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Missouri State Auditor

HIGHER EDUCATION

Three Rivers Community College

July 2009

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Office of the
Missouri State Auditor
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YELLOW SHEET

The following findings were included in our audit report on the Three Rivers Community College.

Various concerns were noted involving expenditures. The college's current bidding policy requires competitive bidding procedures based on the cost of individual items rather than the total amount of the purchase, resulting in some significant purchases not being bid and/or advertised. In addition, the college did not always obtain bids or document efforts to obtain bids for the purchase of goods and services as required by the college's purchasing policy. Examples of expenditures which were not properly bid or where bidding documentation was not properly retained, included: satellite campus construction costs ($261,528), laboratory renovations ($191,468), bleachers renovation ($99,100), and laboratory equipment ($73,202). Also, the college did not document its evaluation and selection of engineering services costing $20,661.

During fiscal year 2006, the college made regular purchases of gas and other items (such as oil and tires) from a local gas station owned by a member of the Board of Trustees, with the related payments totaling over $13,000. Because competitive bids were not obtained for these purchases, this situation appears to represent a conflict of interest and may violate state law. Some expenditures were noted which may not be necessary or prudent uses of college funds. In addition, the college did not enter into, or could not locate written contracts with various entities with which it does business. Also, improvements are needed related to controls over credit cards.

The college has not bid banking services and does not have a written agreement with any of the banks holding college funds. In addition, it appears the college has an excessive number of checking accounts. Bank accounts have not been reconciled on a timely basis. As of May 2008, the college's primary checking account and payroll account had not been reconciled since September 2007 and June 2007, respectively. Receipts collected and recorded by the cashiers in the business office are not always deposited intact because the college allows students and employees to cash personal checks from daily cash receipts. Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability of monies received.

The on-campus housing operation has incurred substantial losses each year since it began housing students in 2002. As a result of this situation, the college's Current Fund absorbed over $370,000 in housing operation losses during the 3 years ended June 30, 2008. The college's child care operation has also incurred substantial operating losses (over $200,000 during the 3 years ended June 30, 2008) and is subsidized by other college funds. In addition, as of August 2008, the college had not received any state payments since at least January 2005 for child care services provided for children eligible for state subsidies. This may have been due to the child care operation not billing the state until late 2008. The college's contracted cafeteria vendor has not paid commissions owed since March 2006. Prior to March 2006, the college received commissions of approximately $200 per month from this vendor.

The college does not have a formal capital assets policy and has not established adequate records and procedures to account for, track, and control capital assets. Prior to fiscal year 2008, the college did not maintain any type of internal listing or record of most of its capital assets. Beginning in fiscal year 2008, using the capital asset information maintained and provided by its independent auditors, the college assumed control and maintenance of the capital asset records. However, those records do not provide sufficient detail and other information to adequately account for and control the capital assets of the college. In addition, the college has not established adequate records and procedures to account for the disposition of capital asset items or to ensure such dispositions have been properly authorized.

Due to inadequate controls and little oversight of the campus bookstore by the business office, a former bookstore manager misappropriated a substantial amount of monies through fraudulent textbook buyback and refund transactions for several years prior to June 2007. According to a forensic investigation conducted by the college's independent auditors in 2007, approximately $130,000 was misappropriated. The college was subsequently able to recover most of the amount lost through a fraud insurance policy. After the discovery of the fraud and the forensic investigation, the bookstore and the business office made changes to improve the controls and procedures related to textbook buybacks and refunds.

In 2005 and subsequent years, the college spent at least $807,000 on start-up costs of new centers and legal fees related to a dispute with Southeast Missouri State University (SEMO) that could not be resolved through negotiation or other means. The audit recommended the college make a concerted effort to resolve any future differences it might have with another public institution of higher education. If the differences cannot be resolved, the matter should be submitted to the state Department of Higher Education for binding dispute resolution in accordance with a 2007 provision added to state law.

The college has not adequately documented how the rates in its current 5-year tuition rate plan were determined, nor does it review the 5-year plan periodically to ensure the rates remain appropriate in light of changing financial conditions.

The college's budget documents did not include some operating funds, did not include some information required by state law, and were not adopted timely. In addition, the college did not adequately review or monitor actual expenditures compared to budgeted expenditures by department.

Other findings in the audit report relate to booster club activities and expenditures, closed meeting minutes and public access to records, vehicle usage, and computer security issues.

THREE RIVERS COMMUNITY COLLEGE

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Trustees of the Three Rivers
Junior College District
and
Dr. Devin Stephenson, President
Three Rivers Community College
Poplar Bluff, Missouri

We have audited the Three Rivers Junior College District (Three Rivers Community College). The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, and 2006. The objectives of our audit were to:

1. Evaluate the college's internal controls over significant management and financial functions.

2. Evaluate the college's compliance with certain legal provisions.

3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures of the college.

4. Review and evaluate selected records and activities of the college's Foundation and Booster Club.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the college, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Three Rivers Community College.

Susan Montee

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
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	Jesse Jett

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Expenditures and Contracts

Various concerns were noted involving college expenditures. These concerns included the need for the college's formal bidding policy to be revised, competitive bids/proposals not being obtained for some significant purchases, a conflict of interest situation involving a former board member, some expenditures which may not be necessary or prudent, and a lack of controls over credit cards. In addition, the college has not entered into written contracts with various entities with which it does business or could not locate written contracts with some entities.

A. The college's current bidding policy requires competitive bidding procedures based on the cost of individual items rather than the total amount of the purchase, resulting in some significant purchases not being bid and/or advertised. The policy states that where practical, single items costing over $200 require three competitive prices to be obtained. In addition, the policy provides that for single items costing over $2,000, bids will be solicited by advertising in a newspaper.

Based on the wording of this policy, when the college purchases a large quantity of lower priced items from an individual vendor (costing less than $200 each), no bidding is required. Similarly, if the college purchases a number of items costing between $200 and $2,000 from an individual vendor, competitive prices are required but the purchase does not have to be advertised. For example, in December 2006 the college bookstore purchased 350 books at a total cost of $13,675 (or $39 per book), without obtaining any competitive prices or bids because each individual item cost less than $200. In addition, in September 2005, the college purchased 24 microscopes and accompanying equipment at a total cost of $23,884 without advertising the purchase (though competitive prices/bids were solicited) because each individual item was less than $2,000. When we asked college officials about the manner in which these purchases were procured, they referred us to the wording in the policy.

To ensure appropriate competitive procurement practices are employed for all significant purchases, the college should review its current bidding policy and consider revising it to base the required procurement practices on the total amount of the purchase rather than the cost of individual items.

B. The college did not always obtain bids or document efforts to obtain bids for the purchase of goods and services as required by the college's purchasing policy. In addition, the college did not follow Chapter 8, RSMo, guidelines for procuring engineering services.

1) Various significant expenditures were noted in which competitive bids or proposals were not solicited and/or bidding documentation was not retained in accordance with the college's policy. Examples include the following:

Satellite campus construction costs	$261,528
Laboratory renovations	191,468
Bleachers renovation	99,100
Laboratory equipment	73,202
Building additions/renovations	28,606
Interactive TV equipment	22,772
Satellite campus furniture	22,658
Surveying equipment	22,108
Elevator upgrades	17,119
Transcription equipment	9,480

For a portion of the laboratory renovations noted above, college officials indicated that bids had been obtained; however, documentation supporting these bids was not maintained. In addition, for other expenditures we were told that bids were not obtained because of time constraints; however, no documentation to support the need for an emergency purchase was maintained. In other instances, college personnel indicated some of the equipment purchases noted above were only available from one provider due to compatibility issues; however, these sole source procurements situations were not documented.

According to a college official, business office personnel are supposed to ensure bids or price quotes are attached to all requisitions sent to the business office for payment; however, the documentation is not always attached.

Competitive bidding for significant expenditures helps ensure the college receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the college’s business. Complete documentation should be maintained of all bids received and reasons why the winning bid was selected. If a situation arises in which competitive bidding is not practical (such as sole source or emergency purchases), the reasons or circumstances for not soliciting bids should be documented.

2) During the fiscal year ended June 30, 2006, the college did not document its evaluation and selection of the engineer for a $136,000 construction/renovation project related to the Bess Activity Center. The fees paid to the engineering firm for this project totaled $20,661.

