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STATE OF COLORADO
TRINIDAD STATE JUNIOR COLLEGE
TRINIDAD, COLORADO
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REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
OF THE
STATE FINANCIAL AID PROGRAMS
—
YEAR ENDED JUNE 30, 1978

Touche Ross & Co.



State of Colorado
Trinidad State Junior College,

State Student Financial Aid Programs
Report on Examination
of
Financial Statements
And
Compliance Information
Year Ended June 30, 1978

Copies of this report have been distributed to:

Legislative Audit Committee (10)

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Dr. Lee Kerschner, Executive Director (4)
Colorado Commission on Higher Education

President of Trinidad State Junior College

Finance Officer of Trinidad State Junior College (2)

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REPORT OF THE STATE AUDITOR

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*Subsection 2-3-103(2), CRS 1973 as amended, states:

All reports shall be open to public inspection after they have been filed with the committee, the governor, and the department, institution, or agency concerned; but that portion of any report containing recommendations, comments, and any narrative statements shall be released only upon the approval of a majority vote of the committee. (emphasis added)

Distributed JAN 2 1979

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SECTION I

October 31, 1978

INTRODUCTION

We have been engaged as certified public accountants for Trinidad State Junior College for the year ended June 30, 1978. The purpose of this engagement is to determine whether the College has established and is maintaining accounting systems and related internal and administrative controls which provide appropriate assurances that the State Financial Aid Program funds are controlled and expended in accordance with program conditions and guidelines. The entire program was self administered by the College and no delegate agencies were utilized.

State authorizing legislation for the Colorado Student Incentive Grant Program is through S.B. 398, 1977; the Colorado Work-Study Program authorization has been codified under Title 23, CRS (1973), Section 1-201; the authority for the Colorado Student Grant Program, the Colorado Scholars Program, the Colorado Non-Resident Scholars Program and the Colorado Athletic Grant Program, are granted by the Colorado General Assembly through the annual appropriations legislation. There is no separate, permanent authorizing legislation. The programs were first used by Trinidad State Junior College in 1970.

Two programs, Colorado Student Grant and the Colorado Student Incentive Grant, provide grant money to students having financial need. The Colorado Work-Study Program provides jobs for students who have financial need and who must earn a part of their education expenses in order to pursue courses of study at institutions of higher education. The Colorado Scholars Program, the Colorado Non-Resident Scholars Program and the Colorado Athletic Grant Program provide grant money for outstanding achievement in academic areas.

For program year ended June 30, 1978, awards amounted to \$269,605. The number of students receiving grants in the year was 491.

Our audit of the State Financial Aid Programs was performed in accordance with generally accepted auditing standards and the procedures prescribed by the "Colorado Commission on Higher Education--Handbook for State Funded Assistance Programs", and applicable statutory provisions. The purpose of the audit was to formulate an opinion on the basic financial statements taken as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and Colorado Commission on Higher Education (CCHE) directives. The audit included:

1. Evaluation of the College's policies, procedures and practices used to administer the programs.

2. Determination of compliance with applicable sections of the acts, related State regulations, and CCHE policies and procedures.
3. Evaluation of the College's systems of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided for the programs.

As part of our examination, we obtained confirmation from selected students and, where applicable, sponsors on State financial aid awards. The audit covered the period from July 1, 1977 through June 30, 1978.

SECTION II

HIGHLIGHTS OF AUDIT RESULTS

Our unqualified opinion on the basic financial statements appears on page 4 of this report. During our audit nothing came to our attention which caused us to believe that Trinidad Junior College had not generally administered its State Financial Aid Programs in accordance with statutory regulations and CCHE directives pertaining to the programs. However, certain areas of the College's procedures were in need of improvement, specifically:

- (1) Earned compensation paid to one Colorado work-study student exceeded the awarded amount.
- (2) Information sheets on financial aid programs do not meet guidelines.
- (3) The manual covering the State financial aid programs includes out-of-date procedures and irrelevant material.

