures and timely reconciliations to ensure that application fees are correctly deposited and accurately reflected in the databases.

Observation 1: Program Administration (continued)

Target date for implementation: June 1, 2004

Follow-up contact: Doug Epperson

Observation 2: Monitoring of Revenues and Expenses

OPPTAG uses one fund account to record expenses and revenues for all of their programs. The account does not use section project numbers to separate the receipts or expenditures for the different programs and sessions. Therefore, it is not possible to identify the revenues and expenses applicable to each program. This information would be helpful in monitoring and analyzing the financial viability of the programs offered.

OPPTAG uses Excel spread sheets and log sheets to record deposit information. If this information were consistently reconciled to ensure its accuracy, it could be used as a tool for monitoring and analysis of revenues. We identified a number of practices that contribute to difficulties in reconciling and monitoring revenues. For example, deposits for multiple programs and students are commingled, deposit records do not indicate the program or session (or sometimes the student) for which payment was received, and deposit records do not indicate the deposit number.

OPPTAG does not maintain student rosters for each program and session for use in reconciling enrollment with revenues. Student evaluation forms were the only documentation that could be provided to aid in determining attendance. However, some of the evaluation forms obtained from OPPTAG did not have complete information indicating the class the student attended, none of the forms were signed by the class instructors, and an evaluation form was completed for one student who did not pay tuition and was listed as a no show on the OPPTAG database.

Monitoring of revenues and expenditures for each program and session would enable management to ensure that program costs are being recovered. In FY 2002 and FY 2003 the fees generated from the OPPTAG programs were not sufficient to cover expenses. After the deposit of revenues from the summer 2003 OPPTAG programs, the September 30, 2003 cumulative deficit was \$213,046.84.

Management's Action Plan:

We will take the following actions:

- A. Develop a process to ensure consistent recording of registration information including names, dates, programs, amounts due, and later, reconciliation with amounts paid.
- B. Develop record keeping to verify student enrollment and attendance. Instructors will complete and sign class rosters indicating the students who actually took the courses. The rosters will be used in reconciling class attendance and revenues received for each class.
- C. For classes that are cancelled, we will document the cancellations, the students who were registered for the cancelled classes, and the status of refunds for cancelled classes. Similarly, other changes in OPPTAG programs will be documented.

Observation 2: Monitoring of Revenues and Expenses (continued)

- D. In future years, establish section project numbers to facilitate tracking of revenues and expenses for each individual program.
- E. Work with the Provost's office to develop a plan for eliminating the deficit OPPTAG account balance.

Target date for implementation: August 1, 2004

Follow-up contact: Doug Epperson

Observation 3: Scholarships

OPPTAG offers scholarships for students who participate in the summer OPPTAG programs. Funding for the scholarships comes in part from current participants' contributions, and the remainder is to come from two ISU Foundation accounts established for OPPTAG scholarships.

OPPTAG invites applicants to make donations for scholarships without indicating how the funds will be awarded or whether they will be invested in one of the scholarship endowment funds. The proceeds from the scholarship donations for the summer 2003 programs were absorbed into OPPTAG revenues and used to offset scholarships awarded.

OPPTAG has two ISU Foundation endowed accounts that were established to provide scholarships to recipients on the basis of academic achievement and demonstrated talent. Although some students' fees were reduced by scholarships totaling \$2,700, none of the nearly \$29,000 in expendable funds has been drawn from the Foundation. A university spending account had not been established to facilitate drawing on the Foundation accounts' expendable funds.

In OPPTAG's records, some tuition assistance is identified as "financial aid." Management indicates that even though their database contains financial aid in one field and scholarships in another, they have used the term "financial aid" interchangeably with the term "scholarship." Records indicate that in the period reviewed, \$11,500 in financial aid was awarded from current operating funds, contributing to the fund account deficit. Management indicates this amount was actually provided as scholarships and should have been provided from ISU Foundation expendable funds.

Management's Action Plan:

We will develop an approach and criteria for using scholarship donations and the earnings on endowment funds to provide scholarships. We will ensure the use of endowment funds is in compliance with the memoranda of agreement, and that accurate records are maintained indicating recipients of awards. We will work with the ISU Foundation to utilize expendable funds for scholarships awarded in the current and prior years.

Target date for implementation: July 1, 2004

Follow-up contact: Doug Epperson

Observation 4: OPPTAG Staffing

The staffing for OPPTAG consists of the program administrator and graduate student assistants. The program secretary position was eliminated in September 2002. Since that time, several graduate students have assisted the program administrator. While these students perform many tasks related to cash handling and registrations, gaps exist in tying together all the facets of program administration. The difficulties associated with handing off a process from one student employee to the next may contribute to administrative problems in OPPTAG.

The student employees do receive training and instructions, but no documented procedural manual exists to guide the employees to consistently accomplish all aspects of program administration.

Because of the reduced staffing, the program administrator has been involved in many areas of the operations and has access to all aspects of record keeping for registrations, revenues, deposits, and reconciliation of monthly financial (departmental) statements. He also makes purchases, including P-card purchases, and retains the documentation for the purchases. Segregation of duties is lacking in OPPTAG operations.

Management's Action Plan:

By using the Receivables office for billings and College of Liberal Arts and Sciences and Department of Psychology staff to perform reconciliations and to provide approvals, we have segregated the duties within OPPTAG administration. We will document procedures for all aspects of program administration

Target date for implementation: July 1, 2004

Follow-up contact: Doug Epperson

Observation 5: Documentation

A review of OPPTAG expenditures indicated that some documentation was missing, some expenditures lacked a business purpose, and some expenditures were assigned incorrect class codes.

A July 16, 2003 e-mail to the Controller's Information Network stated: "Adequate documentation [of expenditures] includes an invoice or receipt that identifies WHAT was purchased, WHERE it was purchased, WHO purchased it, and WHY it was purchased." The benefit of providing this information is that the business purpose is identified. Some documentation reviewed for project expenses lacked detail and business purpose.

Incorrect class codes were assigned to several expenditures, therefore these class codes did not accurately reflect the items purchased. Some of this miscoding occurred due to not changing the default class code in the purchasing card system when entering transactions. The incorrect class code can cause project expenditures to be misrepresented.

Management's Action Plan:

We will maintain documentation to support expenditures that includes the business purpose. We will use class codes that accurately reflect transactions.

Target date for implementation: June 1, 2004

Follow-up contact: Doug Epperson