

**ADVISORY REPORT OF THE  
NEBRASKA  
DEPARTMENT OF ADMINISTRATIVE SERVICES**

**DISTRIBUTION OF AID TO  
COMMUNITY COLLEGES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**TABLE OF CONTENTS**

	<u>Page Number</u>
<b>Background Information Section</b>	
Background	1 - 2
<b>Advisory Letter</b>	3
<b>Comments and Recommendations Section</b>	
Summary of Comments	4
Comments and Recommendations	5 - 7
<b>Schedules and Charts</b>	
Schedule of Aid Distributions by College Area and Program for Fiscal Year 2000 and Fiscal Year 1999	8
Fiscal Year 2000 Total Aid Distributions by Community College Areas	9
Fiscal Year 1999 Total Aid Distributions by Community College Areas	10

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**BACKGROUND**

Nebraska's Community Colleges provide both full-time and part-time occupational and applied technology education, access to postsecondary education for non-traditional students, and industrial development job training and retraining. The colleges also provide foundations education, including remedial and developmental, adult basic education, general education development, English as a second language, compensatory education, and refresher courses. General academic transfer programs designed to transfer to a baccalaureate institution are also available as part of the colleges' role and mission.

The State is divided into six community college areas. Each of the fourteen major campuses is assigned to an area. Each area is governed by an elected eleven member board, of which two members are elected from each of the five districts and the final member is elected from the area at large. The areas operate with local, state, federal, and institution funds with principal support from local property taxes, state aid, and tuition.

Coordination among the six areas is achieved through participation by the areas in the Nebraska Community College Association.

**Program 51 - Aid to Community Colleges**

Funds appropriated as Aid to Community Colleges are distributed to the area boards by the Nebraska Department of Administrative Services according to statutory requirements. These requirements are outlined in Neb. Rev. Stat. Section 85-1536 R.R.S. 1999. Minimum student enrollment levels must be attained by each of the areas. Fifty-two percent of aid is distributed equally among the six areas, thirty-eight percent is allocated in proportion to 3-year average enrollment levels within the areas, and ten percent is distributed under the statutory provisions governing distribution in Program 152 – Property Tax Relief and Equalization. The funding is utilized to aid in defraying general expenses incurred by the community colleges.

**Program 99 - Faculty Training, Instructional Equipment Upgrades and Employment Training**

Funds appropriated to this program are distributed to the community college areas in the form of grants. The grant applications are given to a grant review committee consisting of: one member from each of the University of Nebraska, the Department of Economic Development, the Department of Labor, and the State Department of Education, as well a representative from the community colleges. The committee reviews the applications and recommends a distribution of funds to the Director of the Nebraska Department of Administrative Services.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**BACKGROUND**  
(Concluded)

**Program 152 - Property Tax Relief and Equalization**

The funds appropriated for distribution under the Property Tax Relief and Equalization Program are distributed to the community college area boards by the Nebraska Department of Administrative Services. Statutory criteria are used to determine the distribution amounts. Neb. Rev. Stat. Section 85-1536.01 R.R.S. 1999 outlines the distribution criteria. There are two different criteria under which the Community College areas can qualify. In order to receive property tax relief the areas must:

- 1) Levy the maximum allowable property tax, and
- 2) Cannot generate 40 percent of their operating revenue at the maximum levy

Or

- 1) Do not receive 40 percent of their operating revenue from state aid distributed under Program 51, Aid to Community Colleges and
  - a) Levy the maximum allowable property tax or
  - b) Levy the greater of
    - i) A minimum levy of 6.3 cents for fiscal year 1999-00, or
    - ii) A levy that generates 40 percent of the community college area's operating revenue

Subject to the criteria listed above, each area is eligible to receive the difference between 1) state aid the area receives under Program 51, Aid to Community Colleges, and 2) 40 percent of the area's operating revenue. If amounts appropriated to this program are insufficient to fund this difference, amounts appropriated are apportioned on a pro rata basis to qualifying areas. In the event a qualifying area generates in excess of 40 percent of its operating revenue from property tax, such excess serves to offset the amount for which the area qualifies under this program. State aid distributions received by the community college areas are utilized to defray general expenses in the various community college area operations.

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Auditor of Public Accounts

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Lori McClurg, Director  
Department of Administrative Services  
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Lincoln, Nebraska 68509-4664

Dear Mrs. McClurg:

We have studied the policies and procedures related to the Nebraska Department of Administrative Services – Distribution of Aid to Community Colleges for the fiscal year ended June 30, 2000. Our study was made under the authority of Neb. Rev. Stat. Section 84-304, R.S. Supp., 2000 which authorizes the examination of agency records. This advisory report provides the results of that study and is intended for the information of the Nebraska Department of Administrative Services; however, this report is a matter of public record and its distribution is not limited.

As a result of our study of the Distribution of Aid to Community Colleges, we noted certain issues, which the Nebraska Department of Administrative Services should consider relative to those procedures. These issues are included in the Comments and Recommendations section of our report.

