

Ad-Hoc Report
College of Southern Idaho
March 2016

Table of Contents

Introduction.....	3
Recommendation.....	3
Conclusion.....	8
Appendix.....	9

Introduction

This report is being provided to the Northwest Commission on Colleges and Universities in response to a recommendation made by a comprehensive evaluation team during a visit in April 2015. At the conclusion of the Year-Seven Visit the evaluation recommended that the College of Southern Idaho “continue to carefully and fully evaluate internal control processes to ensure adequate financial oversight, mitigating the potential for misappropriation of assets.” This recommendation came at least partially as a result of the discovery in the summer of 2014 that a longtime employee had embezzled more than \$500,000 from the college over a seven year period. At the time of the evaluation team’s visit in the spring of 2015, multiple steps had already been taken to review the college’s system of internal controls and to make changes where appropriate. Additionally, several other changes were in the process of being made during the team’s visit. This report provides an update on those changes.

Recommendation

The following recommendation appeared in the spring 2015 peer-evaluation report:

Recommendation 3: It is recommended that the College continue to carefully and fully evaluate internal control processes to ensure adequate financial oversight, mitigating the potential for misappropriation of assets. (Standard 2.F.4)

Standard 2.F.4: The institution ensures timely and accurate financial information through its use of an appropriate accounting system that follows generally accepted accounting principles and through its reliance on an effective system of internal controls.

The college ensures timely and accurate financial information through its use of an appropriate accounting system that follows generally accepted accounting principles. As was noted in the spring 2015 peer-evaluation report, the college “annually undergoes an external audit in order to ensure the highest standard of compliance to Federal Laws, Idaho Statutes, CSI Board Policies, as well as generally accepted auditing standards, specifically focusing on adherence to governmental auditing standards.” Further, “the audit, which includes an examination of the financial statements and federal programs, is presented to the Board of Trustees. Any recommendations or findings are remediated by college personnel in future operating periods.” After many years of using the same auditing firm, the college secured a new external auditing firm for its FY 2015 audit which was conducted during the fall of 2015. The results of that audit were presented to the Board of Trustees at its October 19, 2015 meeting (Appendix A). The college received an unqualified opinion at that meeting.

In the college’s Spring 2015 Year Seven Self-Evaluation Report it was noted that in the summer of 2014 the college discovered that a long-time employee had embezzled more than \$500,000 from the college over a seven year period. Upon the discovery and the termination of the employee, the college immediately hired an external forensics auditor to examine Business Office practices, including internal controls. The evaluation process involved reviewing policies and interviewing each business office and payroll office staff member individually to independently validate procedures and practices. Ten specific risks were identified by the auditor who also made recommendations to address those risks. The majority of the recommendations were implemented by November 2014 and both the risks and the steps taken to address them were publically reported at a Board of Trustees Meeting on November 17, 2014 (Appendix B). A full summary of the risks and the actions taken to address them is outlined below.

As a result of the internal control assessment recommendations, job descriptions for the Administrative Assistant to the Vice President of Administration, Accounts Receivable Manager, Student Service Specialist 2, General Ledger Accountant, Grants Accountant and Accounts Payable Technician were

rewritten to provide for the recommended separation of duties. Additionally, a part-time Controller position was created to specifically address internal controls and the verification of processes along with fiscal oversight of several key areas (Appendix C).

Risks Noted by Forensics Auditor

Ten risks were identified by the external auditor. Each risk is listed here along with the actions that have been taken to address the risk.

Risk 1 – Significant cash payments are received for CSI apartment rentals.

As per the auditor's recommendation, a new software system was purchased for apartment operations. The apartment manager is now equipped with a mobile credit card machine that is used to process payments. Cash payments have been reduced dramatically. Compared to December 2014, cash payments were reduced by 62% and 59% at the college's two apartment complexes in December 2015.

Risk 2 – The vault room is left unlocked during Business Office hours and some unauthorized employees had a key to access the vault room.

The safe remains unlocked during office hours because it is accessed by business office staff throughout the day for normal operations. However, the vault room is under constant surveillance by authorized business office staff at all times that the safe is unlocked. A log of authorized persons with access to the vault room door, the safe combination, and the night depository key is kept and is updated annually (Appendix D). The door to the vault room is unlocked each morning by an authorized staff member and locked at night at the close of business. The safe combination has been changed and will now be changed on an annual basis and as necessary due to turnover in staff. The key to the night depository is now kept in the safe. The college anticipates installing a camera system to further monitor access to the night depository and the Business Office by June 2016.

Risk 3 – Cash on hand in the safe is not routinely reconciled by individuals independent of the cash receipting process and who do not have key access to the vault room or the combination to the safe.

The college's cash on hand process has been changed to address this risk. The college's Accounts Payable Technician counts and reconciles the safe on a monthly basis. The count is unscheduled and unannounced. The Accounts Payable Technician is independent of the cash receipting process and does not have keyed access to the vault room or the combination to the safe. A count sheet and reconciliation form has been created to assist in the process (Appendix E). This form is signed at each count by the Accounts Payable Technician and the Controller and then filed for management review and tracking.

The Administrative Assistant to the Vice President of Administration requests cash reimbursement for the safe as needed. The reimbursement request is signed off by the Controller. The Controller logs and tracks any discrepancies.

The amount of cash on hand is monitored and adjusted to keep the balance at the minimum necessary to meet Business Office needs. Checks are no longer cashed from the safe and staff are currently determining the effect this is having on the cash balance in the safe and plans to adjust that amount accordingly in February 2016.

Petty cash processes have also been adjusted to meet this recommendation. The Accounts Payable Technician and the Controller count and reconcile the petty cash on a monthly basis. The Administrative

Assistant to the Vice President of Administration requests reimbursement as needed. A count sheet and reconciliation form has been created to assist in the process (Appendix F). This form is signed at each count by the Administrative Assistant to the Vice President of Administration and the Controller and then filed for management review and tracking.

Risk 4 – Subsidiary systems are not routinely reconciled, duties are not properly segregated and there are limited compensating controls or oversight.