Sections 8.289 and 8.291, RSMo, require that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. According to Section 8.291.5, RSMo, the above provisions do not apply to any political subdivision which adopts a formal qualification-based selection procedure for the procurement of engineering services.

A college official stated that each year the Board of Trustees designates an engineer who will be used for all projects throughout the year. However, the board minutes did not document any discussions or decisions related to the selection of an engineering firm. In addition, these procedures did not appear to meet the requirements of Section 8.291.5, RSMo.

The college should ensure the criteria used and the basis for selecting engineering services is adequately documented to provide evidence of its efforts to obtain quality services at a reasonable price and demonstrate compliance with state law.

C. During fiscal year 2006, the college made regular purchases of gas and other items (such as oil and tires) from a local gas station owned by a member of the Board of Trustees. From July 2005 to April 2006 (the part of the audit period this individual served on the board), payments totaling over $13,000 were made by the college to this business. Competitive bids were not obtained for these purchases. We also noted similar purchases were made from this board member's gas station in years prior to fiscal year 2006. This board member's term ended in April 2006.

This situation appears to represent a conflict of interest and may violate Section 105.458.2, RSMo, which states "No sole proprietorship, partnership, joint venture, or corporation in which any member of any legislative body of any political subdivision is the…partner…or owner…shall… (2) Sell, rent or lease any property to the political subdivision or any agency of the political subdivision where the consideration is in excess of five hundred dollars per transaction or **five thousand dollars per annum** (emphasis added)…unless the transaction is made pursuant to an award on a contract let or a sale made after public notice and in the case of property other than real property, competitive bidding, provided that the bid or offer accepted is the lowest received."

The college should ensure conflict of interest situations are avoided by members of the Board of Trustees and appointed college officials. If the college does business in the future with a board member or appointed official (in an amount in excess of $500 per transaction or $5,000 in a year) the transaction(s) must be competitively bid and the lowest bid received accepted to comply with state law.

D. Some expenditures were noted which may not be necessary or prudent uses of college funds. These expenditures included the following:

- The college paid $648 to a local restaurant for a catered Christmas meal in December 2006 for Board members, members of the college's foundation, some top college officials, and their guests. We were told by college officials that a similar function is held each December and paid for every other year by the college or the Foundation, respectively.

- The college paid $600 in October 2006 for concert tickets given to board members and members of their families for shows held at the college.

- According to college personnel, the members of the Board of Trustees and the college president usually go to dinner at a local restaurant prior to the board's monthly meetings. We determined the college pays for these meals, which generally total about $100 per month.

The public places a fiduciary trust in the college's officials to expend college funds in a necessary and prudent manner. The college should ensure its funds are spent only on items which are necessary to meet the critical educational needs of the college.

E. Controls over the credit cards issued to the college need improvement. As of May 2008, the college had been issued a total of 72 credit cards by various vendors, of which 43 were gas cards, 8 were general credit cards, and 21 were store credit cards. Seven of these credit cards were assigned to college executives or staff and the rest are available for check out by college employees. Credit card purchases totaled over $116,000, $103,000, and $82,000, during the fiscal years ended June 30, 2008, 2007, and 2006, respectively.

1) College personnel were not fully aware of the number of credit cards issued to the college until after a break-in at the business office in May 2008.

   College personnel were unsure if any credit cards had been stolen during the break-in because adequate records had not been maintained. The college has a 3-ring binder with a listing of college credit cards available for check out. When a college employee checks out a credit card it is supposed to be documented in the binder; however, this was not always done. In addition, the cards issued to the college were in numerical sequence for each vendor. However, some of the cards within those sequences were missing.

   After the break-in, college personnel contacted each credit card vendor to determine how many cards had been issued to the college by the applicable vendors. College personnel then attempted to determine which employees had possession of the cards that were not in the business office. All cards that could not be accounted for were cancelled.

While no unauthorized purchases were identified, the college needs to better monitor and control credit cards by ensuring all cards are either permanently assigned to specific employees or are properly checked out for temporary use. In addition, the college should reevaluate the number of active credit cards it currently holds and cancel any credit cards that are not needed.

2) We noted the following additional problems with controls over the college's credit cards:

- Individual credit card slips are not reconciled to the credit card statements each month. In addition, adequate supporting documentation was not always maintained to support the credit card purchases made. We reviewed 81 credit card purchases totaling $9,580. For 21 purchases totaling $2,246, neither a credit card receipt slip nor a detailed invoice or receipt was submitted. In addition, 14 purchases totaling $795 were supported by a credit card receipt slip, but no detailed invoice or paid receipt.

- The college has not adopted formal policies and procedures for the use of credit cards.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees, and help ensure credit cards are used only for college business. Given the lack of controls over credit cards, the college should develop formal policies which include clarification of allowable purchases, procedures for checking out a card, a requirement that purchases be approved by someone other than the cardholder, and procedures that require reconciliation of credit card statements to detailed charges, supported by paid receipts or appropriate other documentation prior to payment.

F. The college did not enter into written contracts with various entities with which it does business or could not locate written contracts with some entities. Those situations included the following:

- The college pays monthly health insurance premiums for college employees. For fiscal year ended June 30, 2008, premiums totaled over $820,300. While the college was able to locate the health insurance bid documentation, a copy of the related contract could not be located.

- The college contracts with two vending service companies to provide snack vending services; however, the college could not locate a copy of the applicable contract with either of these vendors. The college receives approximately $4,300 per year related to these two contracts.

- The college bookstore currently has a verbal agreement with an outside vendor to handle book buybacks at the end of each semester. The college is to receive a 20 percent commission on all buyback purchases the company makes. It appears the bookstore did not enter into a written contract with the vendor for this service.

- The college rents classroom space to several 4-year colleges or universities to hold classes so students can pursue a bachelor's degree at the college's campus. However, it appears the college has not entered into written agreements with some institutions.

- The college's foundation owns a building on campus that the college uses and pays insurance on. In addition, the college provides office space to the foundation. However, there is no formal agreement between the college and the foundation.

- The college's booster club helps support the various athletic programs on-campus. The booster club uses the college's facilities for booster club sponsored tournaments and collects season ticket revenues for the college. However, there is no formal agreement between the college and the booster club.

Section 432.070, RSMo, requires contracts of political subdivisions to be in writing. The college should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered or benefit obtained and the manner and amount of compensation to be paid, if applicable. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND Three Rivers Community College:

A. Reevaluate the college's formal bidding policy and consider revising it to base the required procurement practices on the total amount of the purchase rather than the cost of individual items.

B.1. Solicit competitive bids for purchases of goods or services. Documentation of the bids received and justification of bid awards should be retained. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented. In addition, the business office should ensure appropriate comparative pricing or bidding documentation is submitted with requisitions before payments are made.

2. Ensure engineering services are procured in accordance with state law and adequate documentation is maintained to support the procurement and selection process.

C. Ensure conflict of interest situations are avoided by members of the Board of Trustees and appointed college officials. If the college does business in the future with a board member or appointed official, the college should ensure the business is conducted in accordance with state law.

D. Ensure all expenditures of college monies are necessary and prudent uses of public funds.

E. Reevaluate the number of active credit cards and cancel any credit cards that are not needed. Any credit cards determined necessary should be either permanently assigned to specific employees or properly checked out for temporary use. In addition, formal policies and procedures should be adopted for credit card use, including procedures which require reconciliation of credit card statements to detailed charges, supported by paid receipts or other appropriate documentation prior to payment.

F. Enter into and retain written agreements with other entities the college does business with as required by state law.

AUDITEE'S RESPONSE

A. Three Rivers Community College (TRCC) understands and respects its responsibility to be good stewards of the district's funds. TRCC's current bidding policy requires competitive bidding and has served TRCC well in the past. TRCC will review and revise its current policy to ensure that it receives the best value for its expenditures.

B. TRCC will ensure that the competitive bids or proposals are solicited for purchases in accordance with TRCC's purchasing policies and that all processes are fully documented. It should be noted that TRCC was in compliance with Sections 8.289 through 8.291, RSMo, which states in subsection 5 of 8.291 that: "Sections 8.285 to 8.291 shall not apply to any political subdivision which adopts a formal procedure for the procurement of architectural, engineering and land surveying services." TRCC will ensure that the criteria used and the basis for selecting professional services or sole source purchases will be adequately documented to provide evidence of its efforts to obtain quality services and products at a reasonable price.

