



Thomas A. Schweich
Missouri State Auditor

HIGHER EDUCATION

St. Charles Community College



April 2014
Report No. 2014-024

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Department of Higher Education, St. Charles Community College

Budget Procedures and Subsidy	The college did not prepare budget documents for several operating funds, including, the Unrestricted Funds, Federal Financial Aid Fund, Plant Fund, Agency Fund, 29 restricted funds, and 4 auxiliary funds. Budget documents approved by the Board of Trustees for the year ended June 30, 2013, did not include some budgetary information required by law. The college subsidizes the operating costs of the Child Development Center (CDC), which is a state-licensed on-campus facility. In fiscal year 2013, the college transferred \$87,000 (from the General Revenue Fund and bookstore operations) to cover the CDC's operating shortfalls. The college should analyze ways to make the program more cost-effective and maximize program resources and review the adequacy of the fees currently charged.
Accounting Controls and Procedures	CDC personnel do not account for the numerical sequence of receipt slips. Cashier's office and bookstore personnel allowed students and employees to cash personal checks from daily cash receipts, which prevents daily receipts from being deposited intact. The college bookstore maintains a change fund of \$6,100, which may be excessive, and the bookstore has not performed an analysis to determine if such a large change fund amount is necessary during slower months.
Rental Fees, Disbursements, Bids and Contracts	The college rents its facilities to the public, but lacks supporting documentation detailing how it determined what fees to charge. The college has not conducted a formal cost study or reviewed the amounts charged since 2006. The college did not always solicit bids for professional services or other goods and services and did not always enter into formal written agreements. The college has continued to renew its contract for legal services since March 2002 without soliciting competitive proposals, does not solicit bids for fuel purchased, and has not entered written contracts with either textbook buy back vendor.
Capital Assets	The college needs to improve its procedures and records to account for college property. An annual inventory of all capitalized assets costing greater than \$5,000 and all technology equipment is performed. However, inventory worksheets are not maintained and the missing assets report for the fiscal year ended June 30, 2013, could not be located; and personnel did not always update the manual capital asset log to document assets had been properly tagged and identified as college property.
Credit Card Convenience Fees	The college absorbs the credit card fees rather than passing them on to the students who pay with credit cards. The college paid \$139,000 in related credit card fees during fiscal year 2013.

Vehicle Usage and Fuel Logs	The college needs to improve controls and procedures over fuel purchases and usage. The college operated 28 non-street licensed vehicles and equipment and maintains one diesel tank and one gasoline tank that are not metered. The grounds supervisor does not maintain a log documenting fuel purchases, usage, or on hand and no procedure is performed to periodically reconcile those items.
College Foundation	The college subsidizes certain operating expenses of its not-for-profit foundation, which may violate the Missouri Constitution. The college covered approximately 84 percent of the money the foundation spent in fiscal year 2013 and could not quantify the amount of salary and benefit costs for other college employees providing operational support attributable to foundation activities. The college does not have a formal agreement or contract with the foundation, which would clarify the duties and responsibilities of both parties. The foundation does not timely adopt a budget, and its budgets do not include the actual beginning and estimated ending available resources or a budget message.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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St. Charles Community College

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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Trustees of the St. Charles Junior College District
and
Dr. Ronald Chesbrough, President
St. Charles Community College
Cottleville, Missouri

We have audited certain operations of the St. Charles Junior College District (St. Charles Community College), in fulfillment of our duties under Chapter 29, RSMo. The college engaged Schmersahl Treloar and Company, Certified Public Accountants (CPAs), to audit the college's financial statements for the year ended June 30, 2012, and June 30, 2013. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended June 30, 2012, since the year ended June 30, 2013, audit had not been completed at the time we started our audit. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2013. The objectives of our audit were to:

1. Evaluate the college's internal controls over significant management and financial functions.
2. Evaluate the college's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Evaluate selected records and activities of the college's foundation.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the college as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the college's management and was not subjected to the procedures applied in our audit of the college.

