

December 16, 1996

Members of the Legislative Audit Committee:

The Honorable James E. "Pete" Laney, Chair

The Honorable Bob Bullock, Vice Chair

The Honorable Bill Ratliff

The Honorable Kenneth Armbrister

The Honorable Robert Junell

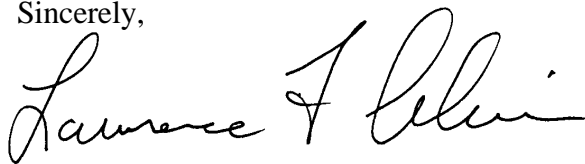
The Honorable Tom Craddick

Northeast Texas Community College (College) management and staff have made significant improvements in the leadership, administration, and financial stability of the institution. With few exceptions, the recommendations contained in our report, *An Audit Report on Management Controls at the Northeast Texas Community College* (SAO Report No. 96-045, February 1996) have been implemented. In addition, recommendations contained in the management letter associated with the annual financial audit for the fiscal year ended August 31, 1995, have either been implemented or are in the process of being implemented.

Our review of the College's Corrective Action Plan submitted to the Higher Education Coordinating Board indicates that the plans, if properly implemented, will assist the College in establishing financial stability, accuracy of accounting records, and protection of college assets. Periodic review of Corrective Action Plan implementation by the Texas Higher Education Coordinating Board will provide assurance that positive results continue.

We have attached a table which summarizes the status of the actions taken for the most significant recommendations as well as areas where improvements can be made. If you have any questions, please call me at 479-4900.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

LFA/rmn

STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Recommendation	Status
The Board of Trustees (Board) should receive additional training regarding their responsibilities, and the Board, with assistance from College staff, should develop and implement a plan to address the financial problems and internal control weaknesses of the Northeast Texas Community College (College).	The Board received training from the Texas Higher Education Coordinating Board and the State Auditor in 1996. A Corrective Action Plan is currently being implemented.
The Texas Higher Education Coordinating Board (Coordinating Board) should request from the College a financial and operational plan addressing the State Auditor's recommendations, and the Coordinating Board should monitor this plan for timely compliance.	A Corrective Action Plan was prepared by the College and approved by the Coordinating Board. Periodic updates on recommendation implementation are provided to the Coordinating Board.
Ensure the annual financial report is submitted in a timely manner.	The fiscal year 1995 annual financial report was submitted in a timely manner, and the fiscal year 1996 report is expected to be filed before the due date.
Ensure budget documents are filed with the county clerk as required.	Copies of the fiscal year 1995-1996 budget documents have been filed with the county clerk as well as the local public libraries.
Scrutinize any addition of long-term debt.	No additional long-term debt is currently being considered. Several debt-restructure proposals are currently under review.
Determine if the level of expenditures on athletics is consistent with the mission and financial condition of the College.	The level of expenditures for athletics was reviewed during the recent budget process. The golf team was eliminated.
Approve pay raises in a meeting of the whole Board.	The policy has been implemented.
Enact a policy prohibiting bartering of assets without board approval.	The policy has been enacted and is being implemented.

STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Recommendation	Status
Ensure that previous annual financial report audit recommendations are implemented.	Compliance with all recommendations.
Require monthly financial information that includes fund balance and cash forecast information.	Cash forecast and cash balance information provided to the Board of Trustees monthly.
Develop and utilize a cash needs and resources forecast on a monthly basis that can be updated weekly so that weekly accounts payable processing will not result in overdraft bank charges.	No overdraft charges have occurred since the last audit was made.
Develop a financial contingency plan to address unexpected expenditures and decreased revenues. This plan should include increasing available fund balances so that bank financing or a line of credit will not be necessary.	A line of credit has been established to address unexpected demands for the current school year. The current operating fund balance of \$110,000 is well below the goal of \$255,000 fund balance for the year ending 1997.
Provide timely, accurate, and relevant information to the Board of Trustees	A business packet is prepared for the Board of Trustees. The packet contains cash resources and accounts payable information, and other information necessary for the board's financial decisions.
Aggressively pursue other financial resources such as sales of surplus assets and unrestricted donated properties.	Sale of surplus assets in June 1997. The Foundation Board is pursuing sales of other surplus assets.
Submit billings to federal and state agencies, and collect monies owed to the College for advertising in the college newspaper and on baseball field signs in a timely manner.	All billings are now current.

STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Recommendation	Status
Collect payments made on behalf of the Booster Club, and strictly prohibit the payment of any item that is not a legal obligation of the College.	A repayment schedule has been a
Change the bookstore's 20 percent markup to academic departments to an amount equal to its cost plus an overhead rate to cover operations.	Academic department and grant-f 20 percent discount from the boo
Change door locks and safe combinations in the bookstore.	Recommendation has been compl
Review food service revenues and expenditures and adjust prices as necessary to eliminate operating losses. Also, monthly income statement information should be provided by the Business Office.	<p>Although the food service opera only the contract costs are budg operations. Indirect costs inclu services, telephone expenses, eq student workers are not allocat</p> <p><i>We recommend, and managemen associated with food service oper service budget and that periodic be made available to College man</i></p>
Conduct a physical inventory of equipment and vehicles.	Recommendation has been compl
Include required missing items in the personnel folders.	<p>Recommendation not yet compl</p> <p><i>We recommend, and managemen Resources Department continue t ensuring that essential document updated.</i></p>

STATUS OF IMPLEMENTATION OF AUDIT RECOMMENDATIONS

Recommendation	Status
Conduct an information systems user needs survey.	The Automation Committee has hired advisors/consultants to study students and telecommunications and computer systems.
Implement system controls which automatically update endowment and scholarship fund balances monthly, and monitor balances to prevent over-awarding of scholarships.	Accounting records have been reviewed and accurate, current balances can be determined.
Conduct periodic meetings of the Foundation Board and document and maintain meeting minutes.	<p>The Foundation Board has met.</p> <p><i>We recommend, and management agrees, that the Board meet at least quarterly and minutes be prepared and maintained.</i></p>
Contact relevant federal and state grantor agencies to determine if restitution for prior improper payments is required.	Payment has been made to the Department of Defense. The accounting firm of [redacted] is in the process of identifying other liabilities.