C. TRCC understands the importance of avoiding conflicts of interests by members of the Board of Trustees and appointed college officials. TRCC has a Conflicts of Interest and Substantial Interest Disclosure Policy which the board renews annually. In the future, *when appropriate, TRCC will track even small purchases (such as vehicle gas fill ups or other services) that may be purchased from covered individuals to ensure compliance with the statutes.*

D. *TRCC will continue to ensure that all expenditures are necessary and prudent uses of public funds and that we continue to be good stewards of the public trust. It should be noted that TRCC feels that it is important to maintain a good working relationship with TRCC foundation and donors to TRCC. Expenditures will be monitored and measured for their effectiveness and impact on creating a positive environment to work and learn.*

E. *TRCC has changed its credit card system instituting tighter controls and reducing the number of outstanding cards. TRCC is implementing a purchase card system with tight regulations which should further address these issues.*

F. *TRCC understands the importance of proper documentation of its business interactions and will obtain and retain documentation supporting its action. TRCC plans to enter into contracts concerning facilities with the Booster Club and the Foundation.*

AUDITOR'S COMMENT

B. In regard to the college's assertion that TRCC was in compliance with the applicable statutes cited in this finding, we noted no formal selection procedure established by the college in the procurement of engineering services nor documentation to support the selection of engineering services retained by the college during the audit period.

2. Bank Accounts and Controls Over Receipts

The college has not bid banking services and does not have written agreements for these services. Monthly bank reconciliations were not prepared for an extended period of time. Receipts are not always deposited intact because the college allows personal checks to be cashed from the daily receipts. Frequently cash overages and shortages are noted when daily deposits are prepared by the business office. In addition, the college is not complying with policies limiting the amount of cash maintained overnight in the business office. Also, controls over other receipts collected both on and off campus could be improved.

A. The college has not bid banking services and does not have a written agreement with any of the banks holding college funds. In addition, it appears the college has an excessive number of checking accounts.

1) There is no indication the college has ever solicited competitive bids for banking services. It appears that each year the college historically rotated its primary checking account between the major banks in the area; however, during the past several years that account has been maintained at the same bank with other accounts spread among other banks in the area.

Also, the college does not have a written depositary agreement with any of the banks holding college funds.

To ensure the quality of banking services and maximize interest earnings, the college should consider procuring banking services through a competitive bid process. In addition, the college should enter into a written agreement with its depositary bank(s).

2) As of June 30, 2008, the college maintained 15 different checking accounts at various banks. Except for separate accounts required by bond covenants, it appears the remaining checking accounts could be consolidated to help simplify record keeping and reduce the number of accounts that must be monitored and controlled.

An excessive number of bank accounts requires additional administrative effort by college employees. The college should consider reducing/consolidating its bank accounts to a more reasonable number.

B. Bank accounts have not been reconciled on a timely basis. During our initial discussions with business office personnel in May 2008, we were told the primary checking account had not been reconciled since September 2007. The Controller stated that when she tried to reconcile the account for October 2007, she had noted a relatively small difference and had not had time to identify the reason(s) for the difference. The Controller indicated that since the difference had not been resolved, she had not attempted to reconcile the bank account in the months that followed. Also as of May 2008, bank reconciliations had not been completed for the payroll bank account since June 2007.

Timely bank reconciliations are important to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. Lengthy delays in reconciling bank accounts could result in significant errors or discrepancies going undetected for an extended period of time.

According to the Controller, as of September 2008 the primary checking account had been reconciled through June 2008, and as of July 2008 the payroll account had also been reconciled through June 2008. The Controller stated that as of July 2008, the college started on-line banking and bank accounts are now monitored daily and reconciled monthly.

C. Receipts collected and recorded by the cashiers in the business office are not always deposited intact. We noted the college allows students and employees to cash personal checks from daily cash receipts.

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

It should be noted there is an automated teller machine (ATM) on campus where students and employees may obtain cash, if needed.

D. The business office prepares a daily reconciliation showing overages and shortages at each cashier's workstation; however, the office personnel do not document the investigation of, or reasons for, the differences identified. Office personnel stated such differences are frequent and likely due to errors in counting and disbursing change; however, they indicated the amounts are usually small (under $20) and tend to offset each other. During fiscal years 2006 and 2008, the total net overage/shortage was about $100 each year; however, the records for fiscal year 2007 indicated there was a total cash shortage of approximately $1,640 during that year.

Officials in the business office should make a concerted effort to reduce the frequency and amount of cash overages and shortages in that office. When overages or shortages are identified, personnel in that office should document their investigation of the discrepancies and document the reasons the differences occurred, if possible.

E. The college has a policy that states no more than $2,000 should be kept on campus overnight. While the business office is aware of the policy, at the time our review the business office kept the change fund as well as the current day's receipts on campus overnight. As a result, the monies maintained on campus overnight were generally well over the $2,000 limit. Business office personnel indicated they did not follow this policy because of concerns about the security of leaving deposits in the bank's drop box and because personnel did not feel comfortable leaving campus after work with the large amounts of monies to be deposited.

The need to limit the amount of money maintained at the college overnight was demonstrated in May 2008, when the business office was broken into and approximately $2,800 was stolen. Had the business office limited the amount of cash maintained on campus over night, it could have reduced the extent of the loss.

The college and business office should take steps to ensure the amount of money maintained on campus overnight is kept to a minimum. This might include ending business for the current day early enough in the afternoon to make the bank deposit before the bank closes for the day. Any monies collected after that designated time would be included in the next day's business.

F. The college's business office is the primary collection point for receipts; however, there are other locations, both on and off campus, where monies are initially received prior to being turned over to the business office for deposit. Our review of the controls over these receipts disclosed the following concerns:

1) The athletic department charges admission to various athletic events on campus. Collections related to such events totaled over $42,000 during the three years ended June 30, 2008, most of which is collected in cash. Adequate procedures have not been established to account for and handle the revenues collected at the athletic events.

   Admission to these events is collected at the door in the form of gate receipts. Prenumbered tickets are not issued to account for the number of people charged admission to the athletic events. Consequently, there is no procedure to reconcile paid admissions to the cash received and remitted for deposit. In addition, it appears gate receipts are generally taken home after an event by an individual responsible for collecting these monies and turned over to the business office the next day. This practice increases the risk of loss, theft, or misuse of college monies.

   To ensure all gate receipts are accounted for properly, the college should issue prenumbered tickets for gate admissions and reconcile tickets issued to monies remitted for deposit. In addition, receipts from athletic events should be kept in a secure location until deposited.

2) The theatre box office collects monies related to music and theatre productions or guest concerts. During the three years ended June 30, 2008, theatre production receipts totaled approximately $73,000. Adequate procedures have not been established to account for and handle collections related to these events/concerts.

   Tickets are required for admission to the productions or programs; however, no reconciliation is performed of tickets printed and paid admissions. While some tickets are purchased by attendees in advance, tickets may be reserved and paid for at the door. Patrons of the Arts (those individuals who have donated $1,000 or more) receive two free tickets. In addition, some free tickets are given to students from surrounding high schools. While tickets for patrons are tracked separately, other tickets distributed at no cost are not tracked separately from those tickets that are sold. In addition, the duties of receiving, recording, and transmitting monies to the business office are not adequately segregated for theatre/concert receipts. One person in the advancement office is primarily responsible for all of these duties.

   To ensure theatre ticket sales are accounted for properly, the number of printed tickets should be reconciled to the number of tickets purchased and the actual receipts remitted for deposit. Further, the duties related to the handling of these monies should be properly segregated to help ensure all transactions are accounted for properly and assets are adequately safeguarded.

3) Monies are received by employees at satellite campuses and are remitted to the business office by courier. The receipt slips issued to students at these off-campus sites are not prenumbered. As a result, there is less assurance the fees paid by these students are accounted for properly and deposited.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, prenumbered receipt slips should be issued for all monies received and the receipts slips should be reconciled to amounts remitted and deposited.

4) The admissions and registrar offices are the initial point of receipt for various fees related to those offices, including application fees, ID replacement fees, transcript fees, graduation fees, and incomplete grade fees. Each office processes the monies received and then remits the monies to the business office for deposit. During the year ended June 30, 2008, the admissions and registrar offices collected a total of $33,354 and $14,365, respectively.