A handwritten signature in cursive script that reads "Timothy J. Channer CPA".

Audit Manager

April 3, 2001

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**SUMMARY OF COMMENTS**

During our study of the Nebraska Department of Administrative Services – Distribution of Aid to Community Colleges, we noted certain matters involving 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. **Grant Matching:** The Department of Administrative Services – Budget Division did not verify the statutory matching requirement of \$40,000 was met before disbursing final payment for the Community College Incentive Grants.
2. **Grant Approval:** The approval of four of fifteen grants tested was not adequately documented by the Nebraska Community College Aid, Grant, and Contract Review Committee.
3. **Grant Reimbursement Documentation:** Adequate supporting documentation was not present for twelve of twenty-five grant reimbursement payments tested.

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

Draft copies of this report were furnished to the Nebraska Department of Administrative Services (DAS) to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, DAS declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time.

We appreciate the cooperation and courtesy extended to our auditors.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**COMMENTS AND RECOMMENDATIONS**

**1. Grant Matching**

1999 Neb. Laws LB 880, Section 241 appropriates monies in Program number 99 for community college incentive grants. This Legislative Bill requires at least \$40,000 of industry, private, or foundation match to be provided each year through a collaborative grant proposal submission process. The Bill also states the budget division of the Department of Administrative Services shall not make any grant disbursements from these funds until it is satisfied that the \$40,000 match is available during each year. Sound accounting practice requires procedures be in place to ensure matching requirements are met.

Matching requirements were addressed in the grant proposals, but no procedures were in place to ensure the match was actually provided. The Nebraska Department of Administrative Services – Budget Division did not verify the match requirements were met before disbursing final payment at the conclusion of the grant.

We recommend procedures be developed which ensure the matching requirements are met as required by State law.

*Department's Response: When the Grant Program (099) was first established (LB 305, 1989), a verbal agreement was made with the community college areas, the Nebraska Community College Association, and the Nebraska Community College Aid, Grant and Contract Review Committee that after the required match was indicated in a grant proposal signed by the President or Vice President of an Area and approved by the Review Committee, and the final grant reimbursement request was made and signed by the community college area President or Vice President, no further documentation was required. This procedure has been in place for approximately 10 years. Nevertheless, in response to the Auditor's recommendations, we will establish additional procedures and require additional documentation from each community college area in order to substantiate that the required match has been spent in conjunction with the approved grant proposal.*

**2. Grant Approval**

Neb. Rev. Stat. Section 85-1539 R.R.S. 1999 requires the Nebraska Community College Aid, Grant, and Contract Review Committee to develop guidelines and submit recommendations to the Director of Administrative Services for the distribution of funds appropriated.

Four of fifteen grant applications tested were not signed by a Committee representative to document the Committee's approval of the grant.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**COMMENTS AND RECOMMENDATIONS**

**2. Grant Approval** (Concluded)

We recommend the Nebraska Community College Aid, Grant, and Contract Review Committee properly document their approval of grant applications.

*Department's Response: When the Grant Program was first established, a verbal agreement was made with the community college areas, the Nebraska Community College Association, and the Nebraska Community College Aid, Grant, and Contract Review Committee that the signature of the community college area President or Vice President along with the signature of the Director of the Nebraska Community College Association (acting as the Coordinator of the Review Committee) was required on all grant proposals and grant reimbursement requests. This procedure has been followed for approximately 10 years. In the case cited by the Auditor, the absence of the signatures on all four documents which follow the cover letter was overlooked. This omission occurred during the time period when the responsible employee was on, or immediately after, extended funeral leave. This was an isolated incident which should not be repeated.*

**3. Grant Reimbursement Documentation**

Good internal control requires adequate supporting documentation be present to support payments to grantors.

Adequate supporting documentation was not present for twelve of twenty-five grant reimbursement payments tested. The community college area must submit a claim to be reimbursed for disbursements they have made for the grant. The original reimbursement claims are reviewed by the Nebraska Community College Aid, Grant, and Contract Review Committee. These claims are then forwarded to the Department of Administrative Services – Budget Division for payment. Invoices documenting expenditures by the grantees were not present for twelve of the twenty-five grant reimbursements tested.

Without adequate supporting documentation for grant reimbursement claims the risk of inappropriate reimbursements is increased.

We recommend procedures be implemented which ensure adequate supporting documentation is present for reimbursement claims paid.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**COMMENTS AND RECOMMENDATIONS**

**3. Grant Reimbursement Documentation (Concluded)**

*Department's Response: When the Grant Program was first established, a verbal agreement was made with the community college areas, the Nebraska Community College Association, and the Nebraska Community College Aid, Grant and Contract Review Committee that, when requesting reimbursement for grant payments, the community colleges could either attach copies of invoices to substantiate the reimbursement request, or they could provide a summary or spreadsheet listing of the equipment purchased, or training sessions attended by faculty, which was signed by the community college President or Vice President. Some of the community college areas requested the latter option because of either internal system limitations in their respective areas or because of problems they envisioned with invoices or other documentation on registrations, travel, and associated costs incurred with faculty attending upgrading, training, or continuing education programs. This procedure has been in place for approximately 10 years. Nevertheless, in response to the Auditor's recommendations, we will implement additional procedures and require additional documentation to validate grant expenditures for which reimbursement requests are made.*

