



Dave Yost • Auditor of State

**Owens State Community College
Wood County, Ohio**

Financial Accounting Report

Local Government Services Section

**Owens State Community College, Wood County
Financial Accounting Report**

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CERTIFICATION

The requirement set forth in Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code requires that after the declaration of the existence of a fiscal watch, the Auditor of State shall issue a report outlining the nature of the financial accounting and reporting problems of the College and recommendations for actions to be undertaken to correct the financial accounting and reporting problems.

Therefore, pursuant to Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, a “Financial Accounting Report” is hereby submitted and certified to the Board of Trustees of Owens State Community College.

In the preparation of this report, certain College financial accounting, budgetary and reporting problems along with the related methodology have been detailed. We believe that substantive weaknesses exist in the areas of purchasing policies and purchasing card usage, payroll segregation of duties, and the lack of a comprehensive forecasting and planning policy. Pursuant to Ohio Administrative Code 126:3-1-01(F)(3), the Auditor of State, prior to fiscal watch termination, will be in a position to consult with the Board of Regents as to whether or not these substantive weaknesses have been addressed.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

September 16, 2015

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Purpose

As required by Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, after the declaration of the existence of a fiscal watch, the College shall “consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the College into compliance with requirements prescribed by the Auditor of State, regarding desirable modifications and supplementary systems and procedures pertinent to the College. The Auditor of State shall provide a written report to the Board of Trustees outlining the nature of the financial accounting and reporting problems of the College and recommendations for actions to be undertaken to correct the financial accounting and reporting problems.”

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of Owens State Community College, and (2) whether the current accounting system is in compliance with the requirements of the Auditor of State.

This report presents in narrative form the major transaction cycles of the College and certain other key activities that affect the accounting and reporting functions. Each section of the report identifies the key elements necessary for an effective system, the related requirements from the Ohio Revised Code and the Ohio Administrative Code, the College’s process, and the Auditor of State’s comments for correction or improvement. Information for this report was obtained by interviewing College personnel, observing operations, and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Board of Trustees of Owens State Community College. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the adequacy of the accounting system. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Governance Overview

Owens State Community College (the “College”) is located in Perrysburg, Wood County, Ohio and has a campus in Findlay and learning centers in Toledo and Maumee. The College was created in 1967, pursuant to Section 3357, Revised Code. In 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358, Revised Code. The College is a component unit of the State of Ohio as a state community college.

The College is governed by a nine-member Board of Trustees appointed by the governor with the advice and consent of the State Senate. Per Section 3358.08, Revised Code, the Board of Trustees owns and operates the College. The Board of Trustees appoints and fixes the compensation of the President, who is the chief executive officer of the College.

The College’s purpose is to provide instruction in post-secondary education programs to residents of the College’s district, which encompasses Hancock, Lucas, and Wood counties and parts of Ottawa and Sandusky counties. Students earn associates degrees or certificates in liberal arts, applied business, applied science, science, or technical studies or earn certificates in a variety of technical programs.

On April 21, 2015, Owens State Community College was declared in a state of fiscal watch by the Ohio Board of Regents.

As required by Chapter 126:3-1-01(D)(1) of the Ohio Administrative Code, after declaration of fiscal watch, the Board of Trustees shall:

1. Within ninety days of the declaration of fiscal watch adopt a recovery plan with the purpose to end fiscal watch within three years, which is approved by the Board of Regents;
2. Consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the College into compliance with requirements prescribed by the Auditor of State, regarding desirable modifications and supplementary systems and procedures pertinent to the College;
3. Direct the College to develop an effective financial accounting and reporting system by promptly bringing its existing system of financial accounting and reporting into compliance with the standards required by the Auditor of State;
4. Establish a process by which the Board of Trustees or a committee thereof will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the recovery plan;
5. And, approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

The College developed a Financial Recovery Plan that was approved by the Board on July 15, 2015 and submitted to the Ohio Board of Regents.

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In accordance with Chapter 126:3-1-01(F)(1) of the Ohio Administrative Code, the fiscal watch will be terminated once the following criteria are met:

1. The College achieves a composite result of the ratio analysis calculated in accordance with Chapter 126:3-1-01(A)(4) of the Ohio Administrative Code of at least 2.40 for a fiscal year;
2. The College remediates all of the conditions that led to the fiscal watch, including any cash flow problems, the inability to prepare fiscal year financial statements in a timely manner, substantive audit findings, or reportable events;
3. And, no other condition exists or is likely to materialize that could result in a declaration of fiscal watch.

Once these conditions have been met, the Board of Regents shall adopt a resolution declaring the termination of the fiscal watch and shall certify the resolution to the Governor, the Speaker of the House of Representatives, the Legislative Budget Office of the Legislative Service Commission, the Director of the Office of Budget and Management, and the Board of Trustees of the College.

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Budgetary Process

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and type of financial resources that shall be raised, and how those financial resources shall be spent. Annually, a budget consisting of estimated unrestricted operating revenues and expenditures for the next fiscal year should be presented to the governing body with sufficient time for review. The budget should identify the major sources of revenues and divisions of expenditures. The budget should encompass for each division current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget should identify the amount of resources authorized to be expended for each division's functions and programs. The amount budgeted should not exceed the estimated resources available for the year. The estimated revenues and budgeted expenditures should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for expenditure.

College's Budgetary Process

The primary budgetary process encompasses the operating (unrestricted) revenue and expenses for the fiscal year; a separate budgetary process for grants (restricted) is included at the end of this section. Through the accounting software system (Banner) which is designed for the College's needs, including but are not limited to accounting, budgetary, and payroll, the College is able to monitor actual revenues and expenditures versus the budget for each line item that has been inputted.

The College's Board approved policies include reserve fund balance requirements. Per the Financial Standards Policy, the College shall maintain a specified undesignated reserve balance in the unrestricted educational and general current operating fund, the unrestricted auxiliary fund, and the unrestricted plant fund. The reserve balances required vary by fund and are detailed in the policy. The Treasurer maintains a budgetary narrative for each fiscal year that describes the budgetary process, including the steps that are taken to prepare and monitor the budget and the College administrative staff position responsible for each step. The College's senior administration includes the President, the Vice President of Academic Affairs, the Vice President of Human Resources and Administration, the Vice President of Enrollment Management, Student Services, and Marketing, General Counsel, the Executive Director of Government and Community Relations, and the Associate Vice President of the Findlay Campus. All vice presidents are involved in the budget process and may have multiple departments within their division.

In January of each year, the Financial Analyst/Budget and Systems (the Analyst) starts the process of the next fiscal year's budget by analyzing historical revenue and expense data. Tuition revenue is budgeted based upon a model that includes historical enrollment data, projected enrollment, number of credit hours, in-state versus out-of-state students, and other miscellaneous factors. The projected enrollment is provided by the Vice President of Enrollment Management, Student Services, and Marketing each semester. Budgeted tuition amounts are linked into a revenue summary spreadsheet from the tuition calculation. The summary also includes all other revenues, which are budgeted based upon historical data and any assumed changes for the upcoming year.

The expense analysis is done in two pieces, payroll expenses and non-payroll expenses. For the payroll related portion of the budget, the Analyst obtains the most recent data from Banner for "single" positions. These are positions filled by a specific employee and include faculty, administration, and most other full time positions. This data is listed by job position, and includes the salary and fringe benefit amounts of the employee currently filling each position. In the case of a vacant position, the amounts listed are the salary and

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fringe benefits of the last employee to fill that position. These amounts are used to budget for the position in the next fiscal year's budget. Modifications to these amounts may be made according to provisions in union contracts. In addition, the Treasurer consults with the Vice President of Human Resources and Administration to project changes in fringe benefit calculations. It is assumed that all positions will be filled for the following fiscal year, unless the Analyst is notified of positions to be added or reduced by the Human Resources Department.

For pooled positions, or those that are filled by a number of non-specific employees, there are additional spreadsheets done by the Analyst. The pooled positions include adjunct faculty, supplemental payments to faculty for overload and other additional duties, tutors, coaches, student workers, and part time positions. For the pooled positions, the Analyst uses two fiscal years of historical data and current fiscal year to date information to project an amount for the next fiscal year. The current fiscal year to date information is listed by pay period, as certain positions may only be paid a few times a year rather than in equal installments.

To budget non-payroll expenses, the Analyst uses two prior fiscal years of expense data, sorted by department and "pool" (line item). Again, the Analyst looks at this data by month in order to identify cyclical variances in spending. The Analyst will investigate any unusually large amounts in a month to identify possible one-time expenses that should not be factored in to the next fiscal year's budget. Once the Analyst has the non-payroll departmental expenses spreadsheet completed, typically in early April, it is distributed to the budget authority in each department. The budget authority is a director, chair, or manager of a department. The budget authorities review their assigned department(s) and contact the Treasurer with any questions or requests for additional funding. The Treasurer will discuss additional funding requests with the vice president in charge of the requesting department and the amount will be increased on the departmental expenses spreadsheet if necessary.

Data from the revenue summary, the single positions spreadsheet, the pooled positions spreadsheet, and the finalized departmental expenses spreadsheet are all linked into a summary proposed budget spreadsheet. In addition, the Treasurer provides the Analyst with projected changes to revenues or expenses due to known contractual obligations or other planned initiatives which have been vetted by the Risk Management Team and approved by the Vice Presidents and the President. The Risk Management Team is made up of the Treasurer, the Vice President of Enrollment Management, Student Services, and Marketing, the Associate Vice President of Institutional Effectiveness, and the General Counsel. These changes are incorporated into the summary proposed budget spreadsheet. The summary and all supporting documents are submitted to the Treasurer.

During the time that the Analyst is calculating the budget from a detailed approach, the Treasurer is doing budget calculations from a summary approach. This includes reviewing historical data and cyclical trends by major line item and calculating amounts for the next fiscal year. These calculations are compared to the budget summary prepared by the Analyst and any significant variances are investigated. The summary proposed budget may be revised due to this comparison.

Once the final summary proposed budget is prepared it is reviewed with the President, the Vice Presidents and the Chairperson of the Board Finance Committee. During the Board meeting in June, the Treasurer presents the operating budget for both revenues and expenses. The presentation focuses on significant changes from the prior fiscal year's budget and the reasons for those changes. The Board, in June by resolution, approves the operating budget by major line item for both revenues and expenses. The budget includes a column for each of the following funds: unrestricted, auxiliary, plant, scholarships, and utility. No grants budgets are sent to the Board; however, each grant has an individual approval process. (See Grant Budgets section in this narrative)

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Banner allows for the Analyst to upload the current fiscal year unrestricted budget from excel into Banner. The Analyst has a Banner procedure manual listing the step by step process as well as notes on specific reports to generate. Once the unrestricted budget is approved by the Board, the Analyst uploads the budget spreadsheet into a test environment in Banner. The Analyst then runs a script in Banner to retrieve the uploaded test budget data. This data is converted to a format that mirrors the Board resolution in a file called the Spreadsheet Budget Check. The Analyst presents the Spreadsheet Budget Check and the matching Board-approved budget to the Treasurer for review. If no errors are found, on July 1st, the Analyst moves the new fiscal year unrestricted budget into the production side of Banner.

Budget transfers or modifications can be requested by each department within the College through a request to the Analyst. There are four main types of requests. A transfer request is made by the budget authority in the department requesting a change. Although the College does have a Request for Budget Transfer form, requests are typically done via an email to the Analyst. These requests are usually to move budget within line items or departments that are overseen by the same budget authority. The Analyst maintains a list from Banner of all the budget authorities and checks to be sure that the emails or request forms are being submitted by someone from the list. The Analyst prints the request, modifies the budget within Banner through a journal entry, writes the journal entry number and date on the request, signs it, and files it.

The second type of request is to increase a department's budget, and that type of change must be approved by the budget authority, the dean, and the vice president of the department affected. The Analyst receives the approved Budget Request form or an email request. If the request is via email, the Analyst will forward it to the Treasurer who can consult with the appropriate vice president to determine if approval was given within their division. The responsibility of reviewing budget modifications within Banner is placed upon the departments requesting the change. Budget authorities within each department have read-only access to their budgets within Banner through username and password. The Board only approves changes to the overall budget, which are rare. Even if a department requests an increase, there are usually open positions or other contingencies throughout the budget that can be used to offset the increase. Typically, the overall budget is not amended until fiscal year-end, when the Board approves a final budget.