An official in the business office indicated that with the exception of application fees, the fees could be handled through student accounts in the business office. To better control and centralize the collection of monies on the college's main campus, the business office should be the primary location where monies are initially received and recorded to the extent practical.

WE RECOMMEND Three Rivers Community College:

A.1. Periodically solicit competitive bids for banking services and enter into a written agreement with its depositary bank.

2. Reduce the number of bank accounts maintained.

B. Ensure bank accounts are reconciled on a timely basis.

C. Discontinue the practice of cashing personal checks from daily cash receipts. Daily receipts should be deposited intact and the composition of monies received should be reconciled to the composition of bank deposits.

D. Make a concerted effort to reduce the frequency and amount of cash overages and shortages in the business office. When overages or shortages are identified, personnel in that office should document their investigation of the discrepancies and the reasons the differences occurred.

E. Take steps to ensure the amount of money maintained on campus overnight is kept to a minimum.

F.1. Ensure prenumbered tickets are issued for gate admissions and reconcile tickets issued to monies remitted and deposited. In addition, receipts from athletic events should be kept in a secure location on campus until deposited.

2. Ensure printed tickets for theatre events are reconciled to the number of tickets purchased and the actual receipts remitted and deposited. Further, the duties related to the handling of these monies should be properly segregated.

3. Ensure prenumbered receipt slips are issued for all monies received at off-campus sites, and those receipts are reconciled to the amounts remitted and deposited.

4. Consider collecting the fees currently collected at the admissions and registrar offices at the business office, to the extent practical.

AUDITEE'S RESPONSE

A. TRCC is in the process of reviewing and revising its banking procedures. TRCC has always tried to be inclusive with its banking services. As the volume and types of banking services increases, the need to consolidate accounts and bid services has reached a point which indicates a benefit from packaging and bidding banking services. TRCC plans to bid banking services.

B. TRCC agrees that the accounts should be reconciled frequently. In July 2008, TRCC started on-line banking and bank accounts are now monitored daily and reconciled monthly.

C. In July 2008, TRCC discontinued the practice of cashing personal checks. Deposits and reconciliations are handled as listed in item 2B.

D. TRCC has revised its procedures for cash overages and shortages. For fiscal year 2009 the total net current overage/shortage is $1.40.

E. TRCC is revising its banking procedures which will address this issue.

F. TRCC takes its fiduciary responsibilities very seriously. Background checks are performed on new employees and TRCC bonds employees handling money. We agree that controls should always be in place when money is involved and will now use prenumbered tickets and receipts. TRCC will also reconcile tickets and receipts against deposits to ensure transactions are accounted for properly and assets are adequately *safeguarded. TRCC is also reviewing online payment systems which would reduce the number of offices receiving cash without restricting our customer service philosophy.*

3. Auxiliary Operations and Use of College Facilities

The on-campus housing and child care operations are incurring substantial operating losses and are subsidized by other college funds. In addition, the child care operation has not received state subsidy payments for services provided to eligible children since 2005, which may be due to the failure to bill the state until recently. The contracted cafeteria service vendor has not paid commissions to the college as required by the related contract since December 2005. Also, the college's policy regarding use of college facilities by outside parties is not complete and the related rental fees have not been kept up-to-date.

A. The on-campus housing operation has incurred substantial losses each year since it began housing students in 2002. As a result of this situation, the college's Current Fund is absorbing a portion of housing operation losses.

The college established the Three Rivers Building Corporation (TRBC) as a separate legal entity in 1994 for the purpose of obtaining financing for the construction of buildings on the college campus. The TRBC financed the construction of the student housing complex at a cost of about $5.4 million. The facility can house up to 192 students. The TRBC is legally responsible for making payments on the construction bonds; however, bond payments are made directly by the college on the TRBC's behalf from the Student Housing Fund. Upon payment of the bonds in 2025, the TRBC will transfer ownership of the housing facility to the college.

The following table presents a breakdown of Student Housing Fund revenues and expenditures for the 3 years ended June 30, 2008. This information was obtained from the college's annual audited financial statements:

		Year Ended June 30,		
		2008	2007	2006
Operating Revenues	$	428,559	457,734	540,704
Operating Expenses		(432,805)	(451,992)	(476,092)
Operating Income (Loss)		(4,246)	5,742	64,612
Net non-operating Revenues (Expenses)		(291,425)	(298,648)	(273,368)
Loss Before Transfers		(295,671)	(292,906)	(208,756)
Transfers from Current Fund		124,698	119,303	129,280
Change in Net Assets	$	(170,973)	(173,603)	(79,476)

Note – The operating expenses noted above include depreciation and amortization expenses of approximately $217,000 to 254,000 annually. In addition, the non-operating expenses include interest expense on the bonds of approximately $302,000 to $327,000 annually.

According to college officials, the rental rates were initially set by the contracted management company which administered the on-campus housing complex when it opened and the rates have not been changed or reviewed since that time. The housing facility has been running well below full capacity and college officials told us some students consider the current rental rates to be excessive; therefore, if the college raises the rates it could lose some student residents. The rental rates have been $346 per month for a nine month lease since the housing facility opened in 2002. When the facility initially opened, the college was only paying interest on the related bonds. However, principal maturities on the bonds began in fiscal year 2006, resulting in increased debt service payments and the need for increased housing revenues to fund the payments.

College officials indicated they are aware of the shortfall in revenue for the student-housing complex; however, they have yet to develop a formal plan to discontinue or reduce the subsidies to the Student Housing Fund.

B. Since 2000, the college has operated the Early Childhood Learning Center (ECLC), a state-licensed facility on campus, which provides child care and learning services for children of students, college faculty and staff, and members of the community. Approximately 40 children are served by this facility. A review of the ECLC disclosed the following concerns:

1) The on-campus child care operation has incurred substantial operating losses and is subsidized by other college funds. During the 3 years ended June 30, 2008, the child care facility incurred operating losses of over $200,000.

As of June 2008, the ECLC had two full-time employees, six part-time employees, two work study employees, and one community member (who is paid by a federal grant). Besides providing child care services, college officials indicated the ECLC provides training and classroom opportunities for various college departments, including classes for the Early Childhood Program, Basic Psychology, Child Psychology, Child Literature, and Art for Elementary. The ECLC charges fees for child care services of $2.15 per hour for up to 5 hours or $14 per day. In addition, lunch is available for each child at an additional cost of $1.50 per meal.

The following table presents the revenues, expenditures, and operating losses of the ECLC for the 3 years ended June 30, 2008. This information was obtained from the college's financial records.

		Year Ended June 30,		
		2008	2007	2006
Revenues	$	51,165	76,638	80,751
Expenditures		(139,775)	(132,865)	(137,400)
Operating Losses	$	(88,610)	(56,227)	(56,649)

Note – Both fiscal year 2006 and 2007 revenues include about $20,000 for day care fees assessed to most students. The college fee structure was changed in fiscal year 2008, and a common fee replaced several specific fees that were earmarked to fund certain college operations/activities. A portion of this common fee was not specifically allocated to the day care operation for fiscal year 2008. In addition, the operating losses presented above may be understated because state billings that may be denied are included in revenue amounts (see B.2. below).

Operating the child care facility at a deficit requires other college funds to subsidize its operations and activities. The college should perform a cost-benefit analysis to determine whether the education, research, or other benefits of the child care operation justify the continued operation of this facility. The college should also review the adequacy of fees currently charged for these services.

2) As of August 2008, the college had not received any state payments since at least January 2005 for child care services provided for children eligible for state subsidies. It appears this may be due to the ECLC not billing the state until late 2008. The charges related to eligible child care services totaled over $39,000 for the period from January 2005 through June 2008.

A number of individuals who utilize the ECLC are eligible for state aid to pay child care fees through the state's Child Care Assistance Program. According to college officials, 12 children served by the ECLC during August 2008 were eligible for this state aid. If a child is determined eligible for the program, the state will reimburse the care provider directly for child care services. To receive this reimbursement, the child care provider (the ECLC) must submit a monthly invoice to the Department of Social Services, Children's Division (CD), listing each eligible child and the services provided.

