

**ADVISORY LETTER
OF THE
MID-PLAINS 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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MID-PLAINS COMMUNITY COLLEGE AREA

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Kate Witek
State Auditor
kwitek@mail.state.ne.us

Dr. George Mihil, President
Mid-Plains Community College Area
416 North Jeffers
North Platte, NE 69101

Dear Dr. Mihil:

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

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 Mid-Plains Community College Area. We conducted those procedures in accordance with *Government Auditing Standards*.

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

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

Pat Reding, CPA
Asst. Deputy Auditor
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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.

Tim Channer, CPA
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Mary Avery
SAE/Finance Manager
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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 College's written travel policies were very minimal; 2) there were no written agreements with the Foundations; and 3) there were several exceptions on travel documents selected for testing. For more information on our comments and recommendations see the Comments Section of this letter.

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We compiled the accompanying financial data on the schedules and charts on pages 10 through 12 from the records of the Mid-Plains 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 Mid-Plains 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 initial 'T'.

Assistant Deputy Auditor

October 11, 2002

MID-PLAINS 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.

MID-PLAINS 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)

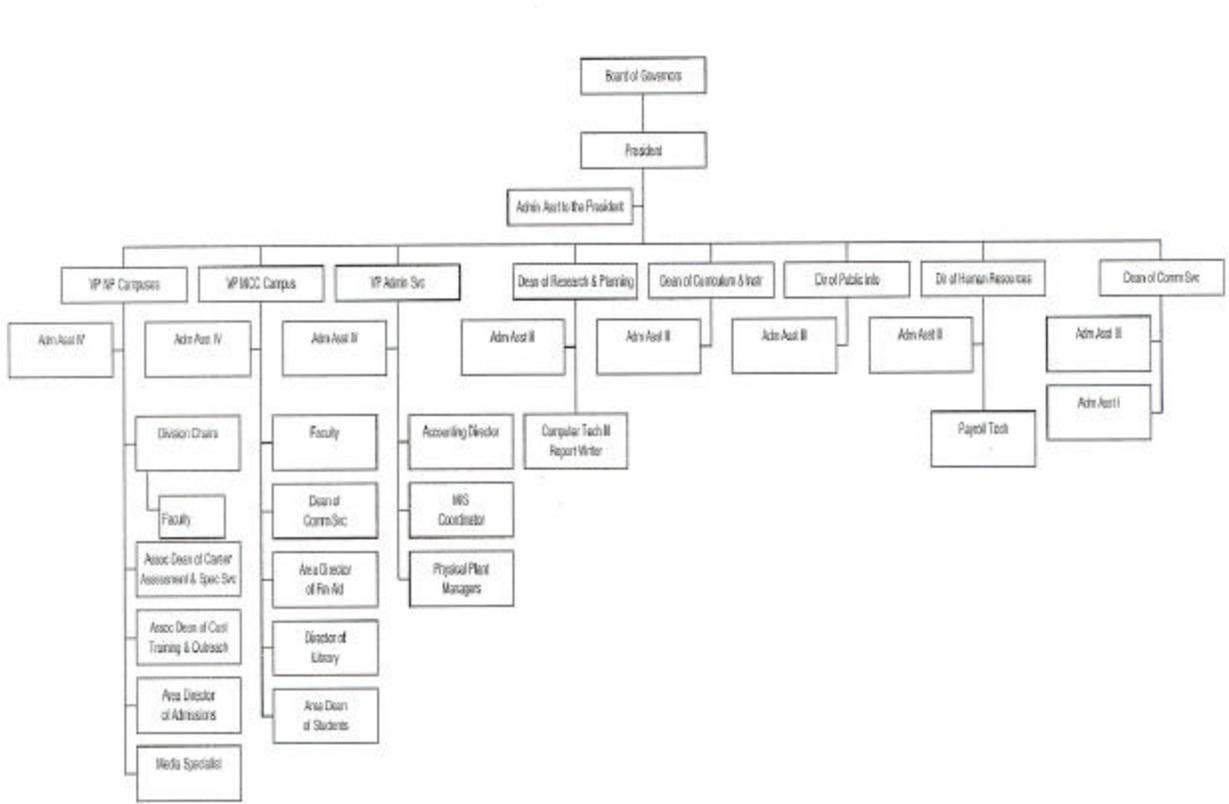
The Community College Area’s travel disbursements generally include expenses for employees to attend conferences, athletic team travel, travel between Area campuses, Board member travel, and travel to other class locations. Travel expenses generally include meal reimbursements, lodging costs, airfare,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

