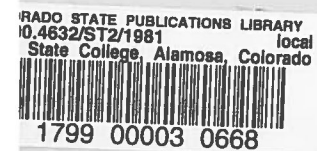


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ADAMS STATE COLLEGE

ALAMOSA, COLORADO

STATE FUNDED STUDENT ASSISTANCE PROGRAMS

FINANCIAL AND COMPLIANCE  
EXAMINATION

For the Year Ended June 30, 1980

and

AUDITOR'S OPINION

October 27, 1980

WALL, SMITH, BATEMAN AND ASSOCIATES, INC.  
CERTIFIED PUBLIC ACCOUNTANTS  
MONTE VISTA, COLORADO  
ALAMOSA, COLORADO

ADAMS STATE COLLEGE

ALAMOSA, COLORADO

STATE FUNDED STUDENT ASSISTANCE PROGRAMS

FINANCIAL AND COMPLIANCE  
EXAMINATION

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STATE OF COLORADO  
ADAMS STATE COLLEGE  
STATE FUNDED STUDENT ASSISTANCE PROGRAMS  
FINANCIAL STATEMENTS  
and  
COMPLIANCE INFORMATION  
June 30, 1980

With  
AUDITOR'S REPORT

Copies of this report have been distributed to:

Legislative Audit Committee (10)

Joint Budget Committee (3)

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

Dr. Marvin Motz  
Interim President

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Part I            INTRODUCTION

Background

Adams State College is an institution of higher education located at Alamosa, Colorado. Our Financial and Compliance examination of the various state funded student aid programs of Adams State College, for the year ended June 30, 1980 was directed toward the objectives set forth in the audit guide, which is based on the "Colorado Handbook for State Funded Student Assistance Programs" issued by the Colorado Commission on Higher Education in June 1978.

State Funded Student Assistance Programs

The various state funded student assistance programs at Adams State College includes the Colorado Student Incentive Grant Program, Colorado Student Grant Program, Colorado Work-Study Program, Colorado Graduate Grant Program, Colorado Scholars Program, Colorado Non-Resident Scholars Program and the Colorado Athletic Grant Program. During the academic year 1978-1979, \$37,486 was awarded to students participating in the Colorado Student Incentive Grant Program, \$165,376 to participants in the Colorado Student Grant Program, \$166,963 in the Colorado Work-Study Program, \$5,450 to participants in the Colorado Graduate Grant Program, \$29,645 to participants in the Colorado Scholars Program, \$6,400 was awarded to participants in the Colorado Non-Resident Scholars Program and \$78,931 was awarded to participants in the Colorado Athletic Grant Program. The total amount awarded to recipients of Colorado funded student assistance for the year ended June 30, 1979 was \$490,251.

During the academic year 1979-1980, \$44,000 was awarded to students participating in the Colorado Student Incentive Grant Program, \$73,006 to participants in the Colorado Student Grant Program, \$286,407 to participants in the Colorado Work-Study Program, \$3,100 to participants in the Colorado Graduate Grant Program, \$57,874 to participants in the Colorado Scholars Program, \$14,900 to participants in the Colorado Non-Resident Scholars Program and \$76,460 to participants in the Colorado Athletic Grant Program. The total amount awarded to recipients of Colorado funded student assistance for the year ended June 30, 1980 was \$555,747.

Private Scholarships

During the academic year ending June 30, 1980, \$101,630 was received from private scholarship programs.

## Scope of Audit

Our audit of the State Funded Student Assistance Programs was performed in accordance with the financial and compliance elements of the "Colorado Handbook for State Funded Student Assistance Programs" issued by the Colorado Commission on Higher Education in June 1978 and the audit guide based on the above referenced handbook. The purpose of the audit was to formulate an opinion on the Institution Student Aid Appropriations, Expenditures and Reversions for the fiscal year ended June 30, 1980, and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreement and CCHE directives which are set forth in the audit guide.

The audit included:

1. Expressing an opinion on the Institution Student Aid Appropriations, Expenditures and Reversions.
2. Evaluation of the Institution's policies, procedures, and practices used to administer the program.
3. Determination of compliance with applicable sections of the CCHE guidelines contained in the June 1978 "Colorado Handbook for State Funded Student Assistance Programs."
4. Evaluation of the Institution's systems of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided by the program.
5. Reconciliation of the information reported on the Institution's Student Aid Appropriations, Expenditures and Reversions for the year audited.