For the areas audited, we identified (1) deficiencies in internal control, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) weaknesses with the procedures of the college's foundation. The accompanying Management Advisory Report presents our findings arising from our audit of the St. Charles Community College.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Director of Audits:	John Luetkemeyer, CPA
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St. Charles Community College

Management Advisory Report

State Auditor's Findings

1. Budget Procedures and Subsidy

The college budget documents did not include some operating funds and did not include some information required by state law. In addition, the college has to subsidize the Child Development Center (CDC) due to the program's annual operating losses.

1.1 Budgets

State law requires each political subdivision of the state to prepare an annual budget, which shall present a complete financial plan for the ensuing budget year. The college is subject to these provisions. A review of the college's compliance with budgetary law and its budgetary practices disclosed the following concerns:

- The college budget documents did not include several operating funds of the college for the fiscal year ended June 30, 2013. Annual budgets were not prepared for the Unrestricted Funds, Federal Financial Aid Fund, Plant Fund, Agency Fund, 29 restricted funds, and 4 auxiliary funds. College officials stated these funds have not been budgeted in the past. In addition, although budgets are prepared and reviewed for the General Revenue Fund, Corporate & Community Development Fund, Capital Improvements Fund, four restricted funds, and three auxiliary funds, the board only approves the General Revenue Fund.
- The budget documents approved by the Board of Trustees for the year ended June 30, 2013, did not include some budgetary information required by state law. Required information missing in the approved budget included the beginning and estimated ending available resources for each fund, comparative statements of actual or estimated revenues and expenditures for the two previous years, and amounts related to the debt service requirements.

Section 67.010, RSMo, requires the budget to present a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

1.2 Subsidy

The college subsidizes the operating costs of the CDC. The college transferred \$55,000 from the General Revenue Fund and \$32,000 from bookstore operations during the year ended June 30, 2013, to cover operating shortfalls. The CDC generated revenues of approximately \$1 million during the year ended June 30, 2013.

The CDC is a state-licensed on-campus facility, which provides child care and learning services for children of students, college faculty and staff, and members of the community. The CDC offers programs for infants/toddlers, 2 year old children and 3-5 year old children. Fees charged are based on the age group with college employees and students receiving a 20 percent



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discount from the fees charged to the general public. As of June 30, 2013, the CDC had 18 full-time employees and 11 part-time employees.

Operating the CDC at a deficit requires other college funds to subsidize its operations and activities. The college should perform a cost-benefit analysis to evaluate ways to make the CDC more cost effective and ensure program resources are maximized. In addition, the college should also review the adequacy of fees currently charged for these services.

Recommendations

The Board of Trustees:

- 1.1 Ensure the budget documents prepared by the college include all planned financial activity of the college and all budgetary information required by state law.
- 1.2 Review operations of the CDC to determine how the program can be operated as a self-sustaining entity.

Auditee's Response

- 1.1 *The Board of Trustees concurs with the finding and recommendation, and is satisfied that this recommendation has already been adopted. The Fiscal Year 2014 budget process, completed in June 2013, included all budgetary information required by state law.*
- 1.2 *The Board of Trustees is aware of the subsidy of the CDC and is aware of ongoing efforts to reduce the subsidy. Operations of the CDC are reviewed regularly, including during the annual budget process and following the completion of each fiscal year. Rates for childcare services are reviewed annually and adjusted frequently. As a result, subsidies for the CDC have been reduced by 68% from Fiscal Year 2009. Efforts will continue to make the operations of the CDC self-sustaining.*

2. Accounting Controls and Procedures

CDC personnel do not account for the numerical sequence of receipt slips. In addition, the bookstore maintains a large change reserve throughout the year and the bookstore and cashiers office cash personal checks.

2.1 Receipts

CDC personnel do not account for the numerical sequence of receipt slips. The CDC's automated accounting system issues single copy prenumbered receipts slips, but does not generate a management report that accounts for the numerical sequence of receipt slips issued. The CDC had receipts of approximately \$999,000 for the year ended June 30, 2013.



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To properly account for monies received and reduce the risk of loss, theft, or misuse of funds, the numerical sequence of receipt slips should be accounted for and receipt slip amounts reconciled to deposits.