MISSION STATEMENT

To provide the best possible educational opportunities for lifelong learning.

MID-PLAINS COMMUNITY COLLEGE AREA

ORGANIZATIONAL CHART



MID-PLAINS COMMUNITY COLLEGE AREA

SUMMARY OF COMMENTS

In performing the procedures related to the advisory service objectives enumerated in our transmittal letter for the Mid-Plains 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:*** The College Area's written travel policies and procedures should be more specific. A more comprehensive policy would give employees the maximum amount of guidance possible on allowable travel related expenses.
2. ***Foundations:*** There were no written agreements between the College Area and the Mid-Plains Community College Area Foundation and the McCook Campus Foundation.
3. ***Travel Expenditures:*** Exceptions were noted on 4 of 26 travel documents tested. Exceptions included a lack of documentation to support expense reimbursements, and reimbursement of questionable expenses.

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 Mid-Plains 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. Where no response has been included, the Mid-Plains Community College Area declined to respond. 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.

MID-PLAINS 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 Internal Revenue Service (IRS) requirements.

We noted the College Area's written travel policies and procedures **did not** include the following:

- Limitation of air travel to the "coach fare," similar to the policy for Board Members.
- Guidance on whether commuting expenses were allowable, and what was considered to be the employee's normal place of employment.
- Guidance on what expenses are allowable when an employee travels to a work site other than their normal place of employment. Work site would not include conferences and training as this would be covered elsewhere.
- A definition of when lodging expenses are allowable. This should include a statement that lodging is allowable when away from home overnight and establish a minimum distance from home. It is the auditor's understanding that this distance for Mid-Plains Community College is outside of the College Area.
- If a per diem rate continues to be used for meals, IRS guidelines should be reviewed and considered to ensure this does not result in taxable income to the employees.
- If the policy is changed to actual meal costs, adequate documentation should be maintained. This could include detailed itemized receipts or a meal log.
- Establishing times of travel required before certain meals are allowable. As an example, breakfast is not allowable unless travel begins before 6:30 A.M.
- Guidance on how to allocate the per diem rate if meals are provided as a part of a conference or training event or if less than three meals are claimed for a day.
- The rate at which personal mileage will be reimbursed for employees, similar to the policy for Board Members.
- A time limit on when the expense report must be filed by.
- A requirement to itemize expenses on a daily basis.
- A requirement to include start and stop times for all travel.

MID-PLAINS COMMUNITY COLLEGE AREA

COMMENTS AND RECOMMENDATIONS

1. **Travel Policies** (Concluded)

- A requirement that College Area owned vehicles must be used if available.

The lack of clear written travel policies and procedures could result in the misuse of College Area funds.

We recommend the College Area improve its existing written travel policy by making it more comprehensive. A more comprehensive policy would serve to give employees traveling the maximum amount of guidance possible on allowable travel related expenses.

2. **Foundations**

Sound governmental practices require the clear separation of private and governmental activities. There are two private, not-for-profit, foundations that exist solely for the benefit of the College Area and provide the College Area with scholarship funds and donated equipment and supplies. There is the Mid-Plains Community College Area (MPCCA) Foundation and a McCook Campus Foundation.