The third type of request is to create a new department. This is only used when a new program is being offered by the College and would typically result in an increase to revenue as well as expenses. The Grant/Departmental Setup form is used to propose a budget for this new department and the form is approved by the budget authority, dean, and vice president before being submitted to the Analyst. The final type of request is to change the allocation of a particular employee's salary and benefit costs in the budget when the employee is working for multiple departments. The Labor Distribution Change form is completed by the budget authority and approved by the dean and vice president over the departments before being submitted to the Analyst for reallocation of the expenses in Banner.

Review of enrollment information allows the Treasurer and the Analyst to note large fluctuations in the estimated enrollment and related revenue budgets that were projected for the fiscal year. The Analyst receives daily enrollment counts from the Office of Institutional Effectiveness. The Analyst then uses these counts to prepare actual enrollment to budgeted enrollment comparisons and trends. When significant fluctuations in enrollment occur, the Analyst reviews the comparisons with the Treasurer and revenue budgets are revised if necessary. If this revision is a decrease in budgeted revenues, the Treasurer contacts the other vice presidents and the President to notify them that expense budget cuts will be needed. Once cuts are developed and agreed upon, the Treasurer directs the Analyst to revise the budget. A decrease in the budget is not submitted to the Board for approval, as the Board has approved a maximum budget amount for the fiscal year.

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Grant Budgets: The Senior Accountant is solely in charge of processing grant budgets within Banner. The Senior Accountant follows a written list of procedures for the finance-related processes for grants. When grant proposals are written, the proposals include a budget within the request to the granting agency. The budget is developed by the grant requestor (Project Manager) and the entire grant proposal, including the budget, is presented to and reviewed by the Risk Management Team. In addition, the Project Manager completes the Risk Management Checklist for Proposed Project form. After receiving approval from the Risk Management Team, the grant proposal is submitted to the granting agency by the Project Manager.

Once a notice of award has been received with the budget approved by the granting agency, the Senior Accountant enters the grant into Banner by inputting information about the new grant award. If the grant has not been received by the College in the past, the FRAGRNT program is used to set up the grant title, granting agency, and CFDA number. Next, FTMFUND is used to establish a fund for the grant and other account information. Finally, an index number is established for the grant. Any journal entries recorded for budget or actual transactions related to the grant will use the index number so that reports may be run for all of the grant's activity. The Senior Accountant then notifies the Controller and the Procurement Manager of the new grant and requests that the Project Manager be assigned as budget authority for the grant in Banner. The Senior Accountant enters the budget from the approved grant into Banner. The Associate Vice President of Academic Affairs or the Executive Director of Government and Community Relations (depending on the type of grant) are the second budget authority and approve grant spending after it is approved by the Project Manager. Grant budget modifications are prepared and submitted by the Project Manager to the second budget authority. Approved budget modifications are inputted by the Senior Accountant within Banner.

Certain grants are also tracked in the Ohio Department of Education's Comprehensive Continuous Improvement Plan (CCIP) system. For these grants, the budget is entered both in that system and in Banner. The Senior Accountant is the College's fiscal representative for CCIP and enters the budget as requested by the Project Manager. The Associate Vice President of Academic Affairs is the grant authorizer in CCIP and approves budget changes made by the Senior Accountant.

Auditor of State Comments

1. Although the Board approved a Financial Standards Policy which includes a requirement that the College maintain a specified undesignated reserve balance in the unrestricted educational and general current operating fund, the unrestricted auxiliary fund, and the unrestricted plant fund, this policy has not been implemented as of the date of this report. The College should implement this requirement by incorporating fund balance targets into the budgeting process. This will help ensure that budgeted expenses are at a level that will permit the growth or maintenance of the aforementioned undesignated reserve balances. Additionally, there should be a process of monitoring fund balance throughout the year to allow for changes to the budget if the specified undesignated reserve balance is not being met.
2. The Treasurer maintains a budgetary narrative for each fiscal year that describes the budgetary process; however, this narrative should be expanded to include a more detailed description of budget monitoring procedures and budget forms to be used. These procedures should include a mandated review process of variances between estimated revenues and actual revenues and the amount or percentage of variance that will start the process of modifying the overall unrestricted budget. These procedures should also include specific timelines and a requirement for tracking enrollment and related revenues to predict the accuracy of the current budget. These procedures should also include a requirement to use the budgetary forms that are in place, rather than relying on email requests.

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3. To ensure disclosure of budget transfers, budget modifications and new departments approved by the Vice Presidents, grant budgets approved by the Risk Management Team, and significant enrollment fluctuations, these approved budget transfers, budget modifications, new departments, grant budgets and significant enrollment fluctuations should be presented and reviewed with the Board Finance Committee at the following month's Committee meeting. In addition, the Board should approve any necessary decreases to the overall budget rather than only approving a maximum amount.

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Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. A pre-numbered, multi-part receipt form or a system generated receipt form should be issued for any payment received by departments. The receipt should bear the name of the College and reflect the date received, the payer, the amount, the purpose/nature of the receipt and the signature or name of the person preparing the receipt. Departmental receipts should be summarized and remitted to the fiscal office daily.

Statutory Requirements

Section 9.38, Revised Code provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of the public monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

College's Receipt Process

The College has several procedures related to receipts, including a revenue posting procedure, daily duties for cashiers, payment of tuition and fees, and bad debt allowance procedures. While there are some variances between departments, current practices of the departments are within the outlined procedures for cash collection.

The College's primary sources of revenues include State Share of Instruction monies, tuition, and mandatory fees from students. In addition, the College receives Federal and State grants, bookstore sales, clinical fees, and rent. Monies are received by the College via electronic transfer, in the mail, through an online payment system, and through several cash collection sites. The College's procedure pertaining to the receipting of funds is that non miscellaneous receipts should be posted the same day along with miscellaneous receipts by the following workday, unless funds and/or account information is needed to properly post. The Staff Accountant contacts the appropriate department to obtain needed information in order that postings can be completed by the next business day. All employees that handle monies are covered through the College's liability insurance.

The Business Affairs Office (BAO) receives the following types of payments: cash, checks, cashier's checks, money orders, wire transfers, credit card payments, and payments from Nelnet Business Solutions (Nelnet). The College accepts payments at various locations on the Toledo-Area and Findlay Campuses, as well as its location at the Arrowhead Park Learning Center in Maumee.

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The departments that accept payment at the Toledo-Area Campus include the following: Workforce and Community Services, Student Accounts, Center for Emergency Preparedness, Culinary Arts, Dental Hygiene Clinic, Library, Student Health and Activities Center, Safety and Security Department, Bookstore, Public Safety, and Student Activities Office. Some of the receipts of the Workforce and Community Services Department are also received at the Arrowhead Park Learning Center which is located off-campus. At the Findlay Campus, departments that accept payments include the Bookstore, Copy Center, Security Office, and Library. Additionally, there are drop boxes located at both the Toledo-Area Campus and the Findlay Campus to accept cash or check payment on Student Accounts. For all departments and drop boxes, a designated employee is responsible for preparing documentation for deposits.

Daily Deposits: Generally, all deposits from the departments and drop boxes follow the same procedure. The Office of Student Accounts and the Bookstores have additional procedures that are described below. Payments in the form of cash, checks, and credit cards are processed by a cashier in each of the aforementioned departments. Each cashier is also responsible for verifying cash, check, and credit card payments to source documentation, maintaining a pre-set change fund, and preparing the daily deposit. The cashiers of the Student Accounts and Workforce and Community Services departments post receipts directly into Banner. All other departments submit supporting documentation along with their daily deposits and these items are later posted into Banner by the Staff Accountant. Each work day, a security officer picks up deposits from each department and delivers them in locked bags to the Staff Accountant at the Toledo-Area Campus or the Accounting Specialist at the Findlay Campus.

At the Findlay Campus, the Accounting Specialist verifies the counts for each department and completes a daily cash summary to balance receipts to deposits. If there is a discrepancy in the cash count, the difference is noted and the necessary steps are taken to identify and resolve this issue. A security officer takes the deposit, in a locked bag, to the bank daily. The summary of receipts is sent to the Staff Accountant at the Toledo-Area Campus to prepare the appropriate journal entries.

For receipts at the Toledo-Area Campus, the Staff Accountant verifies the daily counts for each department. If there is a discrepancy in the cash count, the difference is noted and the necessary steps are taken to identify and resolve this issue. Once all receipts are verified, a receipt slip is created, with a duplicate copy provided to the appropriate department for their records, and the deposits are secured overnight in the safe located inside a locked room in the BAO office. Access to the safe is limited to the Controller, Controller's Secretary, Senior Accountant, Accountant, and Staff Accountant. Deposits are transported from the safe in locked deposit bags by a security officer to the bank on Tuesdays and Fridays; however, if deposits are greater than one thousand dollars, a security officer will transport the deposit to the bank that day.

The following workday all receipts from both campuses, except those from the Student Accounts and Workforce and Community Services departments, are entered into Banner by the Staff Accountant. The Staff Accountant enters the amount, selects the proper account codes, and enters the date of receipt and Banner assigns a document number to the receipt. Entries remain in a queue until they are verified to supporting documentation by the Senior Accountant. If no discrepancies exist, the Senior Accountant posts the receipts to the general ledger.

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Wire Transfers: The College receives many revenues through wire transfers made directly to the main operating bank account, including but not limited to, State Share of Instruction monies, Federal and State grants, payments on student accounts collected by the Ohio Attorney General, and online payments processed by Nelnet.

All online payments through the College's website are processed by a third party, Nelnet. The College has contracted with Nelnet to utilize their commerce software and system to process all online payments. Through interfacing, payments received by Nelnet are automatically posted to Banner and credited to appropriate student accounts. Payments received by Nelnet are electronically deposited into the College's operating account and posted to Banner. Nelnet deposits are verified by the Accountant while performing bank reconciliations.

The Manager of Cash/Investments is responsible for reviewing and processing electronic payments not handled by Nelnet. She reviews the College's bank accounts daily to identify electronic payments that need to be posted into Banner. Proper accounts (receipt codes) are identified by the Manager of Cash/Investments from correspondence received from departments expecting the payments. If correspondence is not received, the Manager of Cash/Investments contacts the departments and resolves the issue. The Manager of Cash/Investments then posts electronic payments into banner which remain in a queue until approved. The Senior Accountant reviews receipts posted in the queue, verifying them to supporting documentation.

Student Accounts: The College manages all student accounts within the Office of Student Accounts. The College's IT department operates OZone, an online student account system. Through OZone, students may access all of their account information as well as pay their account balance. Student account payments made through Ozone are processed by Nelnet and are updated in real time. Enrolled students may also make payments via cash or check into a drop box located at Office of Student Accounts. All students are notified via email of the tuition due date.

In order to avoid delinquent accounts, students who do not have 100 percent of the current semester's bill paid in full, covered by awarded financial aid, or have entered into a deferred payment plan by the due date are withdrawn from their classes. If a student is unable to pay tuition in full, they may elect to establish a deferred payment plan that allows students to pay tuition through installments during the semester. If students electing this method have not made their payment as scheduled by the last deferred payment plan due date, an email is sent to them requesting payment. Students whose tuition was initially covered by financial aid may also become delinquent after financial aid amounts are verified according to federal financial aid requirements. If financial aid is withdrawn for any reason, and the student is unable pay the remaining tuition, their account will become outstanding. The Office of Student Accounts applies the following procedure for all students with outstanding balances. A paper letter is sent to notify the student of their outstanding balance and request payment. If payment is not received after thirty to forty days, a follow up letter is sent to notify the student of the final date payment will be accepted. Students unable to pay by the final date may elect to set up a payment plan for a period of no more than twelve months. These students are required by the college to complete an "Acknowledgement of Debt-Promissory Note", identifying the amount and terms of the repayment. The promissory note must be notarized or witnessed by a college representative. If the deadline noted in the second letter is not met and the student has not obtained a promissory note, the student's account is sent to the Ohio Attorney General for collections. Upon collection, the Attorney General's office retains a fee for collection and remits the remaining balance to the College weekly through a wire transfer. These deposits follow the wire transfer procedures described above.