The college has established an Accounts Receivable Manager position that does not receipt. County billings, which were a significant concern tied to this risk, now go through the main ERP (Jenzabar) accounting system rather than a subsidiary system. All transactions are now recorded and tracked in Jenzabar. The Account Receivable Manager uses a subsidiary system to create and reconcile invoices. County billings are currently being manually reconciled on a semester-by-semester basis. The college has gone through two software upgrades and had purchased an additional reporting module in the last six months. It is anticipated that these upgrades will allow the college to produce exception reports to review new accounts receivable accounts, transfers, reclassifications and provide assistance with the independent reconciliation process. The college plans to have this in place by June 2016.

A new state funding program for dual credit programs was also noted in this risk. Since that time, there has been significant improvement in this process. Dual credit transactions now flow through the Jenzabar accounting system. This provides for a sound system of internal controls as the student account, the state portal, the CSI Dual Credit Coordinator, and the Accounts Receivable Manager all need to agree on the amounts that flow through the system. This system is reconciled on a continuous basis and is overseen by the Chief Financial Officer.

Risk 5 – Duties for third party billings are not properly segregated and there are limited compensating controls for the processing of third party receipts.

All recommendations tied to this risk have been implemented. As noted above, the college now has an Accounts Receivable Manager position that does not receipt. Third party billings now go through the Jenzabar accounting system rather than a subsidiary system. All transactions are recorded and tracked in the Jenzabar system. The Account Receivable Manager uses Quick Books to create and reconcile invoices. Third party billings are currently being manually reconciled on a semester-by-semester basis. The software upgrades and purchases noted above should allow the college to produce exception reports to review new accounts receivable accounts, transfers, and reclassifications and to help with the independent reconciliation process. The college plans to have this in place by June 2016.

Risk 6 – Checks received through the Information Office are sometimes routed to other departments before being logged or endorsed.

The college is implementing a restrictive endorsement on the backs of all checks as they are received and continues to use the current date stamp process. The general policy is to not route checks to other departments though there is one instance where checks are routed which is the external scholarship check process. This process is currently being revamped so that these checks are no longer routed to another department but are kept in the Business Office for deposit. All checks are listed in the general ledger as deposited.

Risk 7 – Credit card refunds can be processed on credit card terminals.

Per college policy, refunds are seldom processed through credit card machines. In the very rare instance where a refund on a credit card is required, a password is required to process the refund on a credit card machine. This password is not distributed to any employee other than the General Ledger Accountant. Further, this type of refund requires the approval of the Vice President of Administration and the Administrative Assistant to the Vice President of Administration. Such transactions are documented and filed for management review.

Risk 8 – Payroll processing is performed by two people in the Human Resources office who control the entire process.

The college has worked closely with the forensic auditor to segregate duties between Human Resources and the Business Office for payroll setup and processing. Currently, activation and termination is processed in the Business Office by the Controller, Grant Accountant, or the Vice President of Administration. The Business Office reviews all new hire paperwork and ensures that the file is complete and the new hire or reactivation is an actual person by verifying with the supervisor if necessary. The Business Office, within the Jenzabar system, reviews and processes all terminations, reactivations and certain changes in employee status, such as moving from a full-time to a part-time position. The Business Office does not handle changes in rates of pay. Human Resources continues to handle the preparation of the new hire paperwork, change of employment paperwork, the actual processing of payroll, and the maintenance and control of the employee files.

As noted elsewhere in this report, the college has gone through two software upgrades and the purchase of a reporting module for Jenzabar in the last six months. This should allow the college to produce exception reports to review for possible changes in rates of pay, new hires, and any other specific types of transactions or occurrences to further strengthen controls.

Finally, the college has begun implementing a random sample of employee files each month. The intent is to have the Controller sample a set number of files each month to verify that the employee actually exists and is a current employee at the College of Southern Idaho. This sampling will begin in March 2016.

Risk 9 – The Business Office policy for reporting fraud is very general; it does not clearly define unethical conduct or specific reporting mechanisms.

The following is the existing Business Office Fraud Reporting Policy:

8.02 Code of Conduct in the College of Southern Idaho Policies and Procedures Manual:

The College of Southern Idaho requires all employees to act in accordance with all state, federal and local laws and regulations. Employees are expected to be of high moral character and utilize judgment to avoid even the appearance of impropriety.

All instances of suspected fraud, error or omission will be properly investigated and documented. All violations of policy will be brought to the immediate attention of the Vice President of Administration or Dean of Finance. Instances of fraud or abuse will be brought to the immediate attention of the Vice President of Administration, Executive Vice President, Dean of Finance or the President. External independent auditors may be brought in to investigate any issue at the discretion of the President or the Board of Trustees.

The College is considering specific updates to the Business Office policy for reporting fraud that would clarify the fraud policy and structure the specific reporting chain. Recent changes in personnel have slowed this process. The former Vice President of Administration retired on December 31, 2015 after 24 years of service to the college. After a national search, the existing Dean of Finance was hired to be the new Vice President of Administration. His former position has been restructured and is now the Chief Financial Officer (CFO). This position has been filled with a new CFO who started in mid-February, 2016. The Vice President of Administration and the new CFO have been charged with revisiting the discussion regarding an expanded fraud policy, a possible ethics hotline, and updated and ongoing background checks for Business Office personnel and those involved with handling money. This discussion will involve the Controller who has researched several fraud policies and has recommended the updated background checks for Business Office personnel and the consideration of a fraud hotline. The college anticipates having a decision made regarding the updated fraud policies during the summer of 2016.

The new Controller position has also been tasked with an internal audit function to identify risks, seek out segregation of duty issues, test for compliance with policies and procedures, and ultimately make recommendations for improvement.

Risk 10 – User security rights for Business Office employees have not been reviewed recently.

Addressing this risk has been an ongoing process. The assignment of security rights in Jenzabar has been shifted to the Office of the Registrar. All security rights requests must now go through the Registrar. The college has participated in security rights training with Jenzabar and ongoing trainings are scheduled. Changes in personnel and transition of duties have also slowed progress in this area. The Registrar is currently working to establish improved security groups as the basis for individual security rights. As rights are tweaked and adjusted to meet the work load requirements, each request flows through the Registrar and is tracked and documented. This will be an ongoing process as job duties change and overlap. The goal is to minimize overlap without impacting the ability of employees to do their day-to-day jobs.