The MPCCA Foundation has no paid staff and no formal office, therefore the College Area provides the MPCCA Foundation with minimal items. The College Area provides the services of their purchasing clerk. The College Area's Vice-President of Administrative Services does the MPCCA Foundation's accounting; this is done completely outside of office hours.

There were no written agreements between the College Area and the two foundations. There was no accounting of any College Area costs related to their MPCCA Foundation responsibilities and duties and no formal accounting of the benefits provided by the two foundations to the College Area.

The lack of written agreements between the College Area and the two foundations increases the risk of misuse of the College Area's tax funds.

We recommend the College Area take steps to document their relationship with these foundations to ensure tax dollars are spent properly. This could include written agreements between the College Area and the foundations specifying each entity's responsibilities and documenting the fiscal impact each entity has on the other.

MID-PLAINS COMMUNITY COLLEGE AREA

COMMENTS AND RECOMMENDATIONS

3. Travel Expenditures

Sound business practices require detailed written procedures documenting the type of allowable travel expenses, procedures for the review and approval of expenses, and require adequate documentation be provided before expenses are reimbursed.

Several exceptions were noted on 4 of 26 travel documents tested:

- Employees were advanced \$50 for ground transportation; there were no receipts to document the actual amount used.
- The College Area paid \$85 for meals/beverages included on a hotel bill in addition to paying \$230 in meal per diems for an employee for five days.
- The College Area paid for telephone charges of \$46 on a hotel bill; there was no documentation available to show the telephone usage was business related.
- An employee was reimbursed \$78 for one-night's lodging; supporting documentation consisted of a credit card statement which did not provide sufficient detail.
- An employee was reimbursed \$52 for parking of a rental car, but not for the car rental. The employee in question was accompanied on the trip by their spouse. The College Area policy does not state what expenses are allowable when a spouse attends.
- Meals totaling \$30 were reimbursed for one-day travel.
- There were discrepancies between the location of meals being reimbursed and the stated location of the employee on the monthly vehicle report.
- A Board Member was reimbursed \$304 for lodging and mileage for a trip to Lincoln; the stated purpose was for a Board meeting. The purpose of a trip should be more descriptive when it is outside the normal.
- Two employees were advanced \$336 for four days worth of meal per diems; the agenda for the conference they attended noted the registration fees included meals. This may have resulted in an overpayment for meals. College Area travel policies should address whether meals will be reimbursed even if they are provided by the conference.

The lack of clear travel policies and procedures increases the risk of misuse of College Area funds.

We recommend the College Area improve its accountability over travel expenses by consistently requiring detailed documentation as support for all expenses.

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



Dennis G. Baack, Executive Director
601 S. 12th Street, Suite 200 • Lincoln, NE 68508 • 402-471-4685 • 402-471-4726 Fax
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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

MID-PLAINS 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	\$ 12,004,458	\$ 11,734,407	\$ (270,051)	-2.25%
Other	2,776,784	3,162,179	385,395	13.88%
Total Expenditures	<u>\$ 14,781,242</u>	<u>\$ 14,896,586</u>	<u>\$ 115,344</u>	<u>0.78%</u>
Travel Expenditures:				
Board Members	\$ 19,702	\$ 22,280	\$ 2,578	13.08%
General Fund:				
Instruction	25,227	9,271	(15,956)	-63.25%
Academic Support	12,628	7,409	(5,219)	-41.33%
Student Service	59,634	66,094	6,460	10.83%
Institutional Support	34,049	29,229	(4,820)	-14.16%
Physical Plant Operations	13,032	10,052	(2,980)	-22.87%
Total General Fund Travel	<u>164,272</u>	<u>144,335</u>	<u>(19,937)</u>	<u>-12.14%</u>
Other	7,390	23,270	15,880	214.88%
Total Travel Expenditures	<u>\$ 171,662</u>	<u>\$ 167,605</u>	<u>\$ (4,057)</u>	<u>-2.36%</u>
Percentage of General Fund Travel to Total General Fund Disbursements				
	1.37%	1.23%		
Percentage of Total Travel to Total Disbursements				
	1.16%	1.13%		
Total College Area Property Valuations				
	\$ 6,065,232,374	\$ 6,455,425,709	\$ 390,193,335	6.43%
Total Tax Levy (Note 1)				
	3.404	6.808	3.404	100.00%
Reimbursable Full-Time Equivalent (FTE) Students				
	1,562	1,645	83	5.31%
General Fund Cost per FTE Student				
	\$ 7,685	\$ 7,133	\$ (552)	-7.18%
Resident Tuition Rates Per Semester Hour				
	\$ 42.00	\$ 48.00	\$ 6.00	14.29%
Fees Per Semester Hour				
	4.00	-	(4.00)	-100.00%
Total Tuition and Fees Per Semester Hour	<u>\$ 46.00</u>	<u>\$ 48.00</u>	<u>\$ 2.00</u>	<u>4.35%</u>
Number of Credit Hours				
Semester	45,324	47,906	2,582	5.70%
Contact	46,278	43,173	(3,105)	-6.71%