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Twice a week, the Office of Student Accounts follows a documented student refund procedure to process student accounts that have a credit balance. If a credit exists on an account, the amount of the refund is disbursed to a third party (Higher One), and the student is notified immediately through email. Students have the option to receive a debit card or an Automated Clearing House (ACH) transfer to the student's bank account.

According to Board policy, refund of tuition and other refundable fees may be available after the official withdrawal of classes during the designated period of time within the current semester. For sixteen week classes, refunds of tuition and other refundable fees will be made on the following basis for the first four weeks of class for fall and spring semesters: (a) credit hours dropped prior to the beginning or during the first five class days of either semester - 100 percent; (b) credit hours dropped during the second week (sixth through tenth class days) - 70 percent; (c) credit hours dropped during the third week (eleventh through fifteenth class days) - 60 percent; (d) credit hours dropped during the fourth week (sixteenth through twentieth class days) - 40 percent; (e) no refunds will be issued for students who drop credit hours after the fourth week of classes. For other classes (other than sixteen week classes), the same refund percentages apply; however, the periods of time provided for refunds are adjusted proportionately to match that of the fall and spring semesters.

The College determines the allowance for doubtful accounts by following process. Every semester, the Office of Student Accounts reviews delinquent accounts by semester. Any accounts that are still outstanding from three years prior will be written-off. Banner has the ability to execute a program to determine the accounts to write-off if the balance is more than three years past due. These write-offs are automatically removed from the allowance for doubtful accounts in Banner, but the delinquent student accounts remain recorded in the system until payment is actually received. Annually, the Controller evaluates the amounts that, historically, have been written-off. The Controller then determines the estimated annual allowance for doubtful accounts. Currently, this monthly entry is \$200,000 for 10 months of the fiscal year, or \$2,000,000 for the year.

Bookstore: The College operates a bookstore at both the Toledo-Area Campus and the Findlay Campus. The College's bookstores accept cash, check, credit cards, bookstore gift certificates, and book vouchers. The bookstores use a point of sale (POS) system at the register. Bookstore Cashiers log into the POS system to record a customer's order and receive payment. The POS system prints a receipt at the end of the transaction, which is given to the customer. Each Cashier has a cash drawer assigned to them. These drawers are kept in a cash control room in a locked cabinet when not in use. Only supervisor-level employees (key-holders) have access to this room. At the start of each shift, the Cashier get their drawer from a key-holder. The drawer is counted to ensure that it has \$200. This is counted by both a Bookstore Manager and the Cashier at the beginning of the day. At the end of a Cashier's shift, the Cashier runs an "End of Shift" report to clear out balances on the POS system. The Cashier takes the drawer to the office and counts the drawer down to \$200 with a key-holder present. All amounts in excess of the \$200 are placed in a plastic bag, the key-holder places the bag in the locked safe, and the key-holder replaces the drawer in the appropriate spot and locks the cabinet. The same process is repeated for each Cashier, and each Cashier's receipts are placed into separate bags. The next day, the Bookstore Manager (or designee) verifies each Cashier's deposit with the End of Shift Report, then, verifies the total with the End of Day Report from the POS system. The deposit is prepared using a cash control sheet indicating the currency amounts. The total deposit is added with the other transactions on the End of the Day Report. The other transactions include financial aid and gift certificates which are not part of the deposit, but are tracked by the POS system. The total deposits plus other transactions should equal the balance on the POS system's end of day report. Any discrepancy over five dollars is investigated and noted on the daily report. The deposit, along with the cash summary report and the End of Day Report, is placed in a locked bag and picked up by a security officer daily and delivered to the Staff Accountant. The daily deposit procedure described above is followed.

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Gift certificates are available at the bookstore in paper form. Gift Certificates are printed with a unique code and are tracked in the POS system to eliminate duplication. Book vouchers are an advance on a student's financial aid (or third-party assistance) that may be used to purchase books and other items in the bookstore. If financial aid, or in some instances a third-party employer's assistance, is eligible to be used as a book voucher, the student is able to view this amount on their OZone account. The maximum amount of book vouchers available per student is \$750. The Cashier will apply the charge to the student's ID card and this automatically updates their OZone account. The vouchers are applied to the POS system as payment, and the POS system is integrated with Banner to record the transaction appropriately.

Other Cash Collection Sites: Several other departments on the Toledo-Area Campus, as well as the Findlay Campus, maintain change accounts. While there is no Board policy regarding petty cash/change accounts, the Manager of Cash/Investments does provide each department with procedures for maintaining petty cash/change accounts. Additionally, an annual audit of the cash funds is performed by the Manager of Cash/Investments to ensure that the proper balance is being maintained or that proper documentation is kept to explain differences. The daily deposit procedure described above is followed by the other cash collection sites.

Foodservice: The College has a contract with AVI Foodsystems, Inc. (AVI), a third-party vendor, for their foodservice operations. AVI offers food services at both the Toledo-Area and Findlay Campuses. Per the latest amendment to the agreement, all operational profits and losses belong to AVI. The College currently does not receive any fees from AVI, with the exception of a \$2,400 management fee for the Findlay Childcare Operation.

Auditor of State Comments

1. The College has recently changed their deposit procedure to make deposits to the bank at least every three days to be in compliance with the requirements in Section 9.38 of the Ohio Revised Code. However, there is no Board policy adopted that extends the time period for deposits to the bank, beyond the one day following receipt stated in the ORC. The College should either adopt a policy to address this or make daily deposits to the bank.

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Purchasing Process, Bidding, and Cash Disbursements

Description of an Effective Method for Purchasing, Bidding, and Cash Disbursements

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded. The process should be integrated with the budget to ensure compliance with the Board adopted budget. The process should include selection of the vendor with the best price as well as authorization to proceed with the purchase by an appropriate individual. In addition, authorization must include a certification of the availability of funds stating that the amount has been budgeted and is free from previously encumbered obligations. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable budget line item and to determine and maintain legal compliance.

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the College. The processing should include a comparison of the invoiced items and quantities to the purchase order, a comparison of the prices on the invoice to the purchase order, and the approval signature of the individual who received the goods and made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A check should be prepared based on the completed invoice, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed certification. All checks should be promptly signed by the Treasurer, posted in the appropriate accounting records, and mailed to the vendor in sufficient time to avoid penalties and receive discounts. Invoices should be filed numerically or by vendor. No invoices for payments should be processed that were not properly certified. Sufficient safeguards should be in place to ensure that one individual does not have total control over the receipt of goods, processing of invoices for payment, issuance of checks and the reconciliation of bank accounts.

Statutory Requirements

Sections 9.10, Revised Code, states “facsimile signature” includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the office or authorized employee on the face of the instrument.

Competitive Bidding: Ohio Revised Code Section 3345.10 requires each State institution of higher education establish competitive bidding procedures for the purchase of printed material and shall award all contracts for the purchase of printed material in accordance with those procedures.

Ohio Revised Code Section 3345.16 requires when the Board of Trustees of a community college district has by resolution determined to let by contract the work of improvements pursuant to the official plan of the college, contracts in the amounts exceeding a dollar amount set by the board, which dollar amount shall not exceed \$200,000, shall be advertised after notices calling for bids have been published once a week for three consecutive weeks in a newspaper of general circulation within the community college district wherein the work is to be done. The Board of Trustees of the district may let such contract to the lowest responsive and responsible bidder.

Also, section 125.11(B), Revised Code, states prior to awarding a contract, the department of administrative services or the state agency responsible for evaluating a contract for the purchase of products shall evaluate the bids received to determine if a product is produced or mined in the United States. The department or other state agency shall first remove bids that offer products that have not been or that will not be produced or mined in the United States.

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Findings for Recovery Database: Effective January 1, 2004, Ohio Law (ORC section 9.24) prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

The Auditor of State has established a database pursuant to Section 9.24, Revised Code, in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. To comply with Section 9.24, Revised Code, the Auditor of State's office recommends that before entering into a public contract as described above, a state agency or political subdivision verify that the person does not appear in this database.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Section 126.30, Revised Code, states that "any state agency that purchases, leases, or otherwise acquires any equipment, materials, goods, supplies or services from any person and fails to make payment for the equipment, materials, goods, supplies, or services by the required payment date shall pay an interest charge to the person for the period in accordance with division (E) of this section, unless the amount of the interest charge is less than ten dollars". Section 126.30(E) states "the interest charge on amounts due shall be paid to the person for the period beginning on the day after the required payment date and ending on the day that payment of the amount due is made."

College's Purchasing, Bidding, and Cash Disbursement Process

Purchasing and Bidding: The College has a policy and procedures related to the purchasing process, bidding, and cash disbursements, including: quote and bidding procedures, encumbering funds, competitive bidding, requests for proposals, bidding for works of improvements, and purchase of printed materials. The printed materials section of the policy does require section 3345.10, Revised Code, to be followed and the College purchases printed material from vendors who have manufacturing facilities within the State. The College has detailed step by step written processes for requisitions, purchase order process, processing disbursements, reviews of requisitions and purchase orders, and the e-Procurement system.

The College not only uses Banner for the requesting and ordering of goods, but also uses BuySmart. BuySmart is a network administered by the non-profit Fraser Basin Council to which the College pays an annual fee. BuySmart provides an on-line requisitioning/ordering e-procurement marketplace for the College. BuySmart is linked with Banner through software called SciQuest. The link between Banner and BuySmart is through the purchase order and cash disbursement process which is described later on within this narrative. The majority of individual goods are requested and ordered through BuySmart.

An active vendor list is maintained within Banner as well as within BuySmart. The Specialist Accounts Payable Clerk and Controller are the only individuals who can add new vendors to Banner or BuySmart. If a requestor has a requisition for a new vendor, Banner and BuySmart makes the requestor aware the vendor cannot be found within the system. Before the requisition can be completed and submitted for approvals, the requester has to notify the Specialist Accounts Payable Clerk through on-line notification and request a W-9 form from the company. The vendor is added to the system after receiving the on-line notification that denotes the requestors name and department as well as the vendor name, address, phone number, email address, and internet address. Vendor payments will not be made until the W-9 form is received. W-9 forms are filed alphabetically in the Controller's department office.

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BuySmart: The entire procurement process from shopping, creation and approval of requisitions, issuing purchase orders, receiving products, confirmation of goods received, and processing of invoices for payment is done through BuySmart. BuySmart tracks all orders through the entire process and can show a complete transaction history from requisition to confirmation of receipt.

Access to BuySmart is limited to college department personnel that have received formal training on BuySmart and have authorization from either the Controller or the Treasurer. An approved user of BuySmart may have authorization to place orders (shopper), submit requisitions (requestor) and/or approve budget authorization (approver). The Treasurer or the Controller establishes the user parameters and authorizations for each user.

For a vendor to be used in BuySmart, the vendor must be approved and set-up in Banner first, as described above. A vendor within BuySmart has either a hosted catalog (vendor catalog interfaced), a punch-out catalog (website linked catalog pulls into BuySmart), or is a non-catalog (no catalog available through BuySmart). For the first two, the catalog items requested show within BuySmart after items are selected. For non-catalog vendors, the requestor pulls a catalog from the vendor's website. This information is inputted into BuySmart with the item description, item number, price per quantity, etc. under the non-catalog item option. If quotes or bids are required per Board policy, the requestor scans and uploads this documentation or information within BuySmart to the requisition. If BuySmart denotes no available funds within the budget lines for the prepared requisition, BuySmart marks the requisition as declined. An email error message is sent to the requestor, the budget authority, and the accounts payable department. Banner is reviewed to determine availability of funds. The Analyst is contacted by the budget authority of the department for review of Banner budget and potential budget modifications, which are noted with the budgetary section.