As part of our audit we obtained confirmation from selected students of the Colorado Funded Student Assistance Programs regarding their participation and amount awarded. We mailed out 40 requests for confirmations to students participating in the campus based programs. We received 22 confirmations back from the students of which all were correct. Eighteen of the confirmations were not returned by the students.

The audit covered the period July 1, 1979 through June 30, 1980 and field work was performed during the period July through October at the Institution's Business and Student Financial Aid Offices.

Part II HIGHLIGHTS OF AUDIT RESULTS

Our unqualified opinion on the Institution's Student Aid Appropriations, Expenditures and Reversions appears elsewhere in this report. During our audit nothing came to our attention which caused us to believe that Adams State College had not generally administered its state funded student aid programs in accordance with the "Colorado Handbook for State Funded Student Assistance Programs." However, certain areas of the Institution's management of student aid programs were in need of improvement, specifically, (1) financial aid program packaging policy does not specifically address how the College proposes to meet the financial needs of the neediest students before those students with lesser need requirements, and (2) changes on the award letters were not reflected on the financial aid worksheets. These matters are discussed more fully under the "Findings and Recommendations" section of this report. See page 9.

Our opinion on the financial statements is on page 3.

Part III FINANCIAL

We have examined the statement of Student Aid Program Appropriations, Expenditures and Reversions of Adams State College for the year ended June 30, 1980. Our examination was made in accordance with generally accepted auditing standards and the financial and compliance elements of the guide for audits of state funded student assistance programs issued by the Colorado Commission on Higher Education in June 1978. Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstance.

In our opinion, the aforementioned financial statement presents fairly the financial position of the state funded student assistance programs of Adams State College at June 30, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

The examination referred to above was directed primarily toward formulating an opinion on the aforementioned financial statement as of and for the period ended June 30, 1980, taken as a whole.

*Paul v Bateman*

WALL, SMITH, BATEMAN and ASSOCIATES, INC.  
Certified Public Accountants  
October 27, 1980

Notes to Financial Statements  
for the Year Ended June 30, 1980

1. Summary of Significant Accounting Policies:

The financial statements of the state funded student assistance programs at the College have been prepared in accordance with generally accepted accounting principles and provide for use of the accrual basis of accounting.



ADAMS STATE COLLEGE  
 STUDENT AID PROGRAM APPROPRIATIONS,  
 EXPENDITURES AND REVERSIONS  
 Fiscal Year Ended June 30, 1980

|                                     | <u>Total Colorado<br/>Financial Aid</u> | <u>Student Incentive<br/>Grants</u> | <u>Student Grant<br/>Program</u> | <u>Work Study<br/>Program</u> | <u>Graduate Grant<br/>Program</u> | <u>Graduate Fellowship<br/>Program</u> | <u>Scholars<br/>Program</u> | <u>Non-Res.<br/>Scholars<br/>Program</u> | <u>Athletic<br/>Grant<br/>Program</u> |
|-------------------------------------|---|-------------------------------------|----------------------------------|-------------------------------|-----------------------------------|--|-----------------------------|--|---------------------------------------|
| Appropriations:                     |   |                                     |                                  |                               |                                   |  |                             |  |                                       |
| Original                            | \$ 578,400                              | \$ 50,000                           | \$ 200,000                       | \$ 165,350                    | \$ 6,190                          | \$ -0-                                 | \$ 60,400                   | \$ 20,000                                | \$ 76,460                             |
| Supplemental                        | 6,547                                   | -0-                                 | -0-                              | 6,574                         | -0-                               | -0-                                    | -0-                         | -0-                                      | -0-                                   |
| Transfers                           | ( 27,090)                               | ( 4,000)                            | (126,994)                        | 114,520                       | ( 3,090)                          | -0-                                    | ( 2,526)                    | ( 5,000)                                 | -0-                                   |
| Total                               | 557,884                                 | 46,000                              | 73,006                           | 286,444                       | 3,100                             | -0-                                    | 57,874                      | 15,000                                   | 76,460                                |
| Expenditures                        | <u>555,747</u>                          | <u>44,000</u>                       | <u>73,006</u>                    | <u>286,407</u>                | <u>3,100</u>                      | <u>-0-</u>                             | <u>57,874</u>               | <u>14,900</u>                            | <u>76,460</u>                         |
| Reversions to<br>State General Fund | \$ <u>2,137</u>                         | \$ <u>2,000</u>                     | \$ <u>-0-</u>                    | \$ <u>37</u>                  | \$ <u>-0-</u>                     | \$ <u>-0-</u>                          | \$ <u>-0-</u>               | \$ <u>100</u>                            | \$ <u>-0-</u>                         |

Findings and Recommendations - Financial

There were no financial findings or recommendations.