Note 1: 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.

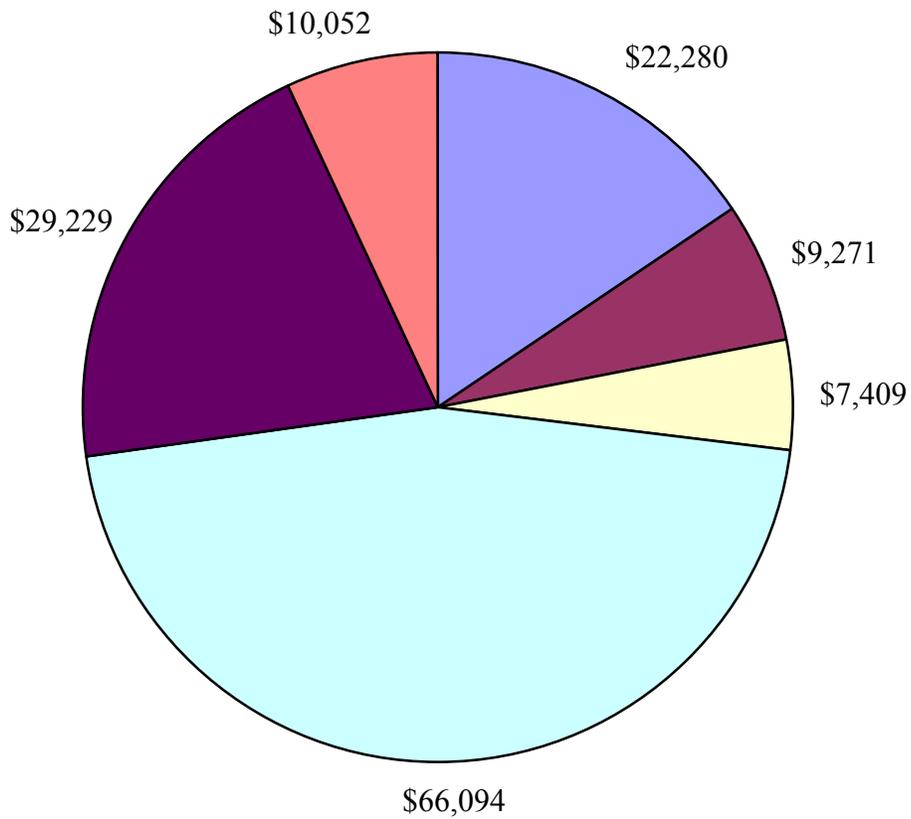
Fiscal Year	Total State Aid
1999	\$ 48,011,822
2000	\$ 84,255,228
2001	\$ 92,157,438
2002	\$ 65,255,062

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.