Once items are selected within the shopping cart of BuySmart, an approval for requisition is electronically sent to the budget authority within the requesting department. The budget authority reviews the items being requested through BuySmart and either approves or rejects the cart for requisition. BuySmart is queued for the requisition and documentation to be sent to the Controller for review and approval after the budget authority. If the requisition items are more than \$10,000 in the aggregate, the requisition must have second approval by the Treasurer per policy. The budget authority marks the account code(s) for each item.

If a requisition is rejected, an email noting the rejection is sent to the requestor and accounts payable. The requestor is able to pull up history information on the requisition to determine if the rejection was due to error in the requisition process, approval rejection, or system issue. A rejected requisition is not able to proceed further into the purchasing process. The requestor would have to start the requisition process over again with a completely new requisition within BuySmart.

Once the requisition is approved, BuySmart automatically assigns a temporary BuySmart purchase order. No orders can be submitted to the vendor with the temporary BuySmart purchase order. Once BuySmart electronically assigns a temporary purchase order, Banner receives recognition of approval and the Controller checks funds again in the line-item(s) and approves the purchase order which is electronically issued through Banner. The Banner purchase order is then uploaded electronically to BuySmart and replaces the temporary BuySmart purchase order number. Once the Banner purchase order is uploaded into BuySmart, the order is either faxed or electronically sent by BuySmart through parameters set up for the vendor.

A BuySmart vendor either sends paper invoices to the accounts payable department or uploads the invoice electronically into BuySmart. Invoices by the vendors identify the College's purchase order number approved for the purchase.

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When the goods have been received, the requestor verifies the contents and checks them off to the invoice and purchase order. For electronic invoices within BuySmart, each item on the invoice is electronically marked by the requestor to denote item was received in full. The electronic invoice after marked approved is pulled automatically from BuySmart into Banner if the quantity and price per unit match to the purchase order within BuySmart. BuySmart will flag the invoice if the price and/or quantity do not match the purchase order. The Specialist Accounts Payable Clerk then reviews and resolves the issue before approval of payment. If a paper invoice is received, the invoice is reviewed and still marked as received within the receipt section of BuySmart by individual items to note approval by the requestor. If not all goods are received or incorrect items are received, the requestor contacts the vendor and does not mark items as received within BuySmart for approval.

Paper invoices received for BuySmart are referenced with a “B” (BuySmart invoice) number which is automatically assigned by BuySmart and is referenced on the invoice by the Specialist Accounts Payable Clerk. The Specialist Accounts Payable Clerk also denotes the “B” invoice within Banner as well. Once verified or entered into Banner, the “B” invoices are filed numerically within the Specialist Accounts Payable Clerks Office.

Banner: When goods or services are needed within a division of the College and they cannot be obtained through BuySmart, an electronic requisition form is prepared by the requestor within Banner. The requisition includes a requisition number assigned by the system, the vendor, date of request, type and quantity of items or services requested, price and any shipping costs along with the appropriate account codes to be charged. All required quotes or bids must be scanned and emailed to the Controller with the requisition number included to match to Banner.

Once the requisition is complete, Banner is pre-set to send the requisition to different users on Banner for electronic approval in the order required. The Controller or Treasurer has the authorization to pre-set the electronic approval requirements within Banner. The first approvals of the requisition are the budget authority of the department. If aggregate of the requisition is \$10,000 or more, an additional electronic approval of the Treasurer is required.

Next, Banner automatically sends the requisition for review and approval by the Controller. The Controller reviews the requisition to make sure that all required documentation is attached, that there is proper availability of funds, the wording is precise and appropriate, and all required approvals and documentation have been indicated before approving requisition. If the requisition requires bids or quotes, the Controller waits until these are received in hand before approving the requisition.

If funds are not available in the account code, Banner flags the requisition and notifies the requestor before approval by the Budget Authority and Controller. The requisition can still be approved by both but is then automatically sent to the Analyst by Banner. A potential budget transfer or modification may be needed. The requestor must follow the process for budget transfer or modification for any change as is outlined in the budgetary process narrative above. If the budget transfer or modification is approved and completed within Banner, Banner is set to then have the requisition approved by the Analyst and the Treasurer because of the budget transfer or modification. After all requisition approvals, the system produces a purchase order from the information on the requisition. Purchase order numbers are assigned automatically by Banner. The posting of the purchase order automatically records an encumbrance in the system. A copy of the purchase order is printed out by the Controller with an electronic signature. Purchase orders are to be used for all purchases and contracts per the College’s purchasing policy.

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The Controller distributes a copy of the purchase order to the vendor via mail. If acknowledged by the requestor, the Controller will send the requestor a copy also. If the requisition required quotes/bids, this documentation is attached to a copy of the purchase order by the Controller and filed in her office.

Blanket (open) purchase orders are used by the College only within Banner. Open purchase orders are used for maintenance items, utilities, and some services. The budget authority within the departments requesting the open purchase orders is responsible for monitoring balances and requesting changes. The Controller reviews and monitors a random sample of these open purchase orders throughout the year and will inform the requestor if the open purchase order has no available funds.

Beginning in January, a monthly review of all outstanding purchase orders is performed by the Controller. This process includes the Controller when necessary contacting the departments to determine if the purchase orders need to be closed with the understanding that all purchase orders will be closed a month after fiscal year end.

Invoices are generally received directly by the accounts payable department. All invoices for goods and services from vendors must provide the purchase order number. If a purchase order is not provided on the invoice, the Specialist Accounts Payable Clerk checks Banner for the purchase order number.

Invoices are sent to the requestor for review. Invoices are marked “Ok to Pay”, signed and dated by the requestor for verification that goods or services were received in whole. Invoices received that are not for the entire order are held by the requestor until all goods are received. Once all items received, the requestor reviews and approves the invoice as noted above. Upon receiving the reviewed invoice, the Specialist Accounts Payable Clerk matches the invoice to the purchase order in Banner. All invoices are compared to the purchase order description of goods or services, quantities, and prices. Once an invoice is verified by the Specialist Accounts Payable Clerk, the invoice information is entered into Banner. Invoice information entered into Banner includes the invoice date and invoice number.

Once an invoice is entered into Banner, an “I” (invoice) document number is automatically assigned by Banner and is referenced on the invoice by the Specialist Accounts Payable Clerk. Purchase orders are not attached to invoice since they are referenced on the invoice and can be pulled from Banner. However, if an invoice lacks the purchase order number, the Specialist Accounts Payable Clerk writes the purchase order on the invoice.

If no purchase order exists for an invoice, the Specialist Accounts Payable Clerk sends the invoice and an action request form to the department requiring direct pay form to be completed and approved. A direct payment form, if approved, allows for the payment of the invoice without a requisition or purchase order. The reviewed invoice must be attached to the direct pay form. The direct pay form requires the vendor, vendor address and identification, explanation of the invoice, invoice date and number, and line-item account number. The form requires signatures from the requestor and approval by the budget authority. If the budget authority is not the Vice President over the department, the Vice President approves the form as well. When the direct pay form is over \$1,000, the Treasurer must approve it as well. The College’s purchasing policy does state a purchase or lease of goods and services requires prior authorization through the issuance of a purchase order, and any employee making an unauthorized purchase may be held personally liable for that purchase.

Bidding: All services and goods, excluding works of improvement, costing over \$25,000 must follow the College’s formal bid policy. The requestor, the Controller, and the budget authority of the requesting department meet when a potential purchase of goods or service exceeds \$25,000. The budget for the division and need for the item is considered. For each specific bid, a committee is formed of varying personnel that always includes the Controller. With the guidance of the legal department, the Controller approves bid

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specifications written by the requestor. The requestor advertises for bids within local newspaper (Bowling Green Sentinel-Tribune) as well as sends announcement letters to prospective vendors. A potential bidder is directed to the College's website under the procurement section. The site shows all requests for proposals for competitive bid, which includes links for the bid packets and a synopsis of the projected timeline for bidding. The bid packet details the project description, bid specifications, requirements and terms of service, bid timeline, and submittal instructions. Once bids are opened at the specified date, the committee chair prepares a sheet with all bidders and information. The committee reviews all bids and selects the lowest and best. The Controller sends the awarded bidder a formal acceptance letter and decline letters are sent to those not selected.

Works of improvements costing over \$50,000 must be advertised for bids within the local newspaper as well as on the College website. Those works of improvements under \$50,000 may be bid but are not required by policy. The contract must be awarded by the Board and signed by the Board Chair. Board policy also indicates that the contract should be signed by the Treasurer and contractor along with approval of the Education Section Representative of the Ohio's Attorney General's Office.

Per the bid request for qualifications, the bid offerors attest that they are not subject to an "unresolved" finding for recovery under Ohio Revised Code 9.24 by submitting a response to bid. The bid packet states any bid awarded to a bidder that has a finding under this code will be voided and any payments made to the vendor shall be immediately repaid. The Controller performs a search of the Findings for Recovery Database online. If any awarded bidder is listed on the findings database, the bidder is notified and all contracts are null and void.

Cash Disbursements: There are two main methods of payments allowable for goods and services – checks and P-card payments.

Checks are processed and paid through Banner. Invoices from BuySmart are either entered or integrated into Banner to make payment. Checks for invoice payments are normally printed once a week on Friday. The blank check stock paper is kept in a locked room and cabinet within the Controller's area. The Controller, Senior Accountant, and two staff accountants have keys to the room. The check stock paper does have the College's logo embedded in the paper but does not contain account numbers, check numbers or any other information. This information is printed on the check through the check printing process.

The Staff Accountant uses a dedicated computer to generate, electronically sign, and print the checks that have been approved by the Specialist Accounts Payable Clerk. If the Staff Accountant is on vacation, the Controller, Senior Accountant and another staff accountant are cross-trained to perform this function and have access to the check printing program. The check printing program is password protected. The beginning check number for the run is entered into the system manually by the Staff Accountant after review of the last check number on the prior run. Vendor invoice stubs are provided by the Specialist Accounts Payable Clerk to the Staff Accountant to prepare for mailing.

If a check was written incorrectly and noted before mailing, the check is deleted and reissued. The check is marked voided and filed numerically in the Controller's office. More of this process is noted within the cash management and investing section below. If the vendor notes incorrect payment, the vendor contacts the Specialist Accounts Payable Clerk to either request return of check or refund/credit of overpayment. If it is underpayment, the vendor would send an additional invoice for remainder of payment noted.

The other form of payment is a P-card (purchasing credit card) through JP Morgan Bank to make payments instead of via check. Employees with a P-card are approved by the budget authority within their department, the Controller and the Treasurer. The employee must complete training by the P-card College Administrator.

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All users, except the Specialist Accounts Payable Clerk, have a limit of \$1,000 per transaction. The Specialist Accounts Payable Clerk has a \$500,000 limit due to the fact some payments for invoicing are paid through her P-card. Documentation (invoice, packing slip that includes pricing or email confirmation) must be obtained for each purchase.

The Specialist Accounts Payable Clerk has a list of vendors that have been noted as able to be paid by P-card. These vendors do not assess an extra fee for “credit card” payment. This method of payment is faster and less costly to the College versus issuing a check. Once the payment is done via P-Card, the Specialist Accounts Payable Clerk is able to mark within BuySmart that the payment was via credit card. The Banner system is not able to denote the P-card for payment. A separate spreadsheet prepared by the Specialist Accounts Payable Clerk showing all payments on invoices and the date for the P-card payments. The invoices paid by the P-card still have the “I” invoice number written on the invoice but are filed alphabetically in credit card folders. This allows for easier access to credit card invoices.

Most departments have at least one authorized P-card holder which is normally the department head and/or department employee designated to make most purchases for the department. Other employees that have been approved and attended training on the P-card have these cards for convenience to make purchases to take advantages of discounts on orders, payments to vendors expedited, reduce the processing of paperwork, and ability to monitor transactions electronically daily, weekly, or monthly by the P-card holder. These purchases do not require a requisition nor purchase order.