Additional Steps

In addition to the risks addressed above, the college has taken additional steps to strengthen its operations since the accreditation team's visit in April 2015. The college is committed to providing the necessary training and resources to ensure adequate financial oversight exists. In the last six months, the Controller has attended a fraud conference and participated in two different courses on accounting controls and accounting best practices. The Controller has also been working in the following areas:

- Interviewing employees within the Business Office and the Human Resource Office to better understand existing job duties. From these interviews, a flow chart of positions and job duties is being created to better address segregation of duty issues and job descriptions classifications.
- Charting all cash collection sites on campus and off-campus and confirming this information with the administrative team. From this list, interviews and site visits will be conducted to document processes and address any concerns that are discovered. A full report will be provided to the Vice President of Administration for consideration and approval by June 2016.
- Working with the Vice Presidents and Deans to identify a formal responsible party for budget oversight in each individual department on campus. Trainings are currently underway for these individuals and will be ongoing annually. These training updates cover information meant to

help a department manager review budget information on a monthly basis and provide helpful hints in the budget review process. This process provides an additional layer of control.

- The college's two Accounts Payable Technicians are now alternating vendors on a regular basis and the Business Office is implementing a random sample of vendor files each month. Beginning in March 2016, the Controller will sample a set number of files each month to determine that vendors actually exist and are currently working with the College of Southern Idaho. The college is also working on creating reports that list new vendors created in a particular month, those vendors whose addresses have changed, and a listing of amounts paid to each vendor in a particular month. These reports will be reviewed by the Controller to identify any inconsistencies or unusual items.
- Business Office policies and procedures are now reviewed on an annual basis by the Controller and recommendations for change are made as needed.
- The Controller continues to work closely with the external auditors on segregation of duty concerns and uses them as a resource for best practices and recommendations to strengthen internal controls.

Conclusion

Internal control processes continue to be a high priority at the College of Southern Idaho. With a heightened awareness and with the addition of the part-time Controller position, efforts to dissect accounting processes and ensure segregation of duties have been renewed and refocused. The actions taken to date have significantly strengthened internal controls and they continue to be carefully and fully evaluated to ensure adequate financial oversight exists and to mitigate the potential for the misappropriation of assets. The challenge continues to be balancing risk while operating as efficiently as possible. As with all organizations, internal control processes are an ongoing effort within the Business Office but the college is confident that the concerns leading to the recommendation have been adequately addressed.

Appendix A: October 2015 College of Southern Idaho Board of Trustees Minutes

THE COLLEGE OF SOUTHERN IDAHO
COMMUNITY COLLEGE DISTRICT
OCTOBER REGULAR BOARD OF TRUSTEES MEETING
OCTOBER 19, 2015

CALL TO ORDER: 4:00 p.m. Presiding: Karl Kleinkopf

Attending: Trustees: Dr. Thad Scholes, Karl Kleinkopf,
Laird Stone, Bob Keegan and Jan Mittleider

College Administration: Dr. Jeff Fox, President
Robert Alexander, Board Attorney
John M. Mason, Vice President of Administration
Dr. Michelle Schutt, Associate Vice President of
Student Services
Jayson Lloyd, Instructional Dean
Dr. Cindy Bond, Instructional Dean
Jeff Harmon, Dean of Finance
Kevin Mark, Chief Technology Office
Chris Bragg, Associate Dean of Institutional
Effectiveness
Nolan Goubeaux, Associate Dean of Student Affairs
Eric Nielson, Director of Human Resources
Randy Dill, Physical Plant Director
Dr. Teri Fattig, Library Director and Museum
Department Chair
Doug Maughan, Public Information Director
Debra Wilson, Executive Director of the College of
Southern Idaho Foundation
Kathy Deahl, Administrative Assistant to the
President

CSI Employees: Mancole Fedder, Jennifer Zimmers, Heidi
Campbell, Kelli Bolta, Shonna Parsons and Ginger Narum

Visitors: Dale Bunn, Tamara Satterwhite, NaTachya Mendoza,
Judy Buck, Steve Upton and Clint Doerr

Faculty Representatives: R.D. Van Noy

PACE Representative: None

Times News: Julie Wootton

KMVT: None

APPROVAL OF AGENDA: The agenda was changed to move the Fall 2015 Enrollment Report to the first item on New Business. The agenda was approved as amended on MOTION by Laird Stone. Affirmative vote was unanimous.

BOARD MINUTES: The Board minutes of the Regular Session and Executive Session of September 19, 2015 and the Special Session of October 16, 2015 were accepted as written by the Board.

TREASURER'S REPORT: The Treasurer's report was accepted by the Board on MOTION by Karl Kleinkopf. Affirmative vote was unanimous.

HEAD START/EARLY HEAD START REPORT: The Board approved the Head Start/Early Head Start monthly fiscal and operational reports for Head Start/Early Head Start as presented by Head Start/Early Head Start Director Mancole Fedder on MOTION by Dr. Thad Scholes. Affirmative vote was unanimous.

Mancole Fedder briefed the Board concerning upcoming changes in operations that will take effect if the new grant is approved.

OPEN FORUM:

Chairman Kleinkopf stated that there would be no Open Forum at the November and December Board meetings due to room availability and other scheduled events.

Judy Buck addressed the Board in support of the College of Southern Idaho Refugee Center.

UNFINISHED BUSINESS:

None

NEW BUSINESS:

1. Chris Bragg presented fall of 2015 enrollment numbers to the Board. He noted that headcount was down to 7,540 or 9.4% and full time equivalent students were down to 3,702 or 5.5%. A significant amount of the headcount reduction was due to the removal of approximately 800 Over 60 and Getting Fit students. The full time equivalent student numbers were down due to the elimination of the computer literacy class requirement, the restructuring of

CSI Trustees

October 19, 2015

Page 3

developmental education and lowering the credits required for graduation from 64 to 60.

2. The Board approved the low bid of Intermountain Coach Leasing, Inc. of Colorado Springs, Colorado in the amount of \$105,540 for the two specified transit busses on MOTION by Jan Mittleider. Affirmative vote was unanimous.

Funding for this project is from a grant by the Federal Transit Authority through the Idaho Department of Transportation with a twenty per cent match from Trans IV funds.