The ECLC Director told us monthly invoices had been submitted to the state and the reimbursements had been delayed due to the establishment of a new computer system in 2005. However, state officials at the regional office as well as those in Jefferson City indicated that no monthly invoices had been submitted for eligible services by the ECLC since before 2005. While we were unable to determine definitively whether billings had been submitted by the ECLC to the state during this period, at a minimum, the ECLC or college officials should have followed up on this situation in a timely manner to determine the status of any unpaid billings.

In recent months, college officials have been in contact with the appropriate state officials to pursue reimbursement for those eligible child care services that had not been previously paid. The billings in question have now been received by the state; however, as of March 2009, it was uncertain how much, if any, funding will be received from the state related to these old billings.

During our review of this situation, we also noted there were delinquent charges of approximately $9,000 at June 30, 2008. These delinquent charges related to co-payments for children eligible for the state subsidy or were self-pay accounts. ECLC policies provide that if fees are not paid, the child will not be allowed to return to the day care; however, it appears this policy is not enforced.

The ECLC should continue to pursue reimbursement from the state for eligible child care services which were not previously paid. In addition, any future billings should be remitted to the state in a timely manner and followed up on if not paid promptly. Also, the ECLC should ensure any charges owed by the customers/students are paid on a timely basis.

C. The college's contracted cafeteria vendor has not paid commissions owed since March 2006. Prior to March 2006, the college received commissions of approximately $200 per month from the cafeteria vendor.

In October 2003, the college entered into a contract with the current vendor to provide on-campus cafeteria services. The contract required the college to receive a 5 percent commission based on net cafeteria sales and concessions sales from athletic events. However, the college has not ensured commission payments were received as required by the contract. We noted the last payment from the vendor was received in March 2006 for commissions related to December 2005.

According to college officials, the college attempted to rebid the contract for cafeteria services in 2006; however, no bids were received. Therefore, those officials indicated the college had no choice but to ask the current contractor to extend the previous contract even though that vendor had not paid the commissions required pursuant to the contract.

As a result of this situation, the college is not receiving revenues related to this contract. The college should require the cafeteria services vendor to pay the commissions provided by the cafeteria contract. If the contractor does not comply with the terms of the contract, the college should make a concerted effort to find a new cafeteria services contractor or revise the terms of the contract to be consistent with the current practice. In addition, the college should consult with legal counsel about pursuing the past due commissions.

D. A college policy allows some private or non-profit events to be held in various buildings on campus (i.e., activity center, student center, ball fields, fine arts center, library areas, classrooms, and laboratories) for an established rental fee. However, the policy only outlines the rental fees for the activity center and student center. In addition, college officials could not recall the last time the policy was updated.

According to the policy, use of the activity center is $300 per event or day, the student center is $200 per event or day, and both of these facilities concurrently is $400 per event or day. Custodial fees are also charged at the custodial hourly rate. We were informed a fee of $10 is currently charged for the rental of a classroom or laboratory by other educational institutions. However, this fee has not been formally established by policy.

Considering the rental fee structure has not been revised recently and is not complete, the college should evaluate the current policy and fees charged and make appropriate revisions to bring them up-to-date. In addition, the rental fees should be reviewed and adjusted, if necessary, on a periodic basis.

WE RECOMMEND Three Rivers Community College:

A. Review the operations of the student housing operation and develop a plan to discontinue or reduce the need for operating subsidies to the Student Housing Fund.

B.1. Perform a cost-benefit analysis of the ECLC and develop a plan to make the facility more self-supporting.

2. Continue to pursue reimbursement from the state for past child care services, ensure future state billings are submitted monthly, and follow up on unpaid billings in a timely manner. In addition, the ECLC should pursue collection of co-payments and self-pay accounts on a timely basis.

C. Require the cafeteria services vendor to pay monthly commissions as provided in the contract. If the contractor does not comply with the terms of the contract, the college should make a concerted effort to competitively procure a new cafeteria services contractor or revise the terms of the contract to be consistent with the current practice. In addition, the college should consult with legal counsel about pursuing the past due commissions.

D. Reevaluate the current policy and related rental fees regarding the use of college facilities for private or non-profit events and revise the policy and fees, as necessary. In addition, rental fees should be reviewed and adjusted, if needed, on a periodic basis.

AUDITEE'S RESPONSE

A. *TRCC is reviewing housing income and expenditures in order to maximize its usage and reduce expenses. TRCC also realizes that housing allows some students to attend that otherwise would not be at Three Rivers. This benefit is hard to measure but does exist and reduces the total cost to the institution. As ways to increase revenues and decrease expenses occur, TRCC will immediately take advantage of them.*

B. *TRCC plans on doing a cost benefit analysis of the Early Childhood Learning Center. Services offered, educational opportunities, expenses and fees will be a part of this review. TRCC will also pursue unpaid billing and is actively working to receive reimbursement it is owed from the state.*

C. *TRCC will review its contracts and see that they are enforced or revised as dictated by the circumstances.*

D. *TRCC will review and revise its policy on facility usage and related fees.*

4. Capital Asset Records and Procedures

The college has not established a formal capital assets policy or maintained adequate capital asset records. Periodic physical inventories of assets are not performed and most items are not identified with a tag or other similar device identifying college ownership. In addition, adequate records and procedures have not been established to account for and authorize the disposition of property items.

A. The college does not have a formal capital assets policy and has not established adequate records and procedures to account for, track, and control capital assets. Prior to fiscal year 2008, the college did not maintain any type of internal listing or record of capital assets (with the exception of some computer equipment tracked by the college's Technology Department). The only comprehensive record of the college's capital assets was maintained by the college's independent auditors.

Beginning in fiscal year 2008, using the capital asset records maintained and provided by its independent auditors, the college assumed control and maintenance of the capital asset records. However, those records do not provide sufficient detail and other information to adequately account for and control the capital assets of the college. For example, a number of entries in the record list multiple items at one cost/book amount (i.e. 20 computers valued at $19,740) or the item description is vague or non-descriptive (i.e. furniture). In addition, the current capital asset records do not always include some necessary information, such as serial numbers or other identifying numbers, location of the items, and the date and method of disposal, if applicable.

In addition to these recordkeeping concerns, periodic physical inventories of property items have not been performed. While the college has a policy which requires that all college-owned property be inventoried annually, this policy has not been followed and college officials indicated they were not aware the policy existed. Also, most property items have not been identified with a tag or other similar device identifying the items as college property.

The college should develop a comprehensive capital assets policy which provides complete recordkeeping and procedural requirements related to college-owned property. Adequate capital asset records and procedures are necessary to secure better internal controls; safeguard assets which are susceptible to loss, theft, or misuse; and provide a basis for determining proper insurance coverage. To establish adequate capital asset records it may be necessary for the college to perform a complete physical inventory of all capital assets and create a record that includes the necessary information for each property item.

B. The college has not established adequate records and procedures to account for the disposition of capital asset items or to ensure such dispositions have been properly authorized.

At the time of our review, no formal policy or procedures related to the disposal of property items existed nor was documented supervisory/management approval required. According to college officials, when an item is no longer needed or useful, the department head will dispose of the property or place the item in storage without notifying the business office. As a result, the business office is not always aware of the disposal and may not remove the item from the capital asset records. Because of the inadequacy of the capital asset records as noted above, the college was unable to provide records documenting the extent of property dispositions during the period under review.

Although the records maintained by the college's technology department tracked computer equipment items disposed of, the explanation in the records did not always adequately identify pertinent details, such as method of disposal. The Director of Technology & Computer Services indicated college computer equipment is normally disposed of by donating, discarding, or cannibalizing the items.

The college should establish formal written policies and procedures related to the disposition of capital assets to ensure they are properly handled, approved, and recorded.

WE RECOMMEND Three Rivers Community College:

A. Develop a comprehensive capital assets policy and establish adequate records and procedures to account for, track, and control capital assets. Those records should include pertinent detailed information for each property item. In addition, annual physical inventories of the property items should be performed and property control tags should be affixed to all asset items identifying them as college property.

B. Ensure adequate records and procedures are established related to the disposition of capital assets. This should include preparing formal written policies, including the requirement of management/supervisory approval of all property dispositions.

AUDITEE'S RESPONSE

A. TRCC is in the process of developing a comprehensive capital asset policy and record procedure. TRCC has purchased a license for Check Mate Fixed Asset Software. This system will be used as we develop our capital asset management system.