All P-card holders are required monthly to review their P-card statement. This is done through a software system called PaymentNet through JP Morgan Bank. PaymentNet shows the P-card holder each transaction paid during the month on their card. PaymentNet is interfaced with Banner and automatically assigns a budget account to each transaction. The P-card holder is to review each transaction and match to the invoice before electronically approving the statement for payment. If the budget line-item needs changed, the P-card holder is allowed to change line-item as long as they have access to it through Banner. The Specialist Accounts Payable Clerk P-card statement is reviewed by the Controller. Then the P-card holder turns in a copy of all invoices matching their statement to the P-card Administrator who reviews invoices. The invoices for P-card payments are sent to the P-card Administrator (except for the Specialist Accounts Payable Clerk’s invoices) to review for strange items or sales tax. Purchases by the P-card holder are to be sales tax exempt. If the P-card holder is charged sales tax on item purchased, the P-card holder is responsible for requesting a refund from the vendor for sales tax. The payment can be approved to be made for the item with the sales tax included if it is a small amount. If refund is not issued by the vendor, the College may require the P-card holder to reimburse the College for the sales tax. The invoices are kept by the P-card holder per P-card procedures and training. Once the P-card statements for all card holders are marked as reviewed, the Specialist Accounts Payable Clerk or the Controller review the transactions before they are processed for payment in Banner. The statement transactions are loaded into Banner for payment by the P-card Administrator.

Auditor of State Comments

1. The College’s Board approved purchasing policy requires any purchase or lease of goods and services to obtain prior authorization through the issuance of a purchase order. However, payments are processed for direct payments as well as P-card payments (except those made by the Specialist Accounts Payable Clerk) without a purchase order. All the direct payment items as well as the P-card items, except for emergency items, could have easily gone through the normal requisition and purchasing process. The College should review direct payment and P-card practices and specifically identify when these should be used. For example, the use of P-cards while traveling on College business would be acceptable but an open (blanket) purchase order should be used to encumber funds

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for these types of purchases. Also, direct payment forms should be used sparingly for emergency items only. A change in these practices would strengthen the controls over both budgets and expenditures.

2. A P-card holder, except the Specialist Accounts Payable Clerk, is required to review their own receipt/invoices on the PaymentNet software for approval of payment. Even though the invoices are sent to the P-card Administrator, this review is only to note any strange purchases or large sales tax. A review of the P-card invoices by the P-card Administrator, the Specialist Accounts Payable Clerk, or the Controller should also include determining if the purchase was essential for College purposes, within budget before payment is made on the P-card statement and no sales tax is paid.

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Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms, and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

The following State statutes apply:

Section 9.44, Revised Code, requires that if an employee has prior service with the State or any other political subdivision of the State, the College is to compute the amount of an employee's vacation leave based on the anniversary date of that prior employment with the State or any political subdivision of the State.

Section 5747.06, Revised Code, requires collection of Ohio income tax by employers.

Chapter 3307, Revised Code, for the State Teachers Retirement System (STRS) and Chapter 3309, Revised Code, for the School Employees Retirement System (SERS), require the College to enroll their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate retirement system the amounts withheld, matched with an appropriate percentage for employer contributions. Employees who elect to participate in an alternative retirement plan as established by Chapter 3305, Revised Code are exempt from the requirements of Chapter 3307 and Chapter 3309.

Chapter 3305, Revised Code, establishes an alternative retirement program for the purpose of providing eligible employees the opportunity of participating in an alternative retirement plan as an alternative to participating in a state retirement system. Each plan offered under this program shall be a defined contribution plan qualified under section 401(a) of the Internal Revenue Code.

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The employees of Owens State Community College are represented by following associations: Owens Faculty Association, The Fraternal Order of Police, Ohio Labor Council, Inc., The Owens Federation of Safety and Security Employees, and Owens Support Staff Union Local #6325.

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Financial Accounting Report

College's Payroll Processing Procedures

The Board has adopted formal policies for the payroll process regarding administration salaries, eligibility for annual salary increases, pay schedules, check distribution, daily work schedule, pre-employment background checks, insurance coverage, and leave. These policies have been regularly updated by Human Resources.

Hiring Process: The College's hiring process begins when there is a determination that a vacant position or new position is needed. This determination is made at a meeting of the College's senior administration. Once the positions are determined, the vice president of the division of the new employee will email the position and their approval to the Human Resources department. The Human Resources Employment Specialist creates a job requisition that contains the job title and description, as well as the department that the employee will be working in.

The Analyst reviews the job requisition to verify and identify the position's funding. If the Analyst determines that this position can be authorized based on the current budget, it is then sent back to the Employment Specialist within the Human Resources Department. If the current budget does not have the funding for the position, no job posting is created. The Employment Specialist creates a job posting that is listed on the College's website. Depending on the type of position being posted, the position could also be advertised in publications such as the Toledo Blade, the Bowling Green Sentinel Tribune, the Findlay Courier, the Toledo Journal, La Presna, educational journals, placement offices, and through the internet. All publications direct potential applicants to the College's jobs.owens.edu webpage.

All applicants to the online job postings are required to submit their applications electronically. Depending on the type of job that is applied for, a resume and transcript could also be required to be submitted electronically. On each job posting, there is a deadline that indicates how long the job posting will be open. When the job deadline closes, a search committee is established to review the applicants. The search committee is made up of management level employees from the department that the job posting is for. This search committee ranks the applicants based on the application, resume, and other criteria that was listed in the job description. The finalists are interviewed by the search committee to determine the best applicant for the position. The search committee forwards the selected applicant's information to the Director of the Human Resources Department who conducts a final review of the applicant's information to determine that the applicant meets the job criteria and credentials of the position. The Director of the Human Resources Department will then issue a memo to the Hiring Manager authorizing the employment offer. An offer is then made by telephone and if accepted, a background check is run by the Human Resources Department on the individual. Once the offer has been accepted, the immediate supervisor of the newly hired employee is responsible for completing the Employment Recommendation/Change Form and submitting it to the Human Resources Department. This form is used to document that a new employee is being hired and must be approved by the hiring supervisor.

Bargaining unit members have job postings that are posted internally, per contract language, before they can be posted on the College's website. If there are no bargaining unit employees that show interest to the posting, then the posting will follow the normal hiring process.

Classification of Employment: The College's employees can be categorized as bargaining unit, non-bargaining unit (which include salaried exempt and non-exempt employees), and student workers. The College has four bargaining unit agreements: Agreement between Owens State Community College and the Owens Faculty Association, Agreement between Owens State Community College and Fraternal Order of Police, Ohio Labor Council, Inc., Agreement between Owens Federation of Safety and Security Employees, and Agreement between Owens State Community College and the Owens Support Staff Union Local #6325.

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Bargaining Unit Employees: Owens Faculty Association includes full-time teaching faculty, full-time counselors, academic program lab technicians, professional library staff, and child care lab teachers of all campuses. The contract is valid through October 31, 2015. The bargaining agreement outlines the qualifications for ranks, length of service rank, criteria for promotion, description of appointment year, salaries and salary adjustments, yearly increases, adjustments for years of service, promotions, and extra compensation. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

These employees fulfill their contractual obligations by teaching and instructional service during the fall and spring semesters and the contract starts August 15th. Pay for the contract year is distributed evenly over 12 months and paid to employees biweekly. A 15 hour credit load is considered a full work load.

The agreement covers overload, bumping rights, extra compensation, and summer school compensation. Overload is considered teaching classes over 15 credit hours. For those individuals within this bargaining unit without full-time teaching responsibilities, they are eligible for overtime or compensatory time accrual. Summer teaching assignments are paid at a set contact hour rate with a minimum enrollment required dependent upon the level of the course. Summer session payroll is paid bi-weekly over the length of the summer course.

For any change in employment that results in a pay schedule adjustment or an employee transferring between College departments, the Human Resources Department will receive the updated Employment Recommendation/Change form and input the changes into Banner. All pay schedules are approved by the Board of Trustees.

The Fraternal Order of Police, Ohio Labor Council, Inc. covers all full-time police officers. The contract is valid through October 31, 2017. The bargaining agreement outlines the following: seniority, lay-off and recall, hours of work, overtime, shift differentials, trading time, call back/call-in pay, uniform allowance, training, and higher education pay. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

Within this agreement, the work week consists of a forty hour workweek with additional overtime or compensatory time as approved by the Chief of Police to meet operational requirements. Overtime is work performed in excess of 40 hours in any calendar week and is calculated at one and one-half times the employee's regular hourly rate. Employees have the option to be paid overtime or accrue compensatory time for the overtime earned. Shift differential applies to second and third shifts. Second and third shifts receive an additional amount added to their regular pay. In addition, employees may trade shifts provided the trade does not result in overtime and must seek the approval of the Chief of Police seventy-two hours prior to the day requested to switch. As part of this agreement, effective beginning the first full pay period in January 2015, the current hourly rates of members were reduced by two percent.

The agreement also outlines call back/call-in pay. When the employee is called in to report for duty by the College outside of and continuous with the employee's regular work period, the employee is guaranteed at least three hours of pay at the applicable rate of pay. Additionally, police officers within this agreement who obtain professional training or academic degrees are compensated an additional hourly premium after completing their probationary period. Police Officers are paid on a bi-weekly basis.

Owens Federation of Safety and Security Employees (Safety) includes police dispatchers. The contract expired on November 6, 2014, but is currently in negotiations. The Safety employees continue working under this contract until a new one is negotiated and approved. The bargaining agreement outlines the following: seniority, hours of work, overtime, shift differentials, trading time, call back/call-in pay, training, and higher education pay. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

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Within this agreement, the work week consists of five consecutive days of eight hours or four consecutive days of ten hours except in those cases where flexible shift schedules exceed the employees daily hours as approved by the Chief of Police to meet operational requirements. Overtime is work performed in excess of 40 hours in any calendar week and is calculated at one and one-half times the employee's regular hourly rate. Employees have the option to be paid overtime or accrue compensatory time for the overtime earned. Shift differential applies to second and third shifts. Second and third shifts receive an additional amount added to their regular pay.

The agreement also outlines call back/call-in pay. When the employee is called in to report for duty by the College outside of and continuous with the employee's regular work period, the employee is guaranteed at least two hours of pay at one and one-half times their regular base rate. Additionally, dispatchers within this agreement who obtain professional training or academic degrees are compensated an additional hourly premium after completing their probationary period. Dispatch employees are paid on a bi-weekly basis.

Owens Support Staff Union Local #6325 includes several classifications that include but are not limited to the following: custodians, receptionists/secretaries, maintenance specialists, motor pool techs, groundskeepers, bus drivers, receiving clerks, purchasing agents, cashiers, library clerks, accounting clerks, clerks, secretaries, staff accounts and telecommunications/I.D. system specialists. The contract expired on December 31, 2014, and the employees continued working under the old contract until a new contract was ratified by the Board of Trustees in June 2015, but current contract information was not available as of the date of this report. However, the Benefits Administrator was not aware of any significant changes to contract language. The prior bargaining agreement outlines the following: seniority, reduction in force and recall, workday – work week, overtime, rate of pay, and yearly increases. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

Within this agreement, a work week is defined as five consecutive days of eight hours each day. Overtime is defined as all work performed in excess of 40 hours any scheduled work week and is paid one-half times the employee's regular hourly rate. Any leave, except holiday leave, within the work week is not considered time worked in calculating overtime pay. Employees have the option to be paid overtime or accrue compensatory time at one and half times the normal rate. These employees are paid on a bi-weekly basis.

Non-Bargaining Unit Employees: These are all employees that are not under the aforementioned bargaining units, except for the President of the University. The President has a separate contract. These employees follow the human resource policies of the College that include but are not limited to leave and performance appraisals.

These employees are paid according to the salary schedules that have been approved by the Board of Trustees. The employees' pay rates are evaluated on an annual basis through a performance evaluation; an employee can be deemed merit worthy and eligible for a merit award pay rate increase. This increase is dependent upon the budget capabilities of the College. The leave policies dictate the accrual of sick and vacation leave amounts. Full-time non-exempt staff are given sixteen hours of personal leave and part-time non-exempt staff are given eight hours of personal leave each fiscal year.

Non-bargaining unit employees are made up of two classifications: salaried exempt and non-exempt employees. All employees are paid bi-weekly.