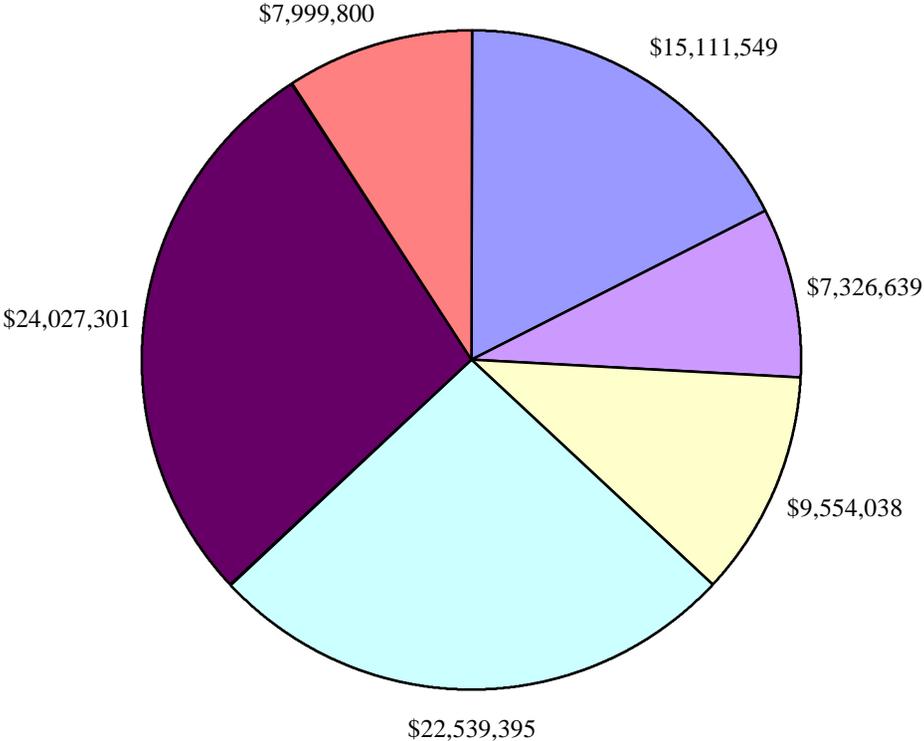
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**SCHEDULE OF AID DISTRIBUTIONS BY COLLEGE AREA AND PROGRAM**  
 FOR FISCAL YEAR 2000 AND FISCAL YEAR 1999

<b>FISCAL YEAR 2000</b>				
<u>College Area</u>	<u>Program 51</u>	<u>Program 99</u>	<u>Program 152</u>	<u>Total</u>
Central	\$6,357,346	\$115,488	\$8,638,715	\$15,111,549
Mid-Plains	\$4,100,499	\$65,949	\$3,160,191	\$7,326,639
Northeast	\$5,411,340	\$66,666	\$4,076,032	\$9,554,038
Southeast	\$10,137,499	\$2,057,702	\$10,344,194	\$22,539,395
Metro	\$10,415,072	\$298,523	\$13,313,706	\$24,027,301
Western	<u>\$4,148,394</u>	<u>\$99,166</u>	<u>\$3,752,240</u>	<u>\$7,999,800</u>
<b>TOTAL</b>	<b><u><u>\$40,570,150</u></u></b>	<b><u><u>\$2,703,494</u></u></b>	<b><u><u>\$43,285,078</u></u></b>	<b><u><u>\$86,558,722</u></u></b>

<b>FISCAL YEAR 1999</b>				
<u>College Area</u>	<u>Program 51</u>	<u>Program 99</u>	<u>Program 152</u>	<u>Total</u>
Central	\$5,950,974	\$97,819	\$1,113,916	\$7,162,709
Mid-Plains	\$4,084,275	\$121,267	\$884,605	\$5,090,147
Northeast	\$5,082,241	\$66,345	\$448,021	\$5,596,607
Southeast	\$10,156,763	\$103,529	\$2,385,397	\$12,645,689
Metro	\$10,220,771	\$91,667	\$2,260,330	\$12,572,768
Western	<u>\$3,908,720</u>	<u>\$111,642</u>	<u>\$1,115,809</u>	<u>\$5,136,171</u>
<b>TOTAL</b>	<b><u><u>\$39,403,744</u></u></b>	<b><u><u>\$592,269</u></u></b>	<b><u><u>\$8,208,078</u></u></b>	<b><u><u>\$48,204,091</u></u></b>

# Fiscal Year 2000 Total Aid Distributions by Community College Areas

Central Mid-Plains Northeast Southeast Metro Western



# Fiscal Year 1999 Total Aid Distributions by Community College Areas

Central Mid-Plains Northeast Southeast Metro Western