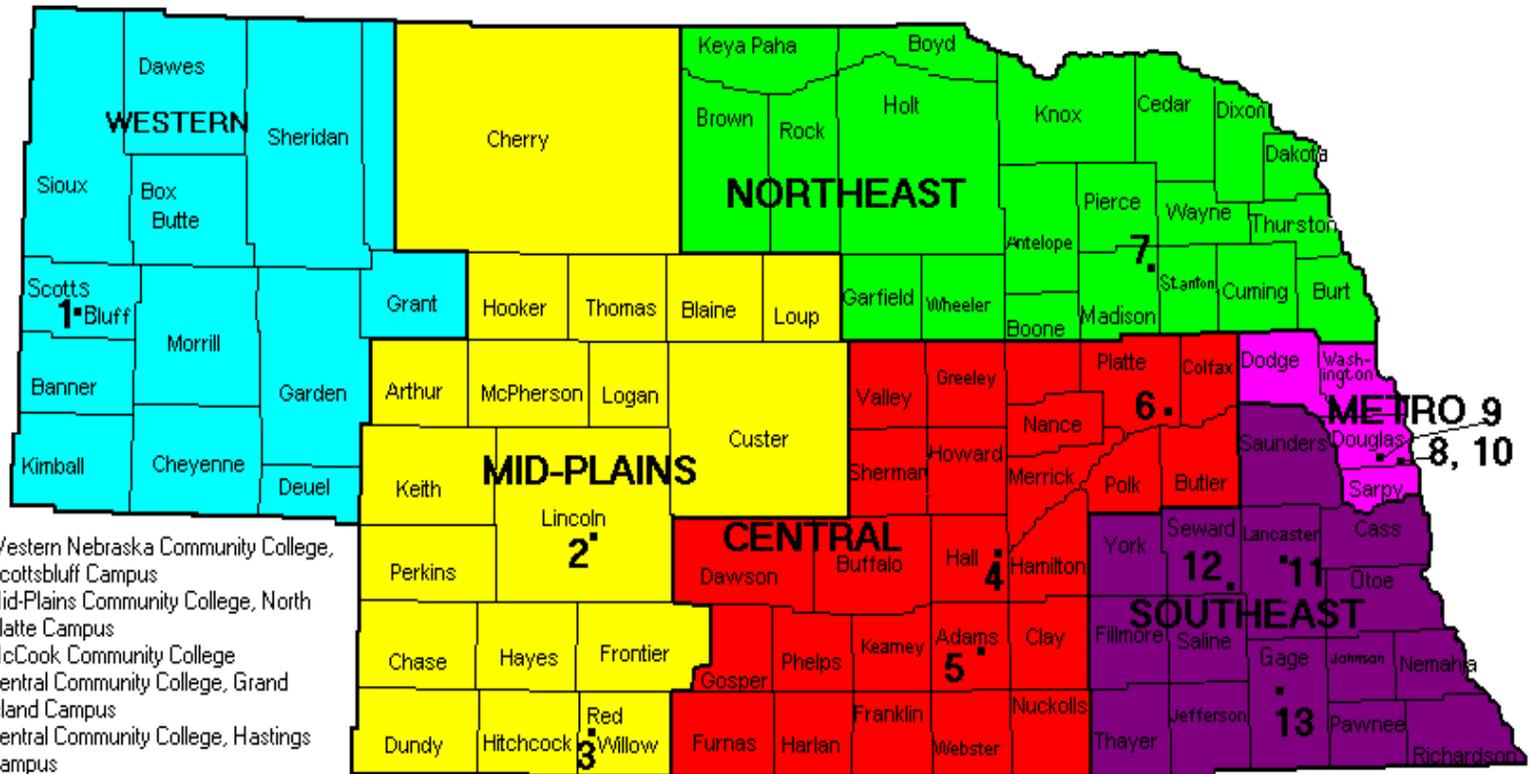
MID-PLAINS COMMUNITY COLLEGE AREA
GENERAL FUND TRAVEL DISBURSEMENTS
For the Fiscal Year Ended June 30, 2002



Total \$144,335



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