

State of Rhode Island and Providence Plantations
Office of Management and Budget
OFFICE OF INTERNAL AUDIT
One Capitol Hill
Providence, Rhode Island 02908-5889
TEL #: (401) 574-8170

April 3, 2017

Mr. David Patten
Vice President for Business Affairs
Community College of Rhode Island
400 East Avenue
Warwick, RI, 02886

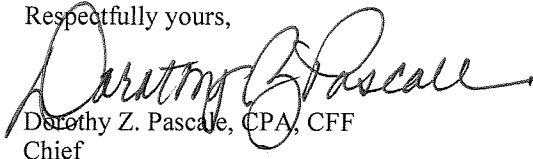
Dear Vice President Patten:

The Office of Internal Audit has completed its audit of the Community College of Rhode Island (CCRI). The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with the Rhode Island General Laws (RIGL) §35-7.1-1 – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7.1-10 (d), entitled Annual and interim reports, states that, “Within twenty (20) calendar days following the date of issuance of the management response copy of the draft audit report, the head of the department, agency, public body or private entity audited shall respond in writing to each recommendation made in the audit report.” Accordingly, management submitted its response to the audit findings and recommendations on March 29, 2017, and such response is included in this report. Pursuant to this statute, the Office may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of CCRI for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,



Dorothy Z. Pascale, CPA, CFF
Chief

c—Jonathan Womer, Director, Office of Management and Budget
Honorable William J. Conley, Jr., Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee

Audit Executive Summary

Why the Office of Internal Audit Did This Review

The purpose of this engagement is to determine if the Community College of Rhode Island's (CCRI's) fiscal and grant management processes are being administered efficiently and effectively in accordance with internal policies and procedures, federal requirements, statutes, and state procedures, and with adequate controls.

Background Information

CCRI provides, "...the opportunity to acquire the knowledge and skills necessary for intellectual, professional and personal growth through an array of academic, career and lifelong learning programs."

CCRI is primarily made up for four campuses, in Warwick, Providence, Lincoln, and Newport. It oversees students of considerable diversity in age, culture, and experiences. For these students the College offers programs in academic and vocational-technical areas for full- and part-time students.

The Office of Internal Audit (OIA) completed its review of various financial operations throughout the four campuses. The purpose of this report is to discuss recommendations to improve financial operations.

To Strengthen Controls, the Community College of Rhode Island should:

- Require submission of proof of residency.
- Develop a standard procedure for direct verification of eligibility status of dependents and spouses/domestic partners.
- Implement verification procedures for tuition waivers.
- Ensure controls are in place to prevent the award of work to non-MPA vendors when an MPA exists.
- Abide by delegated authority limits in establishing purchase orders.

Contents

Introduction	4
Recommendations and Management’s Responses	4
Enhance Procedures to Verify Residency.....	4
Develop Standard Procedure for Determining Tuition Waiver Eligibility	5
Implement Verification Procedures for Unemployment Waivers	6
Ensure Award of Work to Master Price Agreement Vendors as Applicable	7
Abide by Delegated Authority Limits	8
Objective and Scope.....	8
Methodology.....	9

Introduction

The Community College of Rhode Island (CCRI) is the State of Rhode Island's only public comprehensive associate degree-granting institution. The College is primarily made up of four campuses, in Warwick, Providence, Lincoln and Newport, with a satellite campus in Westerly and a secondary location in Providence at the Shepard Building.

The Office of Internal Audit (OIA) conducted an audit of CCRI's Division of Business Affairs' financial operations. The Division is comprised of the Business Office, the Director of Administration, the Controller's Office, Human Resources, and Information Technology. Fiscal operations are coordinated through a combined effort of the units to meet the College's mission.

The Division of Business Affairs includes the following financial functional areas:

- Controller's Office oversees the Bursar's Office, Grants and Contracts, Payroll and Travel Reimbursements.
- The Bursar Office is responsible for overseeing the collection of tuition and fees.
- The Business Office handles accounts payable, purchasing, budgeting and the auxiliary bookstore operations.

The OIA completed its review of various financial operations throughout the four campuses. The purpose of this report is to discuss recommendations to improve financial operations.