B. *As part of the comprehensive asset management plan, TRCC will develop written policies for the management and disposal of all property.*

5. Misappropriation of Monies by Former Bookstore Manager

Due to inadequate controls and little oversight of the campus bookstore by the business office, a former bookstore manager misappropriated a substantial amount of monies through fraudulent textbook buyback and refund transactions for several years prior to June 2007. According to a forensic investigation conducted by the college's independent auditors in 2007, approximately $130,000 was misappropriated.

The college owns and operates a bookstore on campus which sells textbooks, supplies, and other items to students. As part of its operations, the bookstore has historically bought back textbooks from students after a class is completed (typically at 20 percent of the retail selling price) and then resells those books to other students for the next semester's classes. In addition, if a class is cancelled early in a semester, a student in the cancelled class has been allowed to return the respective book and was given a refund (a 100 percent refund if the book is in new condition).

Prior to July 2007, it was the bookstore's practice to make buyback payments and refunds to students in cash from the bookstore's change fund and then submit requisitions to the business office to replenish the change fund. During the period of time the misappropriations occurred, it appears the former bookstore manager had sole responsibility for preparing these requisitions and she was not required to provide adequate documentation to the business office to support the amounts requested. The only documentation provided to the business office to support these change fund replenishments was a cash register tape showing the total buybacks and returns along with the requisition form. The former bookstore manager inflated the amount of actual buybacks and returns, and misappropriated the difference between the actual valid transactions and the amounts reported to the business office. It appears the former bookstore manager was able to hide this scheme for an extended period of time by adjusting the bookstore's perpetual inventory records. Lax controls and oversight by the business office allowed this misappropriation to continue over an extended period of time.

In June 2007, while the former bookstore manager was absent on medical leave, other bookstore personnel noted various discrepancies and brought these to the attention of the business office. In late June 2007, the former bookstore manager was confronted about these discrepancies and that same day she resigned her position with the college.

The college subsequently hired its independent auditors to perform a forensic investigation. The independent auditors concluded their investigation and issued a report in early September 2007. In their report, the independent auditors indicated that based on their evaluation and analysis, approximately $130,000 had been misappropriated during the years ended June 30, 2003 through 2007. The college was able to recover this amount through a fraud insurance policy, except for a $1,000 deductible. The $20,000 cost of the forensic investigation was not reimbursable under the college's insurance policy. In October 2007, the bookstore manager was charged with felony stealing and subsequently pled guilty to amended charges (of stealing $500 or more but less than $25,000) in March 2008.

After the discovery of the fraud and the forensic investigation, the bookstore and the business office made changes to improve the controls and procedures related to textbook buybacks and refunds. These improvements included, but were not limited to, requiring buybacks or refunds over $50 be made directly by the business office to the student and requiring the bookstore to provide detailed documentation to support payments made for buybacks or refunds under that amount. In addition, all textbook transactions (including buybacks and refunds) are entered into the perpetual inventory system by the employee handling the transaction and the annual physical inventory counts are conducted by several individuals. A report of the physical inventory counts and any adjustments needed to the perpetual inventory records are now given to the business office and the college's independent auditors.

During the year ended June 30, 2008, we noted the total buybacks and refunds related to the bookstore dropped to a relatively low level and it appears the problems that existed in previous years have been corrected. We also noted that beginning with the fall 2008 semester, the college outsourced the textbook buyback services to an outside vendor. Through this agreement, the vendor handles all textbook buybacks and pays the college an agreed upon commission related to these transactions. In addition, beginning with the fall 2008 semester, all textbook refunds are now processed directly through the business office.

WE RECOMMEND Three Rivers Community College continue to monitor the operations of the bookstore and the college's outside vendor to ensure no similar improprieties occur.

AUDITEE'S RESPONSE

TRCC detected the problem, did the proper investigation, and brought charges against the bookstore manager. TRCC received a settlement from its insurance company and has changed and improved its controls and procedures concerning the bookstore.

6. Dispute with Southeast Missouri State University

In 2005 and subsequent years, the college spent at least $807,000 on start-up costs of new centers and legal fees related to a dispute with Southeast Missouri State University (SEMO) that could not be resolved through negotiation or other means.

In 1986, the college began offering lower division (freshman and sophomore level) college classes to students in several southeast Missouri communities outside the college's district boundaries. In 1988, the college and SEMO entered into a cooperative agreement (along with some other educational entities in the area) giving the college the right of first refusal on all lower division courses, and giving SEMO the rights to provide upper level courses. The courses offered by the college were conducted in rented classrooms in educational centers owned by SEMO in Sikeston, Malden, and Kennett. Various other cooperative agreements were subsequently signed over the years between these two institutions, the last one being signed in 2004.

According to college officials, in early 2005 a dispute arose between the college and SEMO pursuant to this agreement regarding the rent payments owed and the funding of improvements to equipment in the respective classrooms. Officials of the two institutions were unable to come to a resolution, and in late February 2005, SEMO notified the college the agreement was being terminated on May 14, 2005. This action, if carried out, would effectively end the college's ability to offer classes in the SEMO-owed facilities in Sikeston, Malden, and Kennett beginning with the summer semester of 2005.

Shortly after this action was taken by SEMO, the college asked the Commissioner of the Missouri Department of Higher Education (DHE) to help negotiate a settlement between the two institutions. According to college officials, the parties reached a tentative agreement and a proposed settlement agreement was drafted; however, a final resolution of the differences could not ultimately be reached. At that time, the DHE did not have dispute resolution authority over state higher education institutions, so it could not force the SEMO and the college into an agreement regarding this matter.

In March 2005, the college filed a lawsuit against SEMO for breach of contract and began making arrangements to establish its own educational centers in Sikeston, Malden, and Kennett to continue to provide classes to students in those cities. Over the summer of 2005, it appears the college spent from $770,000 to $890,000 in start-up costs to get these three new sites (along with some additional satellite centers) ready for classes for the fall 2005 semester. In addition, it appears the college incurred legal costs related to the lawsuit totaling at least $37,000. This lawsuit continued until June 2008, when the college's current Board of Trustees voted to drop the lawsuit. According to a college official, this decision was made because the board felt it was in the best interests of the students, college, and taxpayers to end the lawsuit.

In our report, No 2006-52, *Tuition Levels Follow-up*, we recommended the General Assembly provide the DHE statutory authority to arbitrate disputes between public institutions of higher education. In 2007, Section 173.125, RSMo, was enacted to require, as a condition of receiving state funds, every public institution of higher education to "agree to submit to binding dispute resolution with regard to disputes among public institutions of higher education that involve jurisdictional boundaries or the use or expenditure of any state resources whatsoever, as determined by the coordinating board." If this law had been in effect at the time the dispute with SEMO arose, it appears the DHE would have had the authority to force the college and SEMO into an agreement and the lawsuit could have been avoided.

It is unclear whether college officials acted prudently during the dispute in 2005 that resulted in the college filing litigation against SEMO; however, it is clear a significant amount was spent on legal fees and to open the new centers in the respective cities.

WE RECOMMEND the Three Rivers Community College make a concerted effort to resolve any future differences it might have with another public institution of higher education. If the differences cannot be resolved, the matter should be submitted to the DHE for binding dispute resolution in accordance with state law.

AUDITEE'S RESPONSE

TRCC has always been willing to work with Southeast Missouri State University (SEMO). SEMO has had a continuous presence on our campus beginning well before the 2005 lawsuit brought by the previous administration. SEMO has office space, a full time facilitator, and a designated ITV classroom on our campus. They recently completed an articulation agreement with Three Rivers to bring to its Poplar Bluff Campus a face-to-face bachelor degree program in Social Work. The current administration wants to be an active partner with SEMO.

7. Booster Club

The college has not assigned responsibility for overseeing booster club activities and expenditures to an independent college official. Some booster club expenditures may not be appropriate or prudent uses of funds. Adequate documentation to support booster club expenditures is not always maintained, nor is adequate documentation provided to the college to support the amount of reserve seat revenues remitted by the booster club. In addition, basketball tournament expenses of approximately $8,800 were paid in cash by the booster club from gate proceeds.