Our findings are discussed more fully under the "Findings and Recommendations" section of this report.

SECTION III

October 31, 1978

Legislative Audit Committee
State Capitol
Denver, Colorado

We have examined the following statements of assets, liabilities and fund balances of the State Financial Aid Programs:

Colorado Student Grant Program
Colorado Student Incentive Grant Program
Colorado Scholars Program
Colorado Work-Study Program
Colorado Non-Resident Scholars Program
Colorado Athletic Grant Program

of Trinidad State Junior College as of June 30, 1978, and the related statement of revenues, expenditures and fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards and the procedures prescribed by the Colorado Commission on Higher Education (CCHE), and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the State Financial Aid Programs at June 30, 1978, and the related revenues, expenditures and fund balances for the year then ended, in conformity with generally accepted accounting principles and provisions of the "Colorado Commission on Higher Education - (CCHE) Handbook for State Funded Assistance Programs" as they relate to the State Financial Aid Programs applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Certified Public Accountants

TRINIDAD STATE JUNIOR COLLEGE
COLORADO STUDENT GRANT PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE \$ 62,516

LIABILITIES AND FUND BALANCE

Due to State Treasurer \$ 62,516

See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE
COLORADO STUDENT INCENTIVE GRANT PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE \$ 8,275

LIABILITIES AND FUND BALANCE

Due to State Treasurer \$ 8,275

See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE

COLORADO SCHOLARS PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE	<u>\$ 21,400</u>
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LIABILITIES AND FUND BALANCE

Due to State Treasurer	<u>\$ 21,400</u>
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See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE

COLORADO WORK-STUDY PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE	<u>\$ 21,717</u>
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LIABILITIES AND FUND BALANCE

Due to State Treasurer	<u>\$ 21,717</u>
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See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE
COLORADO NON-RESIDENT SCHOLARS PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE \$ 3,712

LIABILITIES AND FUND BALANCE

Due to State Treasurer \$ 3,712

See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE
COLORADO ATHLETIC GRANT PROGRAM

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

JUNE 30, 1978

ASSETS

Due from CCHE \$ 18,274

LIABILITIES AND FUND BALANCE

Due to State Treasurer \$ 18,274

See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE
STATE FINANCIAL AID PROGRAMS

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEAR ENDED JUNE 30, 1978

	<u>TOTAL</u>	<u>COLORADO STUDENT GRANT PROGRAM</u>	<u>COLORADO STUDENT INCENTIVE GRANT PROGRAM</u>	<u>COLORADO SCHOLARS PROGRAM</u>	<u>COLORADO WORK- STUDY PROGRAM</u>	<u>COLORADO NON-RESIDENT SCHOLARS PROGRAM</u>	<u>COLORADO ATHLETIC GRANT PROGRAM</u>
Original grant award authorization	\$311,030	\$214,500	\$ 16,000	\$ 21,400	\$ 37,000	\$ 3,840	\$ 18,290
Supplemental grant award or (release) of grant award	(39,106)	(46,799)	--	--	7,693	--	--
Less: Amount of grant award not requested or deposited	<u>(138,213)</u>	<u>(62,641)</u>	<u>(10,325)</u>	<u>(21,400)</u>	<u>(21,717)</u>	<u>(3,840)</u>	<u>(18,290)</u>
Funds provided by CCHE (Note A)	133,711	105,060	5,675	--	22,976	--	--
Funds provided by State Treasurer	<u>135,894</u>	<u>62,516</u>	<u>8,275</u>	<u>21,400</u>	<u>21,717</u>	<u>3,712</u>	<u>18,274</u>
Total revenues (Note A)	269,605	167,576	13,950	21,400	44,693	3,712	18,274
Expenditures (Note A)	<u>269,605</u>	<u>167,576</u>	<u>13,950</u>	<u>21,400</u>	<u>44,693</u>	<u>3,712</u>	<u>18,274</u>
Increase in fund balance	--	--	--	--	--	--	--
Beginning fund balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Ending fund balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

See note to financial statements.