2.2 Personal checks

Cashier's office and bookstore personnel allowed students and employees to cash personal checks, despite the availability of an on-campus ATM machine. As a result, monies receipted are not always deposited intact. Cashier's office personnel indicated 112 personal checks totaling approximately \$2,200 were cashed during the year ended June 30, 2013. Bookstore personnel were unable to provide information concerning the number or amount of personal checks cashed due to system constraints.

Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability of monies received. To help ensure cash receipts are accounted for properly, daily receipts should be deposited intact. If the college wishes to continue providing check-cashing services for its students and employees, the checks should be cashed from a separate cash drawer maintained on an imprest basis and not from daily cash receipts.

2.3 Bookstore change fund

The college bookstore maintains a change fund of \$6,100, which may be excessive. The bookstore manager indicated the bookstore maintains this amount to ensure cash reserves are adequate for making change and refunds during the months when the semesters begin and end due to the high volume of transactions. However, the bookstore has not performed an analysis to determine if such a large change fund amount is necessary during slower months.

To reduce the potential for fraud or theft occurring any excessive change fund amounts should be decreased for months with low sales transactions.

Recommendations

The Board of Trustees:

- 2.1 Update the CDC accounting software to account for the numerical sequence of receipt slips.
- 2.2 Discontinue the practice of cashing personnel checks for students and employees.
- 2.3 Determine the minimum amount of monies needed for book store change fund.

Auditee's Response

- 2.1 *The accounting software for the CDC does generate a report of all funds for which a receipt was issued to a parent that includes an itemized listing of those payments. This report is used by CDC personnel to reconcile the monies receipted to the funds deposited. The CDC software will be evaluated to determine if a report showing receipt numbers in sequential order can be implemented.*



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2.2 *The Board of Trustees is satisfied that the practice of cashing personal checks was discontinued in August 2013.*

2.3 *The Board of Trustees is satisfied that the amount of monies needed for the bookstore was reduced in October 2013.*

3. Rental Fees, Disbursements, Bids, and Contracts

The college's procedures for determining rental fees charged, soliciting bids for goods and services and entering into written agreements are in need improvement.

3.1 Rental fees

The college could not provide supporting documentation for the procedures utilized to determine the rental fees charged. The college has annual rental agreements with three entities and rents the use of college facilities to the public for daily meetings or events. The college received rental revenue totaling \$57,000 for the year ended June 30, 2013.

The college has not conducted a formal cost study or reviewed the amounts charged since 2006. As a result, there is no assurance fees charged for renting out college facilities are adequate. College personnel indicated the amount of rent charged is comparable to fair market value in the area or slightly below.

To ensure property rentals are cost effective or represent fair market value, the college should establish procedures to periodically determine the amount of the rent to be charged and maintain the related documentation.

3.2 Soliciting bids and contracts

The college does not always solicit bids for professional services or other goods and services or enter into formal agreements. We noted the following problems:

- The college does not solicit competitive proposals for legal services and the college has continued to renew this contract since March 2002 without periodically requesting or reviewing proposals from other firms. The fee is renegotiated when the contract is renewed. Any changes in fees charged are reviewed and approved by the board of trustees. The college paid \$23,000 for legal services for the year ended June 30, 2013.

College officials indicated they follow Chapter 34, RSMo, for bidding requirements, but the chapter does not specifically address professional services. In addition, the officials stated they have continued to use the same legal firm due to the firm's expertise in higher education and knowledge of the college's legal history. While professional services, such as attorneys, are not subject to standard bidding procedures, the college should solicit proposals for professional services to the extent practicable.



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- The college does not solicit bids for fuel purchased. The college purchases fuel from two vendors for licensed vehicles and refilling fuel tanks located at the college for non-licensed vehicles and equipment. College officials indicated they do not seek bids due to the small amount of fuel purchased and their preference to utilize vendors in close proximity to the campus. In addition, the college has not entered into written contracts with either vendor. The college purchased approximately \$21,000 in fuel for the year ended June 30, 2013.
- The college obtains the services of two vendors to conduct textbook buy backs at the end of the fall and spring semesters. The vendors are allowed to purchase books directly from students for resale and in return the college receives a 10 percent commission. No written contract has been entered into with either vendor documenting the amount of commission to be paid or how it is calculated. The bookstore manager indicated the bookstore has verbal agreements with the vendors. The college received \$6,000 in commissions for the year ended June 30, 2013.