The Three Rivers Community College Booster Club is a separate not-for-profit entity that was established in 1970 to support the athletic programs at the college. While the booster club was originally organized to support the men's basketball program, over time it has become involved in supporting other sports of the college, though men's basketball appears to continue to be its primary emphasis. Our review of the records and activities of the booster club disclosed the following concerns:

A. The college has not assigned responsibility for overseeing booster club activities and expenditures to an independent college official. In a September 2007 management letter to the college, the college's independent auditors reported the Athletic Director/Head Basketball Coach was the individual assigned by the college to be responsible for the oversight of the booster club. Those auditors reported this individual benefited directly from basketball-related expenditures of the booster club, and a college official who did not have a vested interest in the activities of the booster club should be given independent oversight responsibilities over the club. Subsequent to the 2007 audit, the college President assigned a Vice President of the college to oversee the booster club's activities/expenditures; however, when the college President was terminated in July 2008, this Vice President was appointed as the college's Interim President and the oversight responsibilities for the booster club were returned to the Athletic Director/Head Basketball Coach.

   Responsibility for overseeing the activities and expenditures of the booster club should be assigned to an individual who is independent and does not have a vested interest in those activities. Independent oversight is necessary to help ensure all activity is appropriate and in accordance with applicable rules and regulations.

B. Some booster club expenditures were noted which may not be appropriate or prudent uses of funds. These expenditures included the following:

   - Health insurance costs totaling $3,906 were paid for various student-athletes during the 3 years ended June 30, 2008.

   - Dental costs for a student-athlete totaling $867 were paid during the 2 years ended June 30, 2007.

   - Tuition costs totaling $1,630 were paid for two student-athletes to attend classes at another institution during the year ended June 30, 2006.

   - Travel costs totaling $1,354 were incurred during the year ended June 30, 2008, to pay for round-trip airfare for a student-athlete to visit his home overseas.

   - A total of $2,200 was spent during the year ended June 30, 2008, on 20 watches (at $110 each), which were given to the players, coaches, and other individuals associated with the men's basketball team who attended a national tournament.

The expenditures incurred by the booster club should be limited to those which are reasonable and appropriate to ensure the club monies are used properly and in accordance with applicable rules and regulations.

C. The booster club sells reserved seats for men's basketball events. However, when the reserved seat revenue is turned over to the college, no documentation is submitted to the college to support the amount of monies collected. Adequate documentation should be submitted to the college to support the reserved seat revenues remitted by the booster club.

D. The booster club sponsors three basketball tournaments each year to allow the men's basketball team to play more games. The booster club receives all proceeds from these games (mostly gate/admission fee revenues) and pays the expenses of the tournament games (i.e., payments to referees, scorekeepers, etc.) in cash out of the gate proceeds. We were told if the receipts are not sufficient to cover all of the expenses, a booster club board member will contribute the remainder of cash needed and be reimbursed later by the club. For the tournaments held in fiscal year 2007, we noted the booster club made cash payments of approximately $8,800 at those three tournaments.

Booster club officials indicated cash disbursements have been made because the club's treasurer does not always attend the games and game referees and other officials often change with little or no prior notice; therefore, we were informed that writing checks in advance to these individuals is not practical.

While the booster club has improved its controls over these cash disbursements since 2007 by keeping a record of the disbursements and the individuals the monies are disbursed to, paying tournament expenses in cash is a poor practice and should be discontinued, to the extent possible.

In addition to the condition reported in Part A, the college's independent auditors also reported a concern similar to Part D.

WE RECOMMEND the Three Rivers Community College:

A&B. Designate an independent college official to oversee the booster club to ensure its activities and expenditures are appropriate and prudent uses of funds.

C. Ensure the booster club provides adequate documentation to the college to support reserved seat revenues turned over to the college.

D. Ensure the booster club discontinues, to the extent possible, the practice of paying cash for expenses of club-sponsored tournament events.

AUDITEE'S RESPONSE

A-C. *TRCC agrees that it should have a designated college official to work with the booster club. TRCC will review appropriate documentation concerning reserved seating and use of funds.*

D. *TRCC will work with the booster club to reduce, to the extent possible, the practice of paying cash for expenses of club-sponsored tournament events.*

8. Tuition Rates

The Three Rivers Community College has not adequately documented how the rates in its current 5-year tuition rate plan were determined, nor does it review the 5-year plan periodically to ensure the rates remain appropriate in light of changing financial conditions.

The following table presents the tuition rates per credit hour (excluding fees) by category of student for the current 5-year plan, adopted in February 2005:

Academic Year	In-District	Out-of-District	Out-of-State
2006-2007	$ 61	98	122
2007-2008	64	103	128
2008-2009	67	107	134
2009-2010	70	112	140
2010-2011	73	117	146

College officials indicated there are many factors considered when increasing tuition. These include, but are not limited to, the level of state funding received by the college, anticipated property tax revenue, increases in operating expenses, and anticipated tuition levels of comparable institutions in the region. The college set tuition rates for a 5-year period as a convenience to the students.

The tuition plan adopted by the Board of Trustees increases the in-district tuition rate $3 per credit hour per year, and sets out-of-district and out-of-state tuition rates at 1.6 and 2 times the in-district rate, respectively. However, the college maintained no documentation to support how the tuition rates were determined and whether they were set at an appropriate level.

In addition, it appears the Board of Trustees does not revisit the planned tuition rates periodically during the 5-year period. College officials indicated that, although the college is not bound to the tuition plan, the college feels that since the plan has been adopted to assist students in planning their education, the plan should not be changed absent significant extenuating circumstances. It was noted that the college did not adjust its tuition plan following the dispute with Southeast Missouri State University (SEMO), which caused the college to lose a significant number of students and tuition revenue. The college's subsequent losses could potentially have been mitigated by adjusting tuition rates to more accurately reflect the changing conditions at the college.

It should be noted Three Rivers Community College's tuition rates appear comparable to the average rate of other 2-year public colleges in the state. However, the college should prepare and maintain documentation to support how its tuition rates are established to provide assurance to its students and financially responsible parties that tuition rates have been set appropriately. The tuition plan should be periodically reviewed and revised, if necessary.

WE RECOMMEND Three Rivers Community College adequately document how tuition rates are determined, including the various factors considered and any calculations performed, when establishing tuition rates. In addition, the college should periodically review the tuition plan to ensure the plan adequately reflects current conditions affecting the college.

AUDITEE'S RESPONSE

TRCC continually reviewed its financial position during the period of the audit. The tuition in 2004 was $58 per credit hour, in 2005 it was $59 per credit hour, and in 2006 it was $61 per credit hour, an increase of $3 over the three year period. This is a 1.7% increase from 2004 to 2005, and a 3.3% increase from 2005 to 2006. This is one of the lowest tuition rates in the state. TRCC holds a budget workshop for the trustees (open to the public) in which the budget is completely reviewed and discussed including revenues, their sources, and their changes from year to year. The board takes a very active interest in setting the annual tuition.

9. Budgetary Practices

The college's budget documents did not include some operating funds, did not include some information required by state law, and were not adopted timely. In addition, the college did not adequately review or monitor actual expenditures compared to budgeted expenditures by department.

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

1) The college's budget documents did not include some operating funds of the district, and only included the budgeted activities of the Current Operations Fund. Budgets were not prepared for the Student Housing

Fund or the Plant Fund. College officials stated these two funds have not been budgeted in the past.

2) The budget documents approved by the Board of Trustees for the years ended June 30, 2008, 2007, and 2006, did not include some budgetary information required by state law. Required information not included in the approved budgets were comparative statements of actual or estimated revenues and expenditures for the 2 previous years, and amounts related to the debt service requirements. While the 2008 budget document approved by the board included 2 years of revenue data and a year of expenditure data, this was not included in the budget document made available to the public, which only included the current budget information.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year and provides that specific information be included in the budget, including prior year revenue and expenditure data. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include separate revenue and expenditure estimations, beginning available resources, and a reasonable estimate of the ending available resources for each fund.

3) The college does not adopt budgets in a timely manner, resulting in retroactive pay increases for employees each year, which totaled over $111,000 for the 3 years ended June 30, 2008.

Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year. The college has chosen to begin the process of preparing the upcoming fiscal year budget late in the current fiscal year because of uncertainties in state appropriations. As a result, the budget is not completed until early in the fiscal year. To allow for continuing operations, the college Board of Trustees passes a measure prior to the beginning of each fiscal year extending the current fiscal year's budget until the new budget is adopted. The final budget for the current fiscal year is typically not approved by the Board of Trustees until the July or August board meeting (1 to 2 months into the fiscal year).