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Student Workers: Students may apply for a preset list of jobs. The student will create an online application and apply for position that is posted. Once the application is submitted online, the Job Location and Development (JLD) Coordinator reviews the application to verify that the applicant is a current student and is in good academic standing. After this verification, the application is submitted to the supervisor of the individual department for review, interview, and potential hire. The supervisor notifies the JLD Coordinator of the student that is selected. The JLD Coordinator again verifies the student's status and schedules a background check with the Owens Safety and Public Safety Department. When the background check is received and approved, the JLD Coordinator notifies the student and the supervisor. The JLD Coordinator emails the student's name to the Human Resources Department, along with the Electronic Personnel Action Form (EPAF) that is completed by the supervisor of the hiring department. The Human Resources Department then handles all tax paperwork for the student employee. The students work hourly and therefore are paid bi-weekly.

Trustees: The Trustees are not paid.

Employee Set-Up in System: Once the Employment Recommendation/Change Form is completed and approved for the new employee, the Human Resources Department can begin to setup the employee in Banner. This form includes the information on the type of position, funding, pay rate, accounts to be charged, and approvals by the supervisor of the hiring department and the hiring coordinator. The Employment Forms Checklist must be completed before the individual is entered into the Human Resources system. Items included on this checklist are deduction forms (both tax and insurance), direct deposit enrollment form, and other employment recommendation forms. An employee folder is started at this time for the new employee and all forms are placed within the folder.

All full-time and 12 month part-time employees are mandated to attain new employee orientation by the Human Resource Department. Depending on the volume of the new hires, the orientations are held on an as needed basis. Based on the current financial condition of the College, the orientations have been held on a quarterly basis. A new hire packet is provided and reviewed with the new employees. This packet includes new employee information form, employment eligibility verification, direct deposit enrollment form, withholding forms for Federal taxes, State taxes, and pension, and benefits forms. These forms are completed either before or during orientation. Policies and procedures are also reviewed with the new employees.

The completed withholding forms are presented to the Human Resources Manager. The completed benefit forms are presented to the Benefits Administrator. Both of these managers input the information from these forms into Banner for the employee. The Payroll Specialist runs a PHRDERR (payroll error report) after all employee information, withholdings, and benefits are inputted to determine if the system is missing information and to review that the pay rates and budget information was inputted correctly. The withholding forms are filed by the Human Resources Manager within the employees payroll file. The benefit enrollment sheets are filed in a separate personnel file by the Benefits Administrator.

Leave: Vacation, personal, and sick leave is credited as indicated in the respective negotiated agreements or in the College leave policies. The College utilizes the PEALEAV form within Banner to record all leave taken and accrued by employees eligible for leave. Employees within the President's office, Human Resources Department, and Business Affairs office utilize the on-line leave reporting system within the Owens Intranet. All other employees utilize a three part Time-Off Request form. Leave forms are signed or digitally approved by the employee, reviewed and signed or digitally approved by the immediate supervisor, then submitted to the Human Resources Department.

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Leave requests are forwarded to the Benefits Administrator who inputs the leave into Banner before the payroll is processed. The supervisor approved employee leave request forms are to be submitted with the timesheets and are entered separate from the payroll processing. The employees leave balances are not reflected on the bi-weekly pay stubs, but the employees may view their leave detail by logging into the password protected Owens Intranet. If the Benefits Administrator discovers, when entering the leave request forms, that an employee took leave and did not have enough accrued leave to do so, then that employee's pay will be reduced either on the current pay period or the following bi-weekly pay period (in instances where the leave request form was submitted late). The electronic leave form that is submitted by employees within the President's office, Human Resources Department, and Business Affairs office, directly posts to Banner. Banner updates the balances automatically.

Severance: The College offers severance pay upon retirement to all full-time employees. To be eligible for sick leave severance, an employee must have 10 years or more of service to the College for all bargaining and non-bargaining unit employees and retire directly into the state retirement system or an alternative retirement plan. Accrued but unused vacation is paid to all eligible employees at retirement or resignation.

For each bargaining unit and the non-bargaining unit employees, the severance calculation is the same. The severance payment will be for any accrued but unused sick leave at the employee's rate of pay at the time of retirement not to exceed 65 days.

Withholdings: If employees need to change any of the information on withholding forms they can submit changes electronically to the Human Resources Department. The Human Resources Department updates the employee's job record within Banner and the Payroll Specialist updates the payroll tax and deductions information.

Payments of Federal employee withholding deductions are made by the Manager of Cash/Investments through wire transfer by the bank. Payment of State of Ohio employee withholding deductions are made by the Payroll Specialist through a wire transfer by the bank. A confirmation number for each payment is documented and filed with the pension system required documentation. The State of Michigan, municipal and school district income tax employee withholdings are prepared and submitted to the Specialist Accounts Payable Clerk for payment. These withholdings are paid monthly by check. All these withholdings are reviewed and reconciled by the Payroll Specialist before payment is made. The Payroll Specialist performs a reconciliation over these withholdings individually based on the payroll reports to the withholding reports produced by Banner. These reconciliations are performed before the payment is submitted.

Retirement: Employees have the option of either state system retirement plans (STRS or STRS) or an alternative retirement plan (TIAA-CREF, Great American, VOYA, Valic and Lincoln). Both the state system retirement plans and alternative retirement plans require an employee share deduction and an employer share remitted to the chosen plan. In addition, the College is required to contribute a portion of the employer share to the state pension system the employee would have been enrolled in if they had not chosen the alternative retirement plan. This is known as the mitigating rate. For both STRS and SERS, the College carves this mitigating rate portion out of the total employer share and remits the remaining employer share amount to the alternative retirement plans. Per state requirements, when an alternative retirement plan is chosen for STRS and SERS eligible employees, the College pays 4.5 percent and 6 percent mitigating rate, respectively.

We reviewed the May payroll deductions for retirements that were processed through Banner to determine the timely filing. The SERS retirement system is paid by the Payroll Specialist monthly through bank wire transfer. STRS, TIAA-CREF, Great American, VOYA, and Valic retirement system payments are calculated and submitted to the Specialist Accounts Payable Clerk for payment by monthly check. The Assistant to the Benefits Administrator each month prepares the required reports and submits through required methods. The Benefits Administrator maintains written procedures and a benefits check list.

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Other Employee Benefits: The College provides medical, prescription, life, dental, and vision benefits to all full-time employees. The employee share of costs for single and family participation in these insurances, except life, is determined by the respective negotiated agreement. The non-bargaining unit employee's percentages are determined by a review from the Vice President of Human Resources and the Benefits Administrator based on current plan structure. Any recommendations are then forwarded from the Vice President of Human Resources to the Board for their approval. Medical and prescription coverage is self-insured but claims are processed by Aetna Inc. and paid by the College. Vision coverage is administered through Vision Benefits of America. Dental coverage is administered through Delta Dental. Life coverage is administered through Unum. The College covers 100 percent of the costs for life insurance. Part-time employees are not eligible to receive medical, prescription, life, vision, and dental.

Payroll Deductions: Payroll deductions for medical, prescription, dental, vision and life insurance benefits are processed through Banner and then used as part of the payment to the insurance companies. The Benefits Administrator is responsible for the preparation of the documentation for the payments of medical, prescription, dental, and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Payroll Specialist. The invoice and documentation for medical and prescription insurance are provided to the Manager of Cash/Investments who makes a wire transfer for the payment. The invoices for the dental, vision, and life insurance benefits are submitted to the Specialist Accounts Payable Clerk for payment.

Payroll Preparation: Access to the payroll system is password protected. Each hourly employee, except student workers, completes a manual timesheet for each pay period. Student workers have a time clock that is used to mark time in and out for each day worked during the pay period. All manual timesheets and time cards are approved by their immediate supervisor, who recalculates the hours, and submits to the Payroll Specialist. A Staff Accountant within in the Controller's Office assists the Payroll Specialist with manually entering the hours into Banner for the student workers, who have the timecards. The Payroll Specialist manually enters the timesheets into Banner. The Payroll Specialist also reviews the time that was entered into Banner for the student workers. The time sheets denote days and hours worked along with hours of leave by the employee. All salaried employees have their yearly salary entered into Banner and Banner calculates the bi-weekly amount based on eighty hours per pay. The Payroll Specialist reviews the amounts in Banner to make sure the employee will be paid for eighty hours each pay.

The Payroll Specialist runs a payroll register and error report for all employees through Banner. The error report denotes if employee payroll is complete. Among other information, it denotes if the pay rate is correct or if there are missing deductions. The Payroll Specialist also reviews increases in salary due to extra compensation and matches them to the documents on file.

The Payroll Specialist completes a payroll process checklist with each pay that details the payroll report. The payroll register is saved each pay to the Payroll Specialist's computer and the last page is printed which contains the summary of gross/net payroll detail. The Payroll Specialist then processes the payroll. The Payroll Specialist will enter a check number to start with Banner. Banner will not allow duplicate check numbers to be used. A check number spreadsheet is kept by the Payroll Specialist to denote the first and last check number used. At this time, the Payroll Specialist sends an email to the Treasurer informing her that the payroll processing is complete and ready for the Treasurer to run the final Banner process to post payroll to the general ledger. Upon processing the payroll, the Treasurer obtains two payroll reports from the Human Resources Department to review. The Treasurer reviews a report that lists all part-time employees that work over forty-eight hours per pay period and another report that lists all full-time employees that are eligible for overtime.

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Almost all employees are paid by direct deposit. Banner prints out checks for only the small number of people that receive them. The checks are electronically signed by the Treasurer. As noted above, the Treasurer reviews two payroll reports that are obtained from the Human Resources Department.

Two reports are produced by Banner after payroll is processed by the Payroll Specialist. A PHRCISS report is produced for checks and a PHPDIRD is produced for direct deposits. These files are uploaded to the bank through password protection for payment. Once these files are uploaded to the bank, the bank transfers monies from the general operating bank account to the payroll bank account. The gross and net payroll, including taxes, are emailed to the Manager of Cash/Investments indicating the amount of monies transferred to the payroll bank account, and the Manager of Cash/Investments verifies that the correct amount has been transferred.

Auditor of State Comments

1. Timesheets and timecards are manually entered into the payroll processing portion of Banner. The student workers time that is inputted into the system is reviewed by the Payroll Specialist; however, the other hourly timesheets are inputted by the Payroll Specialist with no review of the input for completeness or accuracy. The College should update policies and procedures so that there is secondary review or approval.
2. The Payroll Specialist has the ability to transfer monies from the general operating checking account to the payroll account without the approval of the Manager of Cash/Investments. The College should update policies and procedures so that the transfer of monies is to be approved in writing by the Manager of Cash/Investments before the transfer is made.
3. The Treasurer reviews payroll reports for overtime eligible employees before each individual payroll is processed; however, there is no review of non-overtime or salaried employees. The College should update policies and procedures so that there is a secondary review or approval of payroll before it is posted to the general ledger.

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Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before debt is issued, a resolution authorizing the issuance of debt should be passed by the Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the Treasurer. Care should be taken to ensure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapter 133 of the Ohio Revised Code.

Section 3345.12(B), Revised Code, requires that obligations issued shall be authorized by resolution of the Board of Trustees. Section 3345.12(C), Revised Code, states that all obligations and assurances shall be secured by a pledge of a lien on all or such part of the available receipts of the College as it provides for in the bond proceedings.

College's Debt

Debt issuances are approved by the Board by resolution. The Board resolution identifies the statute which allows for the issuance of the debt, the purpose, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt issuances are signed by the Treasurer.

The Controller keeps track of the debt schedules and matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments for the Ohio Air Quality Development Authority Bonds are made by wire transfer and the debt payments made for the capital leases are made by check. All debt documents and amortization schedules are kept on file in the Treasurer's office.