TRINIDAD STATE JUNIOR COLLEGE

STATE FINANCIAL AID PROGRAMS

NOTE TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1978

A. Summary of Significant Accounting Policies:

The purpose of the State Financial Aid Programs is to provide assistance to students who have financial need, must earn a part of their educational expenses in order to pursue courses of study at institutions of higher education, or have outstanding achievement in academic areas.

The financial statements of the College's Financial Aid Programs are presented in accordance with the fund accounting guidelines as prescribed in the American Institute of Certified Public Accountants' guide on Audits of Colleges and Universities, as modified in 1975 by the National Association of College and University Business Officers' publication on College and University Business Administration.

Revenues are recognized to the extent of cash received. Expenditures not funded by the sponsoring agency, CCHE, in the period they occur, are funded by the State of Colorado and repaid when funds are received from the sponsoring agency. Amounts received in excess of expenditures are included as additions to fund balance during the year and may be subject to repayment if additional expenditures are not made.

TRINIDAD STATE JUNIOR COLLEGE

STATE FINANCIAL AID PROGRAMS

YEAR ENDED JUNE 30, 1978

FINDINGS AND RECOMMENDATIONS - FINANCIAL

Finding - None

SECTION IV

October 31, 1978

Legislative Audit Committee
State Capitol
Denver, Colorado

We have examined the financial statements of the State Financial Aid Programs of Trinidad State Junior College for the year ended June 30, 1978. Our opinion on the above statements is contained on page 4 of this report. As a part of our examination, we reviewed and tested the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by the "Colorado Commission on Higher Education - Handbook for State Funded Assistance Programs". Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in the CCHE criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the second paragraph of this part of the report are considered by CCHE to be adequate for its purpose and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe Trinidad State Junior College's procedures were adequate for CCHE's purposes.

This report is intended for use in connection with the grants to which it refers and should not be used for any other purposes.

Touche Ross & Co.
Certified Public Accountants

TRINIDAD STATE JUNIOR COLLEGE

STATE FINANCIAL AID PROGRAMS

YEAR ENDED JUNE 30, 1978

FINDINGS AND RECOMMENDATIONS -
COMPLIANCE AND INTERNAL CONTROL

1. Finding:

Earned compensation paid to one Colorado work-study student exceeded the amount awarded by more than \$100 due to lack of control by the work supervisor.

Recommendation:

It should be strongly emphasized to the work supervisors that work-study students are not to work more than the authorized number of hours.

College's Response:

The Financial Aid Director requires signed statements from the supervisors and students spelling out the fact that the authorized amount is in no way to be overspent. In this specific case, appropriate action will be taken.

2. Finding:

The College has compiled information sheets on each State financial aid program that is effectively "packaging policies" as suggested by the last CCHE program review. Examination of the information sheets and the prepared CCHE guidelines indicates that the information sheets do not meet specifications. The prepared guidelines will not be in effect until the year ended June 30, 1979.

Recommendation:

The College should compile a handbook setting out the information required by the prepared CCHE guidelines.

College's Response:

The policies and procedures manual is being developed in compliance with the recently published (June, 1978) Colorado Handbook for State Student Aid Programs.

3. Finding:

The College's manual covering the State Financial Aid Programs consists of a file of various procedural memoranda in no specific sequence, including out-of-date procedures and irrelevant material.

Recommendation:

The manual should be revised and collated, with the obsolete and irrelevant material discarded.

College's Response:

The Colorado Student Handbook published in June, 1978, upon implementation, will supersede all previous memoranda, guidelines, etc. Previous guidelines must be maintained to resolve questions that arise regarding Financial Aid administration during periods covered by previous guidelines. The information contained in the outdated materials has been particularly valuable in resolving questions from individuals whose "past due" account receivables are being pursued by the Central Collections Unit, State of Colorado.