College faculty and staff sign contracts and receive raises on a fiscal year basis. However, since annual raises are approved as part of the budget process, the failure to adopt a budget prior to the beginning of the fiscal year results in the college not being able to pay increased wages to employees until after the budget is adopted. Therefore, raises approved in the budget are made retroactive to the beginning of the fiscal year (July 1) and a lump sum payment for the additional compensation from July 1 to the date the budget is approved is paid to each employee. However, these retroactive salary payments may violate Article III, Section 39, of the

Missouri Constitution, which prohibits granting additional compensation for services already rendered.

B. The college has not established adequate procedures to review its budgeted and actual expenditures by department. Budget-to-actual expenditure reports are generated monthly for each department; however, procedures are not in place to effectively track and monitor spending in the various departments and ensure expenditures are kept within budgetary limits. While the college's overall budget was not overspent for any of the 3 years ended June 30, 2008, we did note several departments overspent their department's budget during some or all of these years.

Departments are supposed to monitor their budgets and ensure they are not overspent prior to sending any invoices to the business office for payment. When invoices are entered into the computerized system by business office employees, the system will generate a notification message for any expenditures that will result in overspending at the departmental line-item level. The college's informal policy calls for these invoices to be set aside for further approval from the Vice President of Administration and Governmental Affairs; however, business office staff indicated this additional approval is often not obtained.

A periodic review of budgeted to actual expenditures, in the appropriate detail, by department is necessary to properly monitor financial activity and identify budget areas that need attention.

WE RECOMMEND Three Rivers Community College:

A. Ensure the budget documents prepared by the college, and subsequently approved by the Board of Trustees, include all planned financial activity of the college and all budgetary information required by state law. In addition, the college should prepare and adopt budgets prior to the beginning of the fiscal year and discontinue granting retroactive pay increases.

B. Establish adequate procedures to review budgeted and actual expenditures by department to ensure overspending by department is kept to a minimum. In addition, formal procedures should be adopted for approving any overspending.

AUDITEE'S RESPONSE

A. TRCC agrees that it should adopt its annual budget prior to the beginning of the fiscal year and will do so with its 2009-2010 budgets. Budgets will be prepared for all funds of TRCC and include all information required by law.

B. Budgets will be reviewed monthly by each department and their supervisors and budget adjustments will be taken to the board on a quarterly basis for their consideration.

10. Closed Meeting Minutes and Other Record Issues

Closed session minutes of the board have not generally been prepared as required and the college has not established a policy regarding public access to records. In addition, a records retention policy has not been established.

A. During the three years ended June 30, 2008, minutes were not generally prepared to document matters discussed and decisions made in closed meetings. The Board of Trustees held a number of closed meetings during this period, and while the regular meeting minutes disclosed the reason for entering into closed session, minutes were not maintained for most of the closed meetings. During the period July 1, 2005 through mid-April 2008, we only noted one instance in which closed minutes were maintained.

   Section 610.020, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings, and specifies details that must be recorded. Minutes are required to include the date, time and place; members present and absent; and a record of votes taken. In addition, the minutes should include documentation of discussions that take place during the meetings. Complete and accurate minutes are necessary to retain a record of the business conducted and actions taken by the board.

   It should be noted that when the State Auditor's Office brought this matter to the attention of the Board Chairman in April 2008, the college began keeping closed meeting minutes.

B. The college does not have a formal policy regarding public access to records. A formal policy regarding access to college records would establish guidelines for the college to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo, lists requirements for making records available to the public.

C. The college does not have a formal records retention policy. A formal policy is necessary to ensure all records are retained in accordance with the record retention schedules established by the Secretary of State (SOS) for all public entities. As discussed in other sections of this report, we noted instances during our audit in which records were not always properly retained by the college.

WE RECOMMEND Three Rivers Community College:

A. Ensure minutes are prepared and retained for all closed meetings.

B. Establish a records policy to ensure compliance with the Sunshine law. This policy should include the establishment of a records custodian, a central record of documentation requests, procedures for handling requests, and a fee schedule for documentation retrieval, including research costs.

C. Establish a formal records retention policy and ensure records are retained in accordance with the SOS retention schedules.

<u>AUDITEE'S RESPONSE</u>

A. TRCC now prepares and retains minutes for all closed meetings.

B-C. TRCC will establish a formal policy regarding record retention and public access to records in compliance with Section 610.023, RSMo. TRCC has always had an informal policy which provided for record access and retention but will now formalize it.

11. Vehicle Usage and Related Matters

Vehicle usage logs have not been maintained for some vehicles and no periodic supervisory review of records has been performed. In addition, maintenance and fuel costs related to these vehicles has not been tracked and monitored. Further, the personal use of vehicles assigned to two college employees has not been properly tracked and reported on the employees' W-2 forms as income.

As of June 30, 2008, the college owned 18 vehicles. Two of these vehicles were assigned to specific employees, 11 were assigned to various departments on campus, and 5 were fleet vehicles available for checkout by college staff. A review of the use and controls over these vehicles noted the following concerns:

A. Vehicle usage logs for non-fleet vehicles are not maintained. In addition, fleet vehicle logs are not properly retained and periodic supervisory reviews of these vehicle logs have not been performed.

According to the college employee responsible for fleet vehicles, vehicle usage logs for all fleet vehicles have been maintained for several years, which include the name of the driver, the date vehicle was checked out, the date vehicle was returned, destination/purpose of trip, beginning mileage, and ending mileage. However, no supervisory review is performed of these logs and, at the end of each calendar year, the logs are destroyed.

Vehicle usage logs are necessary to document appropriate use of vehicles. Supervisory reviews of the logs should be performed to ensure vehicles are used only for college business. In addition, the logs should be retained for a reasonable period of time.

B. Maintenance costs and fuel usage of vehicles are not properly tracked or analyzed. The college spent approximately $30,000 on fuel during the year ended June 30, 2008.

The employee responsible for vehicles stated she does not formally track maintenance because she knows when maintenance needs to be done on the vehicles. In addition, while fuel invoices are charged to each applicable department as they are received by the college, no analyses are performed to ensure fuel usage is reasonable.

Vehicle maintenance costs and fuel usage of vehicles should be properly tracked and monitored to help identify and prevent inappropriate fuel purchases or maintenance and other operating charges.

C. The former college President and Athletic Director/Head Basketball Coach were provided college vehicles for unlimited use, including personal use. However, this benefit was not reported on these employees' W-2 forms as income.

Internal Revenue Service (IRS) reporting guidelines indicate personal mileage (including commuting mileage) is a reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. Such logs have not been maintained for these vehicles and are not required by the college. Because procedures have not been established to ensure IRS regulations are followed, the college may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND Three Rivers Community College:

A. Require vehicle usage logs be maintained for all college vehicles. A supervisory review of these records should be performed periodically.

B. Require vehicle maintenance costs and fuel purchases be tracked and monitored for reasonableness, and periodically reconciled to applicable expenditure records.

C. Require logs be maintained that reflect business and personal miles driven for any vehicles assigned to employees. Any personal mileage should be properly reported to the IRS as taxable compensation, as required.

AUDITEE'S RESPONSE

A. TRCC has always had an informal procedure for tracking its vehicles. TRCC has two vehicles assigned to individuals and they take personal responsibility to see that their vehicles are maintained. The budget review process provides the mechanism for TRCC to track and monitor the costs for these vehicles. There are several vehicles assigned to the maintenance and security departments and the department supervisor is responsible *for their usage and maintenances. Expenditures of the department include vehicle expenses that are the responsibility of the Vice President for Finance. The rest of TRCC vehicles are fleet vehicles and logs have always been maintained. The budgets for these vehicles are also reviewed by the Vice President for Finance. In the future, TRCC will formalize its vehicle usage logs and the supervisory review process for its vehicles.*

B. *TRCC will formalize its plan to monitor maintenance costs and fuel purchases for reasonableness and will reconcile applicable expenditure records.*

C. *TRCC will review its procedures for vehicle use of assigned cars to make sure it complies with IRS rules and regulations.*

The Athletic Director/Head Basketball Coach provided the following response regarding Part C:

I get the car that the president of the college has driven. Usually it is at least two years old, with over 80,000 miles on it when I get it. The car I now drive is a 2004 Bonneville. It