Part IV INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE

We have examined the financial statement of the State Funded Student Assistance Programs, Adams State College, for the year ended June 30, 1980. Our opinion on the above mentioned statement is contained on page 3 of this report. As a part of our examination, we have made a study of the Institution's system of internal accounting control to the extent we considered necessary to evaluate the system. 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 statement.

We have also made a study of those internal accounting control and administrative control procedures of Adams State College that we considered relevant to the criteria established by the Colorado Commission on Higher Education as set forth in its Handbook issued June 1978. Our study included tests of compliance with such procedures during the period from July 1, 1979 through June 30, 1980.

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 Colorado Commission on Higher Education 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 require 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 depend upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or 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 report are considered by the Colorado Commission on Higher Education to be adequate for its purpose in accordance with the provisions of the Colorado Handbook for State Funded Student Assistance Programs of June 1978 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe Adams State College's procedures were adequate for the Department's purposes, except for the conditions described on page 9 of this report, which we believe are not in conformity with the criteria referred to above.

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

*Paul V Bateman*

WALL, SMITH, BATEMAN and ASSOCIATES, INC.  
Certified Public Accountants  
October 27, 1980

Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

(1) Changes on award letters were not reflected on all financial aid work-sheets. Of twelve (12) Colorado student grants tested for 1978-1979 academic year, five (5) did not reflect changes in award amounts on the financial aid worksheets.

We recommend that the Financial Aid Office establish controls to change the financial aid worksheet award amount simultaneously with the award letter amount so that they agree.

Agency Response: During 1979-1980 and thereafter, all changes on award letters have been made simultaneously with worksheet changes. It is current Financial Aid Office policy to make all changes on the worksheet and the award letter simultaneously. This policy will continue.

Part V            PRIOR AUDIT REPORTS

Prior years (1977-1978) audit findings for financial compliance information are as follows:

(1) Page CFA 2-6, question III C10 of Colorado Financial Aid Questionnaire asks if procedures for appeal of disputed decisions is given to student recipients of state funded student aid programs. The "Adams State College Student Financial Aid Handbook" which is disseminated to all students describes appeal procedures available to a student who is suspended from financial aid for not making satisfactory academic progress. There was no written appeal procedure for any other disputed decision regarding financial aid decisions made by the financial aid office. Thus, if a student did not agree with the financial aid Director's decision regarding the financial aid package, estimate of need, etc., the student had no written established appeal procedures to follow.

We recommended that Adams State College establish written appeal procedures as soon as possible and inform all students who are currently receiving financial assistance and all who apply in the future of the appeal of disputed decisions procedures. We further recommended that these procedures be included in the "Adams State College Student Financial Aid Handbook".

Status of Prior Audit Finding:

Adams State College has established written appeal procedures informing students of the appeal of disputed decisions procedures. These procedures are included in the new Financial Aid Handbook.

(2) Page CFA 4-6, question VIII, item 4, of Colorado Financial Aid Questionnaire asks if Adams State College had taken reasonable measures to prevent fraud and abuse in state funded aid programs by at least establishing due process procedures for students suspected of fraud.

Adams State College did not have written due process procedures and did not notify students of possible penalties for fraudulent statements. We recommended that Adams State College establish written due process procedures for students suspected of fraud and notify students that penalties for fraud may exist, and for the College to include these written procedures in the "Student Financial Aid Handbook".

Status of Prior Audit Finding:

Adams State College procedure for accepting a state award is to sign a award letter. The award letter contains written due process procedures for students suspected of fraud and notification that penalties for fraud may exist. Although these procedures are not included in the "Student Financial Aid Handbook", we feel the procedures applied are adequate.

(3) Item 4 of Audit Objectives on pages 1-17 of the audit program for state funded student assistance programs is to ascertain that the Institution has established a control and self-evaluation system intended to monitor and evaluate the programs to determine if their objectives are met.

Adams State College had not established a system of self-evaluation for its financial aid programs. An internal self-check system is necessary to maintain a successful and progressive program; therefore, we recommended that the financial aid office implement a self-evaluation system to ensure that its objectives continue to be met.

Status of Prior Audit Findings:

The Financial Aid Office has implemented a self-evaluation system to ensure that its objectives are met.