Soliciting proposals and subjecting such services to a competitive selection process does not preclude the college from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the college to make a better-informed decision to ensure necessary services are obtained from the best-qualified vendor at the lowest and best cost. In addition, formal agreements are necessary to ensure the college and the vendor are aware of their duties and responsibilities and to provide protection to both parties.

Recommendations

The Board of Trustees:

- 3.1 Periodically conduct formal cost studies to ensure the amount of the rent charged for the use of college facilities is reasonable.
- 3.2 Ensure competitive proposals are solicited for good and services to the extent practicable and enter into a written agreements with vendors detailing the goods or services to be provided.

Auditee's Response

- 3.1 *The Board of Trustees is satisfied that rates charged for the use of college facilities were evaluated in February and March 2014. Adjustments for recurring leases will be made at the time of renewal. Future rate evaluations will occur no less frequently than every three years as part of the budget process.*
- 3.2 *The college is strongly committed to soliciting competitive proposals and entering into formal written agreements, in accordance with Board policy and applicable laws. Exceptions*



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noted in the State Auditor's findings will be addressed by the end of Fiscal Year 2014. The Board of Trustees finds the opening language of this section of the auditor report - "The college does not always solicit bids for professional services or other goods and services or enter into formal agreements" - to be potentially misleading and excessive in relation to the very limited finding of evidence to that effect. As correctly stated in the finding in this section, "professional services, such as attorneys, are not subject to standard bidding procedures." The Board of Trustees has routinely evaluated the quality of current legal services and has placed a priority on retaining the highest quality of service possible in this area. We will evaluate whether a voluntary formal bid process for legal services will provide an advantage to the college in this regard. The Board of Trustees is satisfied that the competitive selection process, including written contract, for textbook buy-back services was completed in March 2014. The remaining item cited in the audit report - fuel purchases - will be addressed by the end of Fiscal Year 2014.

4. Capital Assets

Procedures and records to account for college property are not adequate. The current threshold for capitalizing assets is \$5,000; however, assets with a minimum cost of \$1,000 and all technology assets are tagged as college property. According to college records capital assets totaled \$103 million as of June 30, 2013.

4.1 Annual inventory

The college conducts an annual inventory of all capitalized assets costing greater than \$5,000 and all technology equipment. However, documentation of the inventory worksheets are not maintained and the missing assets report for the fiscal year ended June 30, 2013, could not be located.

Annual physical inventories are necessary to ensure the accuracy of capital asset records and to detect the loss, theft, or misuse of assets. The college should conduct annual physical inventories, reconcile the results of the inventories to the detailed capital asset records, and maintain supporting documentation.

4.2 Capital asset tags

College personnel did not always update the manual capital asset log to document the asset had been properly tagged and identified as college property. The purchasing department maintains a manual capital asset log documenting items to be added to the college's master capital asset listing. The log includes the asset number, description, date purchased, acquisition cost, asset identification number, and the tag number. A review of the log for the fiscal years 2007 through 2013 indicated several items had not been assigned an asset tag number. The purchasing director indicated all assets are tagged; however, the log is not always updated to reflect tagged assets



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because testing of the asset is required prior to installation and some assets are delivered directly to other buildings.

Complete and accurate records are essential to reduce the potential for the loss, theft, or misuse of capital assets.

Recommendations

The Board of Trustees:

- 4.1 Ensure college officials reconcile the inventory results to the detailed capital asset records and maintain all supporting documentation.
- 4.2 Ensure all capital assets are properly recorded in the capital asset log.