The amount of the College's outstanding debt at June 30, 2015, consists of the following:

		(per Audit Report)		
	Interest	Principal	Debt Payments	Principal
	Rate	Outstanding	7/1/2014-	Outstanding
		6/30/2014	6/30/2015	6/30/2015
2010 Ohio Air Quality Development Authority Bonds				
Series A	3.48	\$338,000	(\$338,000)	\$0
Series B	6.02	3,125,000	(423,000)	2,702,000
Total Bonds		<u>3,463,000</u>	<u>(761,000)</u>	<u>2,702,000</u>
Capital Leases				
Computer Equipment Lease	3.00	185,353	(185,353)	0
Equipment Lease	8.40	23,759	(18,800)	4,959
SANS Equipment Lease	0.00	736,015	(233,371)	502,644
Total Capital Leases		<u>945,127</u>	<u>(437,524)</u>	<u>507,603</u>
<i>Total Debt</i>		<u>\$4,408,127</u>	<u>(\$1,198,524)</u>	<u>\$3,209,603</u>

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On March 18, 2010, the College issued Ohio Air Quality Development Authority bonds, in the amount of \$3,125,000 (Series A) and \$3,125,000 (Series B), respectively, for the acquisition, construction, and installation of personal property comprising “air quality facilities” as defined in Section 3706.01 of the Ohio Revised Code. The Series A bonds were issued for a five year period with a final maturity on March 15, 2015. The Series B bonds were issued with principal maturity beginning on March 15, 2015 for a five year period and a final maturity on March 15, 2019.

In fiscal year 2011, the College entered into a capital lease agreement in the amount of \$2,238,848 for information technology infrastructure upgrades, including two telepresence systems, hardware equipment, and software. As of the date of this report, this lease has matured.

In fiscal year 2012, the College entered into a capital lease, in the amount of \$51,696, for equipment. This lease continues through fiscal year 2016.

In fiscal year 2013, the College entered into a capital lease, in the amount of \$1,077,095, for Storage Area Network (SANS) equipment. This lease continues through fiscal year 2018.

Auditor of State Comments

None

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Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the College should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the beginning of the following month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Statutory Requirements

Section 3354.10(B), Revised Code, states, “The board of trustees of a community college district may provide for the investment of district funds. Investments may be made in securities of the United States government or of its agencies or instrumentalities, the treasurer of state’s pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.”

Section 135.181(B), Revised Code, requires that “an institution designated as a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to one hundred five per cent of the total amount of public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance.” Section 135.181(C), Revised Code, indicates that securities described in division (B) of section 135.18 of the Revised Code shall be eligible as collateral for the purposes of division (B) of this section, provided no such securities pledged as collateral are at any time in default as to either principal or interest.

Section 135.22, Revised Code, requires the Treasurer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State. Section 135.22(E), Revised Code, allows the Treasurer to annually provide a notice of exception to the Auditor of State if the Treasurer invests or deposits public monies in the following investments only: (1) Interim deposits; (2) No-load money market mutual funds; (3) The Ohio subdivision’s fund.

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

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If these requirements are not fulfilled, the Federal Deposit Insurance Cooperation (FDIC) may be able to void a security interest and leave the College with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

The College's Methods of Cash Management and Investing

The College's treasury activities are primarily the responsibilities of the Treasurer and Controller. The accounting staff and Controller reconcile the treasury with the accounting records and the Manager of Cash/Investments or the Treasurer transfer cash among the various bank accounts as needed. The Payroll Specialist also has access to transfer cash between bank accounts for payroll. Payroll funds are transferred when the Payroll Specialist electronically submits the payroll file to Fifth Third Bank. Upon submitting the electronic payroll file to Fifth Third Bank, the Payroll Specialist sends an email to the Manager of Cash/Investments detailing the total payroll and payroll taxes for the individual pay period. The Manager of Cash/Investments receives this email a few days before the pay date and if anything appears out of the ordinary with the amount being transferred, she has the ability to cancel the transfer and look into the issue further. The College maintains a general operating checking account, a Federal funds account, a direct loan funds account, a savings account, a money market account, a payroll checking account, and a STAR Ohio account. Except for the money market account and STAR Ohio, all accounts are with Fifth Third Bank. The money market funds are with Fifth Third Securities.

All cash receipts go into the general operating checking account. Electronic deposits (also known as ACH transactions) are deposited into multiple accounts depending on the type of deposit. For example, the ACH deposits of federal grant monies are deposited into the College's Federal funds bank account. Checks are written against the general operating checking account for the daily operations, other than payroll, of the College. Transfers are made for payroll from the general operating checking account into the payroll account. The Federal funds account and the direct loans account transfers funds to the general operating account due to the Federal requirement that the College have accounts for the drawdown of Federal grant and direct loan funds. Transfers are also made between the general operating checking account and the money market account, savings account and STAR Ohio account on an as needed basis.

At the beginning of each month, the accounting staff and Controller close out the previous month. The accounting staff reconciles the bank accounts for the previous month during the following month. In the monthly reconciliations observed, a majority of the bank accounts were completed during the middle of the following month. The reconciliation of the payroll account was not completed until the end of the following month. The bank account reconciliations are approved by either the Senior Accountant in the Controller's department or the Controller. To identify the reconciling items, the accounting staff obtains the electronic bank statements from the individual bank's website or from the Manager of Cash/Investment and compares them to what has been posted to Banner. All reconciling items are reviewed and approved by the Controller. The outstanding checks and deposits-in-transit are entered into a spreadsheet. Any unrecorded items are corrected with a journal entry in order to close the month and are noted on the monthly cash reconciliation.

Voided general operations checks have a completed void request form attached with the check and have "void" written on them by the Accounts Payable Specialist and approved by the Controller. The voided general operation checks are filed in numerical order in the Controller's department. The signature block is not cut out. Since payroll is paid by both manual check and electronically, the College utilizes multiple ways to void a check. For manual payroll checks, the Payroll Specialist completes a void request form and attaches it to the manual check that has "void" written on the check. For the electronic checks, an adjustment approval form is completed to electronically adjust or void payroll transactions. The payroll adjustment forms are filed in monthly folders within the payroll department. All voided payroll activity is reviewed and approved by the Treasurer.

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The College has developed internal procedures for investing monies, but currently does not have an investment policy. The Treasurer and the Manager of Cash/Investments are authorized to make investments with available monies from the funds of the College in securities authorized by State Law. Earnings on investments are recorded into Banner by a Staff Accountant and receipted into the unrestricted fund. The College currently holds investments in a STAR Ohio account and a money market account. The Treasurer annually attends training on investing offered by the State Treasurer's office.

The College's banks accounts are insured and collateralized in accordance with Section 135.181(B) Revised Code.

For the current year, nineteen departments have petty cash funds or change drawers. For new petty cash accounts, the approval of the Manager of Cash/Investments is needed. In order to replenish the three petty cash funds, approved detailed receipts must be turned in to the Controller's department. The custodian will sign the petty cash report acknowledging said responsibility. The remaining sixteen funds represent change drawers which are controlled by and the responsibility of an individual custodian per department.

Auditor of State Comments

1. The signature blocks are not cut out of voided checks. All voided checks should have the signature cut out.
2. The monthly bank reconciliations should be provided to the Board Finance Committee for review on a monthly basis.
3. The College does not have an investment policy as required by Section 3345.05(C), Revised Code. The College should develop an investment policy as required by Revised Code and have the policy approved by the Board.

Owens State Community College – Wood County

Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

The Controller should provide the Board of Trustees and Board of Regents with reports setting forth year-to-date revenues, expenditures, encumbrances, and available fund balances for each fund of the College. In addition, information concerning estimated and actual receipts, and budgeted and actual disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Controller, in compliance with Ohio Administrative Code Section 126:3-1-01(A)(2)(a), should prepare and submit within four months of fiscal year-end financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Statutory Requirements

Ohio Administrative Code Section 126:3-1-01(A)(2)(a) requires that each state university and college shall prepare and submit fiscal year financial statements to the Auditor of State no later than October thirty-first of each year. The fiscal year financial statements shall be prepared in accordance with generally accepted accounting principles and shall be accompanied by required notes and other supplemental information as may be required by the Board of Regents.

While in fiscal watch, Ohio Administrative Code Section 126:3-1-01(D)(1)(d) requires that the College establish a process by which the Board of Trustees or a Committee will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the financial recovery plan. Ohio Administrative Code Section 126:3-1-01(D)(1)(e) requires that the College approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

Once placed in fiscal watch by the Ohio Board of Regents, Ohio Administrative Code Section 126:3-1-01(D)(1)(a) requires that within ninety days of the declaration of fiscal watch, the College shall adopt and submit a financial recovery plan with the purpose to end fiscal watch within three years, which is approved by the Ohio Board of Regents.

Section 3345.72 (1)(a) of the Revised Code and Ohio Administrative Code Section 126:3-1-01(A)(5)(a), require that quarterly reports are due within thirty days after the end of each calendar quarter, to the Board of Regents, the Director of Budget and Management, the Legislative Budget Office of the Legislative Service Commission, and the chairpersons and ranking minority members of the finance committees of the House of Representatives and the Senate. Ohio Administrative Code Section 126:3-1-01(A)(5)(b) requires that the quarterly report contain a narrative indicating where the following events have occurred during the period covered by the report: (1) the College requested an advance of state subsidy money during the quarter covered by the report; (2) the College delayed or failed to make any payments to the applicable retirement systems required to be made during the quarter covered by the report; (3) the College failed to make any scheduled payroll payments payable during the quarter covered by the report; (4) the College failed to make any payments to vendors when due during the quarter covered by the report as a result of a cash deficiency or a substantial deficiency in the payment processing system of the College; (5) the College failed to make any scheduled payment of principal or interest for short or long-term debt during the period covered by the report; (6) the College has revised its original budget for the fiscal year and the revision will result in a substantially reduced ending fund balance or larger deficit; (7) the College projects a significant negative variance between its most recently adopted annual budget and actual revenues or expenses at the end of the fiscal year. If a reportable event has been listed under the Ohio Administrative Code Section 126:3-1-01(A)(5)(b), then Ohio Administrative Code Section 126:3-1-01(A)(5)(c) requires that the College, in a separate document, describe the reason for the reportable event and the action(s) taken to resolve and prevent the reoccurrence of the

Owens State Community College – Wood County

Financial Accounting Report

reportable event. Section 3345.72 (H), Revised Code, states that if the College fails to submit the quarterly report within 30 days after the end of the calendar quarter, the Board of Regents shall withhold payment of any payment of any instructional subsidies to the College until it submits the report.

Section 3345.72 (1)(b), Revised Code, requires an annual financial report to be prepared at the end of each fiscal year consistent with the audit requirements prescribed by the Auditor of State, and filed with the Auditor of State within four months after the close of the fiscal year-end.

The College's Method of Financial Reporting

The College uses Banner for standard and customized month and year-to-date reports. The College prepares month and year-to-date reports, including the revenue, expenditures, budget, and account summary reports, which are kept electronically by the Analyst and Controller.

According to the College's bylaws, the Board of Trustees is required to hold at least six regular meetings annually. During fiscal year 2015, the Board held eight meetings. During the Board meetings, the Board of Trustee members are presented an agenda that includes various finance reports, personnel changes, and planning reports. The reports include a summary of year-to-date revenues and expenditures with a comparison to the prior year and a summary of year-to-date revenues and expenditures comparing original budget to adjusted budget. These reports, combined with the individual department reports, will aid in the decisions made by the Board members.

The College has a Board Finance Committee which is made up of four members from the Board of Trustees. The College's policy indicates that this Board Finance Committee shall meet bi-monthly, unless the Committee Chair deems a monthly meeting schedule is necessary for a certain fiscal period. Due to the financial situation of the College, the Board Finance Committee has been meeting monthly beginning in calendar year 2015. The Treasurer and Controller prepare a monthly packet for the Board Finance Committee that includes: an all funds financial report/narrative; a report of vacant positions; a year to date income statement for all funds; a year to date budget comparison that compares the adopted budget, adjusted budget and the actual revenues and expenditures; a narrative of the statement of net position; the monthly statement of net position comparing current month to the same month in the prior year; a listing of monthly expenditures greater than \$10,000 for the current month; a listing of purchase orders greater than \$10,000 for the current month; and a listing of purchase requisitions/orders and bids greater than \$50,000. The Board Finance Committee reviews the reports that are provided and makes recommendations to the Board of Trustees.