3. Dale Bunn, CPA, of France, Basterrechea, Wagner & Bunn, Chtd. Presented the fiscal year 2015 audit to the Board. The Board approved the audit on MOTION by Bob Keegan. Affirmative vote was unanimous.

4. Nolan Goubeaux, Associate Dean of Student Affairs, presented changes to the Student Code of Conduct. The Board approved the changes, pending a reference to the yet to be approved College of Southern Idaho Open Space Policy, on MOTION by Dr. Thad Scholes. Affirmative vote was unanimous.

REMARKS FOR THE GOOD OF THE ORDER

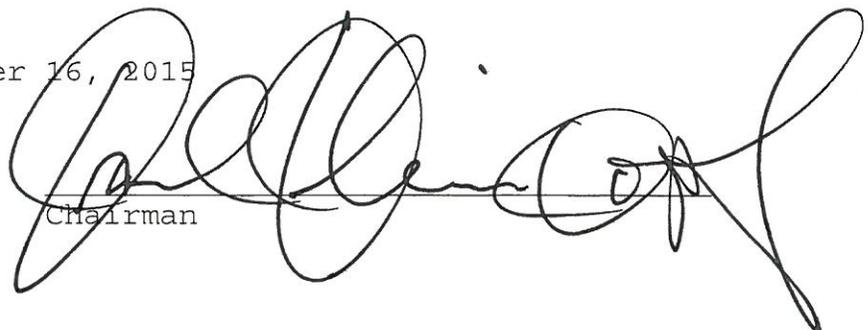
1. The President reported on his activities for the month.

ADJOURNMENT was declared at 5:05 p.m.



John M. Mason,
Secretary Treasurer

Approved: November 16, 2015



Chairman

Appendix B: November 2014 College of Southern Idaho Board of Trustees Minutes

THE COLLEGE OF SOUTHERN IDAHO
COMMUNITY COLLEGE DISTRICT
NOVEMBER REGULAR BOARD OF TRUSTEES MEETING
NOVEMBER 17, 2014

CALL TO ORDER: 4:00 p.m. Presiding: Karl Kleinkopf

Attending: Trustees: Dr. Thad Scholes, Karl Kleinkopf,
Bob Keegan, Laird Stone and Jan Mittleider

College Administration: Dr. Jeff Fox, President
Dr. Todd Schwarz, Executive Vice President and Chief
Academic Officer

John M. Mason, Vice President of Administration

Robert Alexander, College Attorney

Dr. Mark Sugden, Instructional Dean

Dr. Cindy Bond, Instructional Dean

Terry Patterson, Instructional Dean

Dr. John Miller, Instructional Dean

Dr. Ken Campbell, Dean of Technology

Jeff Harmon, Dean of Finance

Scott Scholes, Dean of Students

Randy Dill, Physical Plant Director

Teri Fattig, Library Director and Museum Department
Chair

Debra Wilson, Executive Director of the College of
Southern Idaho Foundation

Doug Maughan, Public Relations Director

Kathy Deahl, Administrative Assistant to the
President

CSI Employees: Kim Lapray, Jennifer Zimmers, Curtis Eaton,
Michelle McFarlane and Dr. Evin Fox

Visitors: Sally Kleinkopf, Denise McClure, Dr. Bert Glandon
and Carter Killinger

Faculty Representatives: Judy Hansen

PACE Representative: None

Times News: Julie Wootton and John Alexander

KMVT News: Rachel Holt

The agenda was amended to remove the fiscal year 2014 Audit Report. The amended agenda was approved on MOTION by Laird Stone. Affirmative vote was unanimous.

BOARD MINUTES: The Board minutes of the Executive Session and Special Session of October 20, 2014 were accepted as written by the Board.

TREASURER'S REPORT: The Treasurer's report was accepted by the Board on MOTION by Bob Keegan. Affirmative vote was unanimous.

Open Forum: Carter Killinger spoke to the Board concerning the contract payout for former College of Southern Idaho men's basketball coach Jeremy Cox.

Board Agenda Items:

1. The Board certified the November 4, 2014 election results on MOTION by Laird Stone. Affirmative vote was unanimous.

As a result of the election, Bob Keegan and Karl Kleinkopf were elected to four year terms on the College of Southern Idaho Board of Trustees.

2. The Board was reorganized as follows:

Bob Keegan nominated Karl Kleinkopf for Board Chairman. Affirmative vote was unanimous.

Laird Stone nominated Bob Keegan for Vice Chairman. Affirmative vote was unanimous.

Jan Mittleider nominated Laird Stone for Board Clerk. Affirmative vote was unanimous.

Dr. Thad Scholes nominated Mike Mason for Secretary Treasurer of the Board. Affirmative vote was unanimous.

Jan Mittleider was designated as the College of Southern Idaho Board of Trustee representative to the College of Southern Idaho Foundation.

Bob Keegan was designated as the College of Southern Idaho Board of Trustee representative to Head Start/Early Head Start.

Karl Kleinkopf was designated as the College of Southern Idaho Board of Trustee representative for athletics.

Laird Stone was designated as the College of Southern Idaho Board of Trustee representative for the student legal aid program.

3. The Board approved the purchase of a 2011 Cascadia Freightliner in the amount of \$67,000 from Freightliner of Idaho of Jerome, Idaho on MOTION by Dr. Thad Scholes. Affirmative vote was unanimous.

Funding for this purchase is from the Freightliner training account.

4. The Board approved the low bid of Fisher's Technology of Boise, Idaho in the amount of \$39,981 for the specified enterprise management content system on MOTION by Jan Mittleider. Affirmative vote was unanimous.

Funding for this purchase is from the STAR motorcycle training program operating account.

5. The Board approved the Head Start/Early Head Start monthly fiscal and operational reports on MOTION by Jan Mittleider. Affirmative vote was unanimous.

6. Dr. Bert Glandon updated the Board on the College of Western Idaho accreditation process. He also spoke about current operations and challenges. The College of Western Idaho is anticipating being fully accredited in January of 2017.

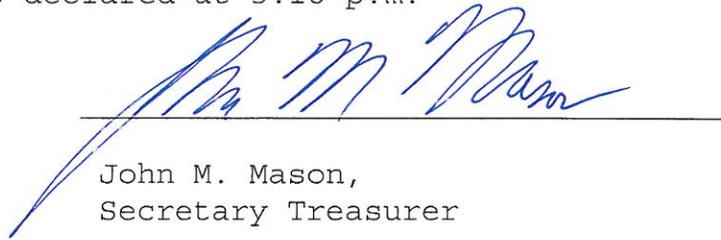
Dr. Glandon expressed his appreciation for the assistance the College of Southern Idaho has provided throughout this process.

7. Denise McClure, CPA/CFE, of Averti solutions presented her Internal Control Assessment for Cash Receipting and Payroll Process to the Board. Mike Mason addressed the issues raised in the report and the current status concerning recommended changes.

8. The Board moved the December Board meeting date to December 23, 2014 at 11:00 am for executive session and 12:00 pm for the regular session on MOTION by Dr. Thad Scholes. Affirmative vote was unanimous.

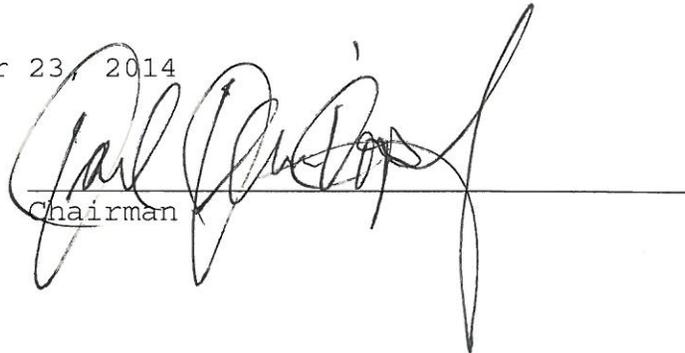
9. The President reported on his activities for the month.

ADJOURNMENT was declared at 5:18 p.m.



John M. Mason,
Secretary Treasurer

Approved: December 23, 2014



Chairman



November 12, 2014

To: President Fox and the College of Southern Idaho Board of Trustees

From: Mike Mason

Re: Internal Control Assessment

Denise McClure, CPA/CFE, of Averti Solutions conducted an internal control assessment of the receipting and payroll processes for the College of Southern Idaho. The assessment process involved reviewing policies and interviewing each business office and payroll office staff member individually to independently validate procedures and practices. It was a very positive experience and we will be a better operation as a result of Ms. McClure's work.

The Averti Solutions full report is attached. In the report, there are ten risks identified and recommendations to mitigate each of those risks. The current status of each of those risks it listed below:

Risk 1 – Significant cash payments are received for CSI apartment rentals.

As per the recommendation, we are in the process of purchasing a new software system for our apartment operations. This software and recommended verifications of occupancy, turnover rates and income received will be overseen by a business office CPA.

We are also going to equip the apartment manager with a mobile credit card machine that can be used at both North View and Eagle View apartments to see if we can reduce cash payments. We believe that at least some students are using their Higher One debit cards to get cash to pay rent because they do not have checking accounts.

Risk 2 – The vault room is left unlocked during Business Office hours and some unauthorized employees had key access the vault room.

The vault room is under constant surveillance by an authorized business office staff person at all times that the safe is unlocked. The safe is accessed by business office staff to make change for the Matrix, provide cash boxes for campus events and cash refugee checks. I feel adequate security exists concerning access to the vault room and safe.

We have adopted the recommendations concerning making sure the key to the night deposit is kept in the safe and will change the safe combination on an annual basis or when there is a turnover in staff.

Risk 3 – Cash on hand in the safe is not routinely reconciled by individuals independent of the cash receipting process and who do not have key access to the vault room or the combination to the safe.

We have established the recommendations listed by utilizing our accounts payable technician as the independent person reconciling the safe. The Accounts Payable Technician works with the Dean of Finance in this process.

Risk 4 – Subsidiary systems are not routinely reconciled, duties are not properly segregated and there are limited compensating controls or oversight.

We have established an Accounts Receivable Manager position that does not receipt. While we still utilize a subsidiary system, the data from that system is routinely moved to our main Jenzabar system and reconciled. The Dean of Finance oversees the operations ensures amounts billed are received.

The new Fast Forward dual credit program requires a significant amount of work with spreadsheets and the transferring of data into our Jenzabar system. The subsidiary county billing program continues to be necessary due to the requirements set forth in Idaho Code. We are continuing work on both of these programs to insure audit trails are clear.

Risk 5 – Duties for third party billings are not properly segregated and there are limited compensating controls for the processing of third party receipts.

The recommendations have been implemented with the exception of the security restrictions. We will be contracting with our software provider to assist us in a comprehensive evaluation of available security options for each staff position.

Risk 6 – Checks received through the Information Office are sometimes routed to other departments before being logged or endorsed.

We will reinforce the existing policy of all checks coming directly to the Business Office. With the exception of a detail control log maintained by separate staff members, the recommendations concerning check processing are in place in the Business Office. All checks are listed in the general ledger as deposited and most are the result of students paying tuition and dorm bills. The remainder are generally third party billing checks, rentals or grant reimbursements. The loss of any of these will result in secondary billings and follow up. The major exposure to undetected loss would be checks from special campus events.

We will continue to analyze the need and cost/benefit for this specific process for all checks.

Risk 7 – Credit card refunds can be processed on credit card terminals.

All refunds are processed in the Business Office with the Administrative Assistant to the Vice President of Administration authorizing the refunds. The Student Services Specialist 2 assists in this process. Almost all student refunds are processed through the Higher One debit card system electronically.

We have removed the credit card terminal from the General Ledger Accountant's office and shifted the delinquent account payment process to the Business Office.

Risk 8 – Payroll processing is performed by two people in the Human Resources office who control the entire process.

We are working with the Human Resource Office concerning checks and balances for payroll processing. Electronic time keeping systems have been reviewed several times over the years and been found to be lacking. We have a wide range of employees paid in just about every way possible scattered all over Idaho. These range from motorcycle instructors to work studies. These systems require a system of on-going training of both supervisors and employees. Electronic time keeping systems keep improving and we will look at the latest versions our software system offers.

This recommendation has not been implemented yet.

Risk 9 – The Business Office policy for reporting fraud is very general; it does not clearly define unethical conduct or specific reporting mechanisms.

The following is the existing policy which is listed under Business Office Polices – 8.02 Code of Conduct in the College of Southern Idaho Policies and Procedures Manual:

The College of Southern Idaho requires all employees to act in accordance with all state, federal and local laws and regulations. Employees are expected to be of high moral character and utilize judgment to avoid even the appearance of impropriety.

All instances of suspected fraud, error or omission will be properly investigated and documented. All violations of policy will be brought to the immediate attention of the Vice President of Administration or Dean of Finance. Instances of fraud or abuse will be brought to the immediate attention of the Vice President of Administration, Executive Vice President, Dean of Finance or the President. External independent auditors may be brought in to investigate any issue at the discretion of the President or the Board of Trustees.

Background checks are required for all new employees. We will consider the implementation of the remaining recommendations in cooperation with the Human Resources department, college administration and the Board.

Risk 10 – User security rights for Business Office employees have not been reviewed recently.

The system security rights are complicated and it has been difficult to match up required rights with duties in the past. We will contract with Jenzabar for some training and direct assistance in this area.

Summary

As a result of the internal control assessment recommendations, job descriptions for the Administrative Assistant to the Vice President of Administration, Accounts Receivable Manager, Student Service Specialist 2, General Ledger Accountant, Grants Accountant and Accounts Payable Technician have been re-written to provide for the recommended separation of duties.

Additionally, a part time Controller position and job description has been created to specifically address internal controls and the verification of processes along with fiscal oversight of several key areas.

We still have work to do in the software security area and in instituting payroll processing checks and balances. These areas will be further investigated over the next several months.

The actions taken to date have significantly strengthened internal controls. We are closer to the objective of minimizing the risk of loss while still trying to operate as efficiently as possible.



Averti solutions

1533 N. Milwaukee Ave., #181
Boise, Idaho 83704

(208) 989 2245
www.AvertiSolutions.com

October 17, 2014

Sent via e-mail to kirt@naylorhales.com

Kirtlan Naylor, Esq.
Naylor & Hales, PC
950 West Bannock, Suite 610
Boise, ID 83702

RE: Internal Control Assessment for College of Southern Idaho

Dear Mr. Naylor:

Enclosed is my report of the Internal Control Assessment for Cash Receipting and Payroll Process for the College of Southern Idaho.

I appreciate the opportunity to be of service to your client. Please contact me if you have any questions or need additional information.

Regards,



Denise C. McClure, CPA, CFE
President

Enclosure

College Of Southern Idaho
INTERNAL CONTROL ASSESSMENT
CASH RECEIPTING AND PAYROLL PROCESSES
October 17, 2014

Background

Attorneys for the College of Southern Idaho ("CSI") engaged Denise McClure of Averti Solutions, LLC to perform an internal control risk assessment for cash receipting and payroll processing. The purpose of this engagement was to identify gaps in CSI's system of internal control and recommend ways to improve the checks and balances in CSI's financial processes involving cash receipting and payroll.

Because this engagement was limited in scope, my knowledge of the daily operations of CSI is limited. Thus, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcation, may exist but I did not detect them.

Internal control consists of systematic measures that are designed to ensure that an organization:

- Achieves its objectives and fulfills its mission
- Safeguards its assets and resources
- Deters and detects honest errors and dishonest acts
- Ensures accuracy and completeness of accounting data
- Ensures reliable and timely financial and management information
- Ensures adherence to policies, procedures and processes

Ultimately, it is the responsibility of the Board of Trustees and Administration to assess the adequacy of CSI's risk management system, and to develop systems for mitigating such risks. Accordingly, CSI Trustees and Administration are responsible for any and all decisions regarding implementation of the recommendations in this report, as well as monitoring compliance with any changes that are implemented.

Elements of Internal Control Systems

There are three key elements to an organization's system of internal control:

1. The Control Environment – Also known as "tone at the top", the control environment sets the stage for the effectiveness of all internal control processes. The control environment refers to an organization's culture and values. A culture of ethics and integrity starts with leadership and filters through an organization, permeating its operating philosophy and its commitment to organizational competence. It has a pervasive influence on all aspects of an organization's processes and an organization's ultimate success in achieving its goals.
2. Segregation of Duties – This involves separating functions so no individual controls a transaction or process from beginning to end. When possible, the following responsibilities should reside with different people: custody of assets, recordkeeping, authorization, reconciliation. Segregation of duties serves as an internal check and balance to safeguard assets and to assure that honest errors and dishonest acts are likely to be identified in the normal course of operations.

3. Oversight – Oversight and monitoring are necessary elements of internal control. Even in very large organizations where segregating duties is possible for most accounting functions, there are always individuals who can override controls, or processes for which one person is responsible. Oversight can be a first line of defense in safeguarding assets and assuring compliance with policies, procedures and processes, as well as a compensating control when it is not feasible to segregate duties.

It is not possible to mitigate all risk. There are always circumstances that are beyond an organization's control that could result in loss. The most significant risks can be mitigated by intentionally creating a culture of integrity, separating duties to the degree feasible and instituting regular oversight and monitoring procedures. In doing so, the organization and its leadership are fulfilling their fiduciary duties, and protecting the taxpayers, the organization and its employees.

Scope of Engagement and Process

The scope of this engagement was to assess the internal controls over Business Office cash receipting processes and payroll processes through inquiries of CSI personnel and review of available documentation. I interviewed CSI Business Office personnel on September 16-17, 2014 and substantially completed my follow up inquiries on September 24, 2014.

Findings

CSI's Business Office Policies & Procedures includes a written code of conduct that "...requires all employees to act in accordance with all state, federal and local laws and regulations. Employees are expected to be of high moral character and utilize judgment to avoid even the appearance of impropriety."

In September 2014, CSI retained a forensic accountant to help evaluate its system of internal controls and improve the checks and balances in high risk areas.

My findings for the internal control assessment over cash receipting and payroll are presented in the attached matrix, Risks and Recommendations for Improvement.

Attachments

1. Risks and Recommendations for Improvement
2. Sample Anti-fraud Policies – These policies illustrate different ways to develop and communicate a robust anti-fraud policy. Others available through an internet search.
 - a. Managing the Business Risk of Fraud: A Practical Guide, Appendix C: Sample Fraud Policy (by IIA, AICPA and ACFE)
 - b. State University of New York (SUNY)
 - c. Northeast Community College
 - d. Bay de Noc Community College
 - e. Springfield Technical Community College

College Of Southern Idaho
INTERNAL CONTROL ASSESSMENT
CASH RECEIPTING AND PAYROLL PROCESSES
October 17, 2014

RISKS AND RECOMMENDATIONS FOR IMPROVEMENT

RISKS	RECOMMENDATIONS
<p>1. Significant cash payments are received for CSI apartment rentals.</p>	<p>Reduce the amount of cash received, or implement better controls over collection and processing.</p> <ul style="list-style-type: none"> a. Require that tenants pay by check or money order. b. Have someone from the Business Office reconcile tenant rent, turnover and vacancies and compare to rental income received. c. Restrict the users of the apartment accounting software from deleting payments and modifying other transactions. d. Someone independent of apartment rentals should access the apartment management software and reconcile it to the general ledger.
<p>2. The vault room is left unlocked during Business Office hours, and some unauthorized employees had key access to the vault room.</p>	<p>Improve physical controls over vault room and safe.</p> <ul style="list-style-type: none"> a. Change the door lock and the safe code every three to six months and whenever an authorized user terminates employment. b. Keep the door to the vault room locked at all times. c. Lock the night depository key in the safe. d. Maintain a log of persons with authorized access to the Business Office door, vault room door, safe code and night depository key. e. Consider electronic door security so you know who enters the room and when, and to simplify access control when there is employee turnover.
<p>3. Cash on hand in the safe is not routinely counted and reconciled by individuals independent of cash receipting processes and who do not have key access to the vault room or the combination to the safe.</p>	<p>Institute better controls over the safe and petty cash funds.</p> <ul style="list-style-type: none"> a. Perform a dual count and reconciliation at unscheduled, unannounced intervals, at least monthly. This should be done by two people who are independent of cash receipting processes and do not have physical access to the room, safe, night depository or petty cash. b. Both counters sign the count sheet and reconciliation form and a copy is sent to management for review and tracking. c. Set and maintain a level for cash on hand that is appropriate for Business Office needs. Do not keep cash in excess of this level on premises. d. Require management review of all re-deposit transactions. Management review and approval should be documented. e. Develop detail procedures for cashing checks from the safe and monitor compliance.

RISKS	RECOMMENDATIONS
<p>4. Subsidiary systems are not routinely reconciled, duties are not properly segregated and there are limited compensating controls such as oversight.</p>	<p>Reconcile subsidiary systems and databases to the general ledger on a routine basis, and implement security measures.</p> <ul style="list-style-type: none"> a. Establish general ledger accounts that correlate to subsidiary systems and reconcile the two on a routine basis. b. Train Business Office employees to critically review such reconciliations and to trace transactions and reconciling items to original support documents, such as cash register receipts and point-of-sale system reports. Tracing to a spreadsheet created by the person who maintains the subsidiary database is NOT proper support. c. The person(s) performing the reconciliations should be independent of the process. d. Assure that subsidiary systems are properly updated and maintained. e. Establish user security for access to subsidiary systems, if possible. f. Implement an audit trail whenever possible, and automatically generate exception reports for specific types of transactions or occurrences.
<p>5. Duties for third party billings are not properly segregated and there are limited compensating controls for processing third party receipts.</p>	<p>In addition to the recommendations of #4 above, improve segregation of duties and oversight for the third party billing process:</p> <ul style="list-style-type: none"> a. Restrict the ability of anyone who posts receipts so they cannot (1) change descriptions and accounts in the posting report, and (2) create new accounts receivable accounts. b. Generate exception reports for management review for any new receivables accounts added to the general ledger. c. Institute a periodic review of third party accounts receivable ledgers by management or someone independent of the receipting process. Critically analyze any transfers or reclassifications among third party accounts and review the reconciliation to the subsidiary database.
<p>6. Checks received through the Information Office are sometimes routed to other departments before being logged or endorsed.</p>	<p>Improve controls over incoming checks and payments.</p> <ul style="list-style-type: none"> a. Restrictively endorse the back of all checks as soon as they are opened. Continue the current date stamp process. b. Require dual control over opening the mail, endorsing checks, date stamping, counting cash, and creating a detailed control log of incoming payments. Secure and maintain the control copy. c. Route check copies (or scanned images) for coding, rather than the actual checks.

RISKS	RECOMMENDATIONS
<p>7. Credit card refunds can be processed on credit card terminals.</p>	<p>Restrict refund capabilities with CSI's merchant processor.</p> <ul style="list-style-type: none"> a. Restrict refund processing to specific employees, to the original credit card, and to a defined timeframe after the charge is processed. Once the defined timeframe has passed, require that refunds be processed through accounts payable. b. An alternative is to restrict all credit card refunds on terminals, and process refunds only through the accounts payable process. c. Remove the credit card terminal from the Business Office Accountant's office and restrict her access to it. Receipting for delinquent student accounts should be subject to the normal receipting process.
<p>8. Payroll processing is performed by two people who control the entire process.</p>	<p>Separate the Human Resource ("HR") functions from the processing of payroll.</p> <ul style="list-style-type: none"> a. Segregate duties between HR and the Business Office. For example, HR sets up new employees, inactivates terminated employees, adds and adjusts pay rates, enters bonus amounts, enters benefit limits and other withholding parameters, and sets up direct deposit. A separate department (typically the Business Office) processes timekeeping (hours), creates pay checks and direct deposit, processes withholding and other tax payments, and prepares payroll tax filings and reports. b. Consider replacing the manual timekeeping process with an electronic system. c. Separate authority for initiating a wire transfer from approval of the transaction.
<p>9. The Business Office policy for reporting fraud is very general; it does not clearly define unethical conduct or specific reporting mechanisms.</p>	<p>Develop and promote a fraud prevention/anti-fraud policy that clearly defines unethical conduct, consequences for engaging in such conduct, appropriate ways to communicate concerns about potential violations, and measures CSI will take to evaluate and investigate reports of unethical conduct.</p> <ul style="list-style-type: none"> a. Promote this policy to employees, vendors, donors, and other stakeholders. Surveys have demonstrated that more fraud is identified through a tip than by any other means. Examples of anti-fraud policies in use by other community colleges are attached, and others are readily available via an Internet search. b. Consider an ethics hotline as part of the anti-fraud policy implementation. Hotlines are valuable in helping organizations identify and deal with legal, operational, safety and financial issues before they reach crisis level. c. Consider performing criminal background checks on all Business Office employees at hire and every three to five years thereafter. d. Consider adding an internal audit function where someone independent of the Business Office identifies risks and develops processes for oversight and monitoring and tests compliance with policies and procedures.