Auditee's Response

- 4.1 *The Board of Trustees is satisfied that the college will continue to conduct an annual physical inventory of capitalized assets. The college defines capitalized assets as assets with an initial acquisition cost of \$5,000 or more and a useful life of more than one year. This annual inventory practice reconciles over 95% of the total value of the college's recorded assets. By the end of Fiscal Year 2014, the college will develop procedures to document physical inventories and reconciliations of all assets, capitalized and non-capitalized.*
- 4.2 *The Board of Trustees is satisfied that all capital assets are properly recorded in the college's official capital asset system. The log referenced in the State Auditor's findings is an unofficial, working document. It has been modified to avoid confusion in the future.*

5. Credit Card Convenience Fees

The college allows student accounts to be paid with personal credit cards; however, credit card users are not charged a convenience fee to offset the related costs to the college. Currently, credit card fees are absorbed by the college. The college paid approximately \$139,000 in related credit card fees for the year ended June 30, 2013.

According to the college personnel, the cost of credit card convenience fees is considered a cost of doing business and indicated the cost of convenience fees would be very complex to calculate and pass on to the students.

The college should reconsider if absorbing credit card fee costs outweighs the benefits of not charging credit convenience fees.



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Recommendation

The Board of Trustees reconsider its decision to absorb credit card convenience fees.

Auditee's Response

The Board of Trustees believes credit card fees are a necessary cost of doing business. When students pay with credit cards, the transactions are processed quickly and efficiently; labor costs for staff to process payments are reduced when transactions are processed through the college website; students can make payments during times when the college is closed; the funds are available to the college quickly; and collections issues associated with payments made by check are avoided. The college surveyed the other eleven community colleges in Missouri and none charge a convenience fee for accepting credit cards. In a competitive higher education environment, it is rare to find the imposition of a credit card convenience fee for student payment of bills. The Board feels that to impose a credit card convenience fee in this environment would place the college at a competitive disadvantage. The college feels its current practice regarding credit card acceptance is in the best interest of students and the institution.

6. Vehicle Usage and Fuel Logs

The College needs to improve controls and procedures over fuel purchases and usage by the campus facility and grounds departments.

The college operated 28 non-street licensed vehicles and equipment as of June 30, 2013. The campus-only vehicles include tractors, utility vehicles, and micro minivans. The college maintains one diesel tank and one gasoline tank that are not metered for fueling these campus only vehicles and equipment. The grounds supervisor does not maintain a log documenting fuel purchases, usage, or on hand and no procedure is performed to periodically reconcile those items. As a result, there is less assurance fuel usage is accounted for, invoices for fuel purchased are correct, and theft would be detected promptly. The college purchased approximately \$9,500 of fuel for these tanks during the year ended June 30, 2013.

Procedures for reviewing fuel used and reconciling use to fuel purchases are necessary to ensure the reasonableness and propriety of fuel use and disbursements. Mileage logs are necessary to document the appropriate use of vehicles, to support fuel charges, and to ensure vehicles are being utilized. The failure to account for fuel use could result in theft and misuse going undetected.

Recommendation

The Board of Trustees ensure a documented periodic reconciliation of fuel purchased to fuel used is performed, and investigate any significant discrepancies. In addition, the Board should ensure mileage logs are maintained for all college vehicles.



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Auditee's Response

Though there is no indication of loss, theft or misuse, the college agrees to implement a reconciliation process, including fuel usage logs. The Board of Trustees is satisfied that this process was implemented in March 2014.

7. College Foundation

The college subsidizes certain operating expenses of its foundation, which may violate the Missouri Constitution. In addition, the college has no formal contract or agreement with the foundation to document the duties and responsibilities of both parties. Also, the foundation's budget was not approved timely for the fiscal year ended June 30, 2013.

The St. Charles Community College Foundation, established in 1991, is a not-for-profit 501(c)(3) tax exempt public benefit corporation. Its mission is to improve the quality of life in the community by securing private and public funds to strengthen educational and cultural opportunities, and to enhance community awareness of the college and the foundation. The business and affairs of the foundation are managed by a board of directors that includes a college official and community and business leaders.

7.1 Subsidies

The college subsidized a substantial portion of the operating costs of the foundation, financing approximately \$240,000 of \$287,000 (84 percent) spent during the year ended June 30, 2013. In addition, the college could not quantify the amount of salary and benefit costs for other college employees providing operational support actually attributable to foundation activities.

- The college does not receive reimbursement from the foundation for the foundation's Vice President for College Advancement Director, the Development and Foundation Relations Manager, and two foundation assistants. During the year ended June 30, 2013, the college paid \$232,000 in salary and benefits to foundation personnel.
- The college paid \$8,000 for some operating costs associated with the foundation that included advertising and printing, community activities, supplies, and other miscellaneous expenses for the year ended June 30, 2013. In addition, the college provides office space and equipment on campus for the foundation.
- Several finance office employees including the Director of Financial Services perform minimal work for the foundation and are paid entirely by the college. In each instance, college officials indicated employee timesheets do not indicate the hours worked on foundation versus college activities nor has the college performed a time study to serve as a basis for allocating these costs. Therefore, it is unclear exactly how much of each employee's time was related to foundation activities and should have been reimbursed by the foundation.



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The practice of subsidizing the foundation with college funds may constitute the granting or lending of public funds to a private entity, which is prohibited by Article III, Section 38(a) and Article III, Section 39(1), Missouri Constitution.

7.2 No formal agreement

The college has not entered into a formal agreement with the foundation.

A formal agreement is necessary to ensure the college and foundation are aware of their duties and responsibilities and to provide protection to both parties. Such an agreement might include, but not necessarily be limited to, the overall goals and objectives of the partnership between the entities; anticipated activities, such as scholarship and other direct support provided to the college by the foundation; accounting system services, and equipment management services provided to the foundation by the college.

7.3 Budgets

The foundation prepared a budget that does not include the actual beginning and estimated ending available resources or a budget message. In addition, the foundation does not always adopt budgets in a timely manner. The budget for the fiscal year ended June 30, 2013, was approved at the August 29, 2012 board meeting. As a result, the foundation's board is not using all available information in a timely manner to assist in effectively managing foundation finances.

A complete and well-planned budget along with effective budgetary monitoring procedures can serve as useful management tools by establishing specific revenue and expenditure expectations. In addition, the budget should be approved prior to the beginning of the fiscal year.

Recommendations

The Board of Trustees:

- 7.1 Discontinue the practice of subsidizing salaries and benefits for college employees who perform activities for the foundation. The college employees should track actual time worked for each activity or perform time studies to determine an allocation basis and request reimbursement for the foundation-related costs.
- 7.2 Enter into a written agreement with the foundation that documents the duties and responsibilities of both parties.

The Foundation Board:

- 7.3 Ensure annual budgets are approved timely and contain the actual beginning and estimated ending available resources and a budget message.

Auditee's Response

- 7.1 *The Board of Trustees finds it puzzling that the state audit report indicates that the college subsidization of certain operating*



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expenses of its foundation "may violate the Missouri constitution." It would seem incumbent upon the auditors in this case to provide a definitive statement in this regard. That said, the Board of Trustees is satisfied that the college will evaluate the practice of subsidizing certain costs of the foundation and will seek to ascertain on its own whether this practice is or is not a violation of the Missouri Constitution. If it is determined that a violation has occurred, the college and foundation will remedy the situation.

- 7.2 *The Board of Trustees is satisfied that the college and foundation will enter into a written agreement by the end of Fiscal Year 2014.*
- 7.3 *The foundation's budget for Fiscal Year 2015 and going forward will comply with the requirements noted in the State Auditor's findings.*

St. Charles Community College

Organization and Statistical Information

The St. Charles Junior College District was established as a result of a public election on April 1, 1986, in accordance with enabling legislation by the Missouri General Assembly (Section 178.770, RSMo). The district was given the legal designation, the St. Charles County Community College District in February 1987. Its main campus is located in Cottleville. The residents within the district pay a property tax to support the operations of the college.

The college first opened for classes in the summer of 1987 and operated in several temporary locations for 5 years. In February 1989, the Board of Trustees authorized the purchase of a 135 acre tract that was destined to be located directly in the county's center of population growth for the year 2000. The campus has expanded to include 12 buildings, which have been constructed in four phases from June 1990 to August 2006. The Board of Trustees purchased adjacent parcels of land in 1998, 1999, and 2003 to increase the campus size to 235 acres. The land and construction costs have been funded through bond issuances approved by district voters.

The college is a comprehensive 2-year community college with associate degrees and certificate programs in the arts, business, sciences and career-technical fields. The college provides workforce training and community-based personal and professional development as well as cultural, recreational and entertainment opportunities. In addition to the main campus the district executed a 5 year lease in March 2013 with Lindenwood University at an offsite location to provide classes associated with its Nursing and Allied Health programs. In addition, the college offers a variety of courses on-line.

In the spring of 2013 and fall of 2012, the college's student enrollment totaled 7,242 and 7,724, respectively. However, due to numerous part-time students, the full-time equivalent student enrollment totaled 4,609 and 5,080 in each of those semesters, respectively. The college employed 411 full-time and 527 part-time employees as of June 30, 2013.

The college is governed by a 6-member Board of Trustees, who are elected in the April general election on even-numbered years, with each term running for 6 years. These individuals serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties. The Board functions as the legislative and policy-making body of the district, charged with the oversight and control of the college. The Board is responsible for defining the purpose of the college, developing and adopting the mission statement, appointing the president of the college, and approving all personnel and financial dealings. Board of Trustees meetings are held the third Monday of each month in the Social Sciences Building and are open to the public.



St. Charles Community College
Organization and Statistical Information

Board of Trustees

The Board of Trustees as of June 30, 2013, consisted of the following members:

Name	Position	Term Ends
Ryan Robertson	President	April 2016
Robert R. Proost	Vice President	April 2014
Rose Mack	Secretary	April 2016
Judge William Lohmar	Treasurer	April 2014
Jean Ehlmann	Member	April 2018
William R. Pundmann	Member	April 2018

Executive Officers

The direction of daily operations is the responsibility of the administrative employees who serve under the leadership of the college president. These employees and their annual compensation as of June 30, 2013, were as follows:

Name	Position	Compensation
Dr. Ronald Chesbrough	President	\$ 205,980 (1)
Donna Davis	Vice President for Human Resources	104,671
Todd Galbierz	Vice President for Administrative Services	135,417
Chris Breitmeyer	Vice President for Academics and Student Affairs	131,183
Heather McDorman	Vice President for Marketing and Communications	90,236
Kasey McKee	Vice President for Advancement	90,480
William Strecker	Associate Vice President for Technology and Online Learning	91,768

(1) Includes \$198,900 salary, \$6,000 automobile allowance, and \$1,080 phone allowance.

Financial Activity

Financial information and an organization chart follow:

Appendix A

St. Charles Community College Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30, 2013
OPERATING REVENUES	
Student tuition and fees (net scholarship allowances)	\$ 13,614,115
Auxiliary enterprises (net scholarship allowances)	2,277,035
Governmental grants and contracts	11,166,492
Private gifts and contributions	62,650
Other operating revenues	1,148,099
Total Operating Revenues	<u>28,268,391</u>
OPERATING EXPENSES	
Instruction	24,510,729
Institutional support	6,891,285
Operation and maintenance of plant	5,596,747
Student services	3,309,507
Academic support	913,114
Library	944,202
Student aid	4,033,403
Auxiliary enterprise expenses	2,317,921
Depreciation	2,617,485
Total Operating Expenses	<u>51,134,393</u>
Operating Loss	<u>(22,866,002)</u>
NON-OPERATING REVENUES (EXPENSES)	
Taxes	15,763,443
State appropriations	7,319,492
Investment income	19,987
Interest on capital asset-related debt	(1,607,651)
Amortization of bond discount	84,001
Total Non-Operating Revenues (Expenses)	<u>21,579,272</u>
DECREASE IN NET ASSETS	<u>(1,286,730)</u>
NET ASSETS, Beginning of Year	<u>47,873,599</u>
NET ASSETS, End of Year	<u>\$ 46,586,869</u>

Source: St. Charles Community College audited financial statements. The financial statements of the foundation are not included.

Appendix B

St. Charles Community College Organization Chart June 30, 2013