Recommendations and Management's Responses

Enhance Procedures to Verify Residency

A benefit of living in the State of Rhode Island is a reduced tuition rate as compared to out-of-state residents. The Rhode Island Board of Governors allows in-state tuition and fees for students who attended an approved Rhode Island high school for three or more years, graduated from an approved Rhode Island high school and continue to live in RI.

CCRI determines a student's eligibility for in-state tuition by including a series of questions on its application. Students are required to submit a transcript from their high school. However, if an individual graduated more than a year ago, there is no further verification that the student has continued to live in Rhode Island as a condition for in-state tuition. Additionally, there are no procedures in place to verify the information provided by the student in the application.

Without verification, students may be incorrectly assessed the lower in-state tuition rate. Students can appeal the residency status; however, it is unlikely that a student would appeal to be charged a higher tuition rate.

Recommendation:

1. Require supporting documentation to prove residency.

Management's Response:

CCRI's current process is as follows:

1. Enrollment Services asks two 'Residency Questions' on the Application for Enrollment. Students must respond yes or no. The tuition calculation is based on their response.
2. Enrollment Services has a Residency Edit Report that lists students who are assessed in-state tuition but have out-of-state addresses. We make corrections based on this report.
3. Students who contest tuition charges must complete a Residency Application and submit all required documentation. The application can be found at <http://www.ccri.edu/oes/admissions/residency/uscitizens.html>

Going forward, CCRI will provide more training to its staff regarding the importance of in-state residency and acting upon any conflicting information. Staff from Enrollment Services, Financial Aid and Advising and Counseling will be included in these training sessions.

Responsible Party: Director of Admissions

Anticipated Completion Date: Complete, effective April 3, 2017

Develop Standard Procedure for Determining Tuition Waiver Eligibility

CCRI offers a benefit to full-time employees that they, their spouse or a domestic partner, and dependents are eligible for a waiver of tuition for courses taken at CCRI. An employee must submit an electronic application for the waiver, providing information on the student for whom the waiver will apply.

According to CCRI policy:

General fees of institutions under the jurisdiction of the Council on Postsecondary Education (i.e., the Community College of Rhode Island, Rhode Island College, and University of Rhode Island) may be waived for all full-time employees...The waiver also applies to the employee's spouse or domestic partner (as defined by RIGL §36-12-1) and legal dependents (as defined in Internal Revenue Code §§117(d), 132(h), and 152(f)(1)) who are pursuing courses in a regular study program for credit at the baccalaureate level only at any of the three institutions in accordance with each specific contract...

Additionally, the CCRI Faculty Association agreement states that, "dependent children is intended to refer to a child, as defined in the Internal Revenue Code 117(d), 132(h), and 152(f)(l), of the eligible employee, for whom the eligible employee is entitled to claim and does claim a dependency deduction on their federal tax return.

Verification of dependency in accordance with the Internal Revenue Code is not being consistently applied across all employees requesting a waiver. Currently, the application is reviewed by CCRI's Human Resource Department and compared to the spousal/dependent information provided by the employee for health coverage. However, if the employee has declined health coverage for their family, CCRI obtains the employee's recently filed tax return.¹ There is an increased risk that an ineligible individual may be granted a waiver because there is no standard procedure to verify dependency in accordance with CCRI policy and union contracts.

Recommendation:

2. Develop a standard procedure for direct verification of eligibility status of dependents and spouses/domestic partners.

Management's Response:

The College currently uses the Banner system to verify eligibility status which is effective for determining eligibility status of spouses / domestic partners. However, for dependents, a process improvement identified in the audit is to use employee's tax returns to make this determination. Going forward, employees will be required to submit their tax returns to Human Resources in order to be approved for tuition reimbursement. This policy change will take effect prior to the Summer of 2017.

Responsible Party: Director of Human Resources

Anticipated Completion Date: May 15, 2017

Implement Verification Procedures for Unemployment Waivers

Rhode Island General Law § 28-42-81 allows individuals who meet certain income requirements and have received unemployment insurance benefits within 60 days from the start of class to obtain a tuition waiver.

CCRI allows approval forms from DLT to be submitted 60 days from the start of the semester. The Department of Labor and Training (DLT) reports to CCRI that a student has received a payment within 60 days from when the student has requested the approval form. Therefore, the reporting period is greater than 60 days from the start of classes. Three of the 83² students received a waiver that did not meet this requirement; the students' last payments were 62, 68, and 108 days prior to the start of the semester. CCRI waived tuition totaling \$3,269 for students who had not received a benefit payment within 60 days from the start of class. Further, one individual received three waivers from DLT even though they were

¹ If the child is nearing the end of their qualified dependency, they must also submit the following year's tax return.