RISKS	RECOMMENDATIONS
10. User security rights for Business Office employees have not been reviewed recently.	Review user profiles and security rights on a routine periodic basis (e.g., annually) and whenever the accounting system vendor upgrades or changes user security capabilities. In general, restrict user access to the capabilities needed to perform job duties and no more.

Appendix C: Part-Time Controller Position Description

College of Southern Idaho
Business Office
Controller Job Description
October 22, 2014

Position Title: Controller
Reports to: VP of Administration
Incumbent: None
FLA Status: Exempt
Pay Grade:
Job Code:
Date/Revised: October 22, 2014

Summary of Position:

Responsible for the overall fiscal operations of the business office. Supervises the Grant Accountant and Inventory Specialist. Responsible for system wide internal controls and audits. Analyzes trends and data for fiscal reports. Skills required include very strong accounting skills, interpersonal, customer service, technical accuracy and attention to detail through interactions with CSI staff, students, outside vendors, counties and governmental entities in writing, over the phone and in person.

Duties and Responsibilities

- Supervises Grant Accountant and Inventory Clerk
- Preparation of financial statements and IPEDS report
- Reviews all journal entries on a regular basis
- Authorizes ACH transfers
- Conducts internal audits and analyzes internal controls on a continuous basis
- In cooperation with the GL Accountant, investigates Red Flag issues and fraud
- Reviews and analyzes monthly financial statements for trends and accuracy
- Primary person responsible for cost study
- Serves as college representative on CCR and other federal web sites for grant authorization
- Responsible for annual development of unit plan
- Monitors apartment deposits, occupancy and internal control in conjunction with the apartment manager and business office

- Assists VP of Admin with budgeting and special reports
- Assists in the oversight of, reviews and serves as signatory on all fiscal reports for all grants including Head Start/Early Head Start, IOOA, Refugee, Trans IV, STAR, SBDC, etc.
- Assists the VP of Admin and Dean of Finance with budget development, oversight and monitoring
- Attends training on grants, federal regulations and governmental accounting
- Provides fiscal training to deans, directors and supervisors as necessary
- Writes, updates and maintains business office policies
- Assists with providing information for state reports, strategic planning and ad hoc reports

Other Administrative duties:

- Complete special projects as assigned by the Dean of Finance or Vice President of Administration
- Other duties as assigned

Minimum Qualification and Skills

CPA with relevant experience required. Experience with ERP systems, customized programs, Access, Word and Excel. Good English composition skills for letter writing. Accounting and analytical skills. Interpersonal skills and ability to positively interact with students, administrators, private companies as well as various governmental organizations. Judgment skills in representing office and college policies to the public.

Physical Demands

While performing the duties of this job, the employee is regularly required to sit and use fingers and hands to keyboard or type, and to handle materials. The employee is occasionally required to stand; walk and reach with hands and/or arms. The employee must occasionally lift and/or move up to 25 pounds. Specific vision abilities required by this job include close vision and ability to adjust focus.

Appendix D: Authorized Access Log

NAME	SAFE ROOM DOOR	SAFE COMBINATION	NIGHT DEPOSIT KEY* IN SAFE
JEFF HARMON	Y	Y	Y
KRISTY CARPENTER	Y	Y	Y
MAGAN HODGE	Y	Y	Y
TINA STANDLEE	N	N	N
DEVON JENKS	Y	Y	Y
MARIA ANDERSON	Y	N	N
TERESA ODELL	Y	N	N
SHELLY JONES	N	N	N
JUDI WINKLE	N	N	N
WENDY GATES	N	N	N
CYNTHIA GERHARDT	N	N	N
CINDY LOPEZ	N	N	N
BEV HARPER	N	N	N

UPDATED
2/22/2016 - MMH

SAFE COUNT SHEET

DATE _____

SAFE BALANCE _____

ROLLED COINS	COUNT
PENNIES	16.00
NICKLES	14.00
DIMES	95.00
QUARTERS	150.00
ROLLED COINS TOTAL	275.00
PAPER CURRENCY	COUNT
ONE	113.00
FIVE	370.00
TEN	530.00
TWENTY	700.00
FIFTY	
HUNDRED	300.00
CURRENCY TOTAL	2,013.00
LOOSE COINS	COUNT
PENNIES	1.10
NICKELS	1.10
DIMES	2.30
QUARTERS	2.00
\$1	5.50
LOOSE COINS TOTAL	12.00
CASH TOTAL	2,300.00

CASHED CHECKS	COUNT
refugee checks	1000
CASHED CHECKS TOTAL	1,000.00
MONEY OUT	
THEATER	
MONEY OUT TOTAL	-
MISC	
MISC TOTAL	-
NON CASH TOTAL	1,000.00

Safe Replenishment	
Desired Balance:	4,000.00
cash in safe	2,300.00
money out	0.00
Amount to Request:	1,700.00
checks cashed	1,700.00
cash (over)/short	0.80
misc. _____	0.00
Amount to Request:	1,700.80
01-0000-1010	1,700.00
01-0004-4610	0.80

GRAND CASH/NON CASH TOTAL	3,300.00
TRIAL BALANCE	3,300.80
SAFE OVER/(SHORT)	(0.80)

SIGNATURE _____ SIGNATURE _____

PETTY CASH

\$200

DATE: _____

INITIAL: _____

20 _____

.25 _____

10 _____

.10 _____

5 _____

.05 _____

1 _____

.01 _____

TOTAL CASH _____

RECIPTS

TOTAL RECEIPTS _____

GRAND TOTAL _____

SIGNATURE _____

OVER/(SHORT) _____

SIGNATURE _____