The College prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The financial statements are filed with the Auditor of State within four months of the end of the fiscal year end or, if unable to meet the deadline, an extension is requested. The College filed a copy of its annual financial report to the office of the Auditor of State for the fiscal year ended June 30, 2014, on October 14, 2014. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

The quarterly reports have been submitted to the Board of Regents for fiscal years 2014 and 2015. These quarterly reports are prepared by a Senior Accountant and reviewed by the Controller. All quarterly reports have been submitted to the Board of Regents within the 30 day requirement.

The College developed a Financial Recovery Plan that was approved by the Board on July 15, 2015 and submitted to the Ohio Board of Regents.

Owens State Community College – Wood County

Financial Accounting Report

Auditor of State Comments

1. In accordance with Ohio Administrative Code Section 126:3-1-01(D)(1)(d), the College should establish a process by which the Board of Trustees or a committee will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the financial recovery plan.
2. In accordance with Ohio Administrative Code Section 126:3-1-01(D)(1)(e), the College should establish a process by which they approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.
3. During a review of the Board Finance Committee minutes, it was noted that the Board Finance Committee has discussed the need for a report that could better convey the College's financial information in a user-friendly format. One report that could accomplish this would be a Popular Annual Financial Report (PAFR). The intent of a PAFR is to extract information from an entity's General Purpose External Financial Statements to produce summarized financial information specifically designed to be readily accessible and easily understandable to the general public and other interested parties.

Owens State Community College – Wood County

Financial Accounting Report

Forecasting and Planning

Description of an Effective Method of Forecasting and Planning

Forecasting and planning methods should be designed to increase the amount of useful information available to all stakeholders in order to continuously improve the organization. The method of forecasting should allow for both short-term and long-term prediction of revenues, expenses, and cash balances. Forecasts should be monitored against actual results in order to refine and improve the methods and data used to perform future forecasts. The method of planning should include such items as enrollment fluctuations, capital projects, revenue enhancements or declines, and expenditure increases or decreases. Planning should be institutionalized and performed regularly in order to better address these factors before they have a significant impact on finances. Plans should have specific and measurable steps or goals. These steps or goals should be monitored as actual information is known in order to refine and update the plans as necessary.

College's Method of Forecasting and Planning

Short-Term Forecasting and Planning: The College regularly forecasts and plans as related to their upcoming annual budget. There is a budget process in place, which is described in the Budgetary Process section of this report. The annual budget is used as a forecast for the current fiscal year and the Analyst monitors major components of the budget daily by comparing month to date and year to date information for significant line items such as tuition revenue and salary and benefit expenditures. These analyses are sent on to the Treasurer for further review and discussion. The Treasurer also maintains a spreadsheet listing revenues and expenses by major line item called Actual and Projected Cash Flow. This cash flow spreadsheet is updated each month with actual data for the months that have already occurred. For the remaining months, the Treasurer forecasts an amount for each line item. The resulting forecasted cash balance is compared to the cash balance from the same month in the prior year in order to monitor significant variances. The information is then discussed with the senior administration.

Student enrollment numbers are regularly projected and monitored as a component of developing the annual budget, as most sources of revenues are directly impacted by changes in enrollment. These projections are provided by the Vice President of Enrollment Management, Student Services, and Marketing to the senior administration. If the actual enrollment varies significantly from the projected enrollment used to craft the budget, the budget must be revised. This process is further described in the Budgetary Process section of this report.

During fiscal year 2013, the College attempted to implement multi-year budgeting beginning with the fiscal year 2014 budget; however, enrollment dropped sharply and this plan could not move forward. One way that the College has attempted to react to enrollment fluctuations is by calculating the number of tuition-paying students needed in each class to cover the costs of the class. The Treasurer and staff have calculated this number of students when both a full-time faculty member is teaching the class and for an adjunct faculty member teaching the class. This information can be used to avoid class sizes that are too small to cover the costs of the class. Another way the Treasurer and the senior administration analyze classes and programs is by examining the "contribution margin". This calculation is done by program and compares tuition received from a particular program to the costs of providing that program. Any program that needs a significant contribution of unrestricted funding is further discussed with the vice presidents for changes to the program or possible elimination of that program. The final decision to change a program would be made by the senior administration.

Owens State Community College – Wood County

Financial Accounting Report

Long-Term Forecasting and Planning: The Board approved a Financial Standards Policy on February 10, 2015, which includes a requirement for a long-range forecast. Per the policy, “the forecast shall be prepared and presented as a component of the annual budget presentation to the Board of Trustees, which includes the institution’s expected financial trends under clearly stated assumptions.” To date, the College has not developed this long-range forecast. However, the Treasurer does a three fiscal year forecast of revenues and expenditures by major line item. In addition, the College does have other planning documents in place including an Academic Quality Improvement Program Systems Portfolio, a strategic plan, and both a six year capital plan and a master facility plan.

Long-Term Enrollment and Revenue Projections: The College regularly reviews student enrollment on a short-term basis, as addressed above. In addition, enrollment is projected for the next fiscal year by the Vice President of Enrollment Management, Student Services, and Marketing. Based upon these enrollment projections, revenues are forecasted for the next three fiscal years by the Treasurer. The Treasurer then forecasts three fiscal years of expenditures in order to project three fiscal years of the ratios that determine if a college qualifies to be placed in fiscal watch. This forecast is based on current known facts and does not incorporate plans from any of the other long-term planning documents the College has in place.

A key component of the College’s funding is the State Share of Instruction, which is assumed to remain equal to the current level of funding for the forecast period. Changes in State funding are determined by the State biennial budget. The College employs an Executive Director of Government and Community Relations and Marketing who reports to the Board on all matters coming before the State legislature that could impact the College. The biennial budget is closely monitored by the Executive Director of Government and Community Relations and Marketing and the Treasurer is notified of any anticipated changes in the State Share of Instruction or other State monies. In addition, the Treasurer regularly attends meetings of the Ohio Association of Community Colleges Fiscal Officers to obtain updates on the State budget and other fiscal issues that may impact the College.

Academic Quality Improvement Program: In order to maintain accreditation by the Higher Learning Commission (HLC), the College can choose one of several reporting and review pathways with the HLC. The College has chosen to participate in the Academic Quality Improvement Program (AQIP), which is a continuous improvement program. The College must prepare an AQIP Systems Portfolio every four years and the last report was completed in 2013. The report included nine categories with the one most closely related to the College’s finances being Category 6, Supporting Institutional Operations. The Treasurer led the team that compiled data and analyzed Category 6. The College’s annual budget process is mentioned as one component of the planning process and budget monitoring is also discussed in Category 6. In addition, Category 6 addresses the College’s energy usage and facility usage; both areas are being systematically monitored. Financial planning and budgeting is addressed in Category 8, Planning Continuous Improvement. Category 8 also references the College’s strategic plan and addresses how that plan fits into the AQIP process.

In 2014, the College received the AQIP Systems Appraisal in response to the AQIP Systems Portfolio. The AQIP Systems Appraisal is compiled by a team of peer reviewers and gives feedback on each of the nine categories in the AQIP Systems Portfolio. There are two “core components” in this review that closely relate to the College’s finances. One was that the College’s “resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future” and the second was the College “engages in systematic and integrated planning”. The reviewers rated both of these areas as “strong, clear, and well-presented” in the AQIP Systems Portfolio. Because AQIP is a continuous improvement program, there is a continuous monitoring of the College’s programs and systems by the AQIP Planning Council (APC) and the Quality Council (QC). The APC and the QC are both made up of a broad cross-section of College leadership, faculty, and staff.

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Financial Accounting Report

Strategic Plan: The College began a strategic planning process in January, 2010. By August, 2011, the strategic plan, “College of Choice: Strategies for the Future” had been developed and approved by the Academic Quality Improvement Program Planning Council and was submitted to the Board for review. The Board approved the strategic plan by resolution on September 13, 2011. The strategic plan was intended to work in conjunction with the 2009 AQIP Systems Portfolio that was in place at the time, and was designed and implemented by the APC and the QC.

The strategic plan included several objectives directly related to the College’s finances, including delivering efficiency and cost savings to the College through a variety of measures and conducting a feasibility study for a capital campaign. The 2011 strategic plan was intended to be used until 2014. Due to the College’s need to prepare a recovery plan while in fiscal watch, the next strategic plan has been delayed until the recovery plan is completed.

Capital Planning: The College has a Master Facility Plan that was developed in 2007 as a major acquisition of land and buildings was occurring at that time. This Master Facility Plan was approved by the Board and continues to be followed, with revisions as necessary to react to current circumstances. The Master Facility Plan assessed all the long-term facility needs of the College campus, including building acquisition, renovation, and construction projects. The funding for these projects primarily comes from the State, via the required capital plan that is submitted to the Board of Regents.

The Board of Regents requires the College to submit each biennium a six year capital plan in order to receive State funding for capital projects. The College currently has a capital improvement plan that includes a listing of anticipated capital projects for fiscal years 2015 through 2020 with an estimated cost of each project. As mentioned above, as part of the strategic plan, the College was to study the feasibility of a capital campaign to provide more local funding. To date, the College has not begun a capital campaign.

A listing of potential capital projects is identified by the Director of Capital Planning through a review of the current progress on the Master Facility Plan. This listing is reviewed by the senior administration and changes are made based on the needs of each division. Once the full capital plan is prepared, including the narrative and project budgets, it is reviewed by the senior administration and then approved by the Board. The capital plan is then submitted to the Board of Regents for consideration. The Board of Regents compiles a statewide capital plan and submits funding requests to the Controlling Board for consideration.

Negotiations with Employee Union Groups: When the College negotiates with employee union groups on a new or revised contract, financial projections are typically used by the College. The Treasurer will provide financial data and projections based upon the negotiations. For instance, if a pay increase is being considered, projections would be done to demonstrate the financial impact to the College’s salary and benefit expenditures for the following fiscal year due to the proposed increase. In addition, the Treasurer provides historical trend data for enrollment numbers, major revenue categories, total expenses, change in net position, and cash balances, as well as projections in all these categories for the next two fiscal years. The union will normally request financial data from the College, which is provided by the Treasurer. This information typically includes historical data related to the unrestricted budget and actual revenues and expenses. Each union also typically requests comparisons of salary and benefit information between their group to other employee groups, such as the other unions and non-bargaining employees.

Owens State Community College – Wood County

Financial Accounting Report

Auditor of State Comments

1. Although the College has a five year forecast requirement as part of the Financial Standards Policy, this requirement has not yet been implemented. The five year forecast should be completed per the policy. In addition, the College should consult with other higher education institutions, industry associations or groups, and national finance organizations to research methods and best practices related to forecasting and planning. The College should expand forecast requirement of the Financial Standards Policy to include specific processes or steps to be taken, including a listing of the employee or employees responsible for each component of the forecast and related planning, integration of other planning documents into the forecast (see comment 2), and a requirement for ongoing monitoring of forecasts and plans.
2. The College should integrate a financial forecasting component with each of their planning documents. For instance, as each component of future strategic plans or AQIP systems portfolios are researched and implemented, these plans should be incorporated into the assumptions that form the basis for the five year forecast. This would ensure that plans are only implemented with a clear understanding of the financial impact of doing so.
3. The College should use long-term forecasting to assist in the negotiations process with employee union groups. Although the College calculates the financial impact of potential employee pay and benefit changes on expenses for one fiscal year, that information is not incorporated into a more comprehensive forecast that would include estimated revenues and estimated remaining fund balances as impacted by the forecasted expenses.
4. To date, the College has not conducted a feasibility study on a possible capital campaign as was recommended in the strategic plan. The College should conduct a feasibility study and if the results of the study are favorable, a capital campaign should be included in the College's long range plans.

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Financial Accounting Report

Conclusion

The methods described and included in this report are based on our inquiries and discussions with College personnel and the related procedures documented from the College's Policies and Procedures, resolutions, Ohio Administrative Code and the Ohio Revised Code. Comments contained within this report represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved.



Dave Yost • Auditor of State

OWENS STATE COMMUNITY COLLEGE

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2015**