² The OIA verified eligibility of all individuals who received the unemployment insurance waiver over the span of the audit period.

not eligible. This amounted to \$3,759 in tuition for an individual that should not have been approved by DLT and allowed to be waived by CCRI.

The OIA issued a report on February 7, 2013, recommending that CCRI implement procedures to directly verify tuition waivers with the awarding agency, including DLT unemployment insurance waivers. CCRI did not implement these procedures to conduct a direct verification, which would have identified individuals who had inadvertently been granted a waiver.

Recommendations:

3. Improve coordination with DLT to ensure that students receiving a waiver have received an unemployment insurance payment within 60 days from the start of classes.
4. Re-verify all individuals approved for tuition waivers with the awarding agency for the registration period.

Management's Response:

The College has contacted DLT on March 9, 2017 to request that a secondary verification process be established. This will require some process change by DLT. College staff is actively working to develop and implement this solution.

Responsible Party: DLT (in partnership with CCRI's Student Affairs)

Anticipated Completion Date: May 15, 2017

Ensure Award of Work to Master Price Agreement Vendors as Applicable

According to the CCRI Purchasing Manual, "State Purchasing has established Master Price Agreements (MPA) for a broad assortment of commodities and services. When an MPA exists for a specific commodity or service, it MUST be utilized." There was one (1) instance during the review of fourteen (14) CCRI in-house bid solicitations in which there was a State-established MPA for the service, but a non-MPA vendor was awarded the work. Management failed to review the existing MPA list for approved vendors prior to awarded work. Future failures of reviewing existing MPA lists could lead to work being unfairly awarded to non-MPA vendors.

Recommendation:

5. Ensure controls are in place to prevent the award of work to non-MPA vendors when an MPA has already been established for the good/service.

Management's Response:

CCRI purchasing staff approving, bidding or assigning PO's to requests for purchase are required to consult the State of RI list of MPA's for goods/services available through state issued contracts.

Applicable purchases will continue to be processed against MPA's. All purchases for MPA commodities/services that require bidding procedures will be reviewed by more than one purchasing staff member to ensure that bids are awarded to the lowest responding MPA bidder.

Responsible Party: Director of Purchasing

Anticipated Completion Date: Complete

Abide by Delegated Authority Limits

As detailed in CCRI's Purchasing Manual, the State has delegated purchasing authority to the Board of Governors for certain commodities. For these established limits, CCRI's Purchasing Department conducts the bid process.³

It was noted for two (2) of the fourteen (14) CCRI in-house bid solicitations reviewed, the purchase order amount exceeded the approved delegated authority. During these instances, management did not stay within the defined delegated authority limits as approved by State Purchasing, which could lead to further non-compliance with the delegated authority allotted to CCRI.

Recommendation:

- 6. Abide by delegated authority limits in establishing purchase orders.

Management's Response:

Both of the described situations above were corrected immediately. A meeting was held with purchasing staff to reiterate that both MPA and delegated authority limits must be adhered to. Guidelines stating the standard delegated authority limits have been redistributed to purchasing staff and will be kept close at hand for reference.

Responsible Party: Director of Purchasing

Anticipated Completion Date: Complete

Objective and Scope

The OIA conducted an audit of financial controls within the Division of Business Affairs at the Community College of Rhode Island for State Fiscal Year 16 through December 2017. The purpose of this engagement was to assess the effectiveness and efficiency of fiscal and grant management processes and whether they are in accordance with internal policies and procedures, federal requirements, statutes and State procedures, and have adequate controls.

³ Delegated authority is when State Purchasing grants the authority to a designated individual at an agency to enter binding contractual agreements, which are subject to the rules and regulations promulgated by the Division of Purchases.

Methodology

As part of our audit work, the OIA gained an understanding of existing controls in place at CCRI for grants and fiscal management. To address our audit objective, we performed the following:

- Interviewed personnel, including management and staff.
- Researched State and Federal laws and regulations.
- Reviewed established division and college policies and procedures as applicable.
- Tested for compliance with established policies and procedures.
- Sampled student tuition and fee billings for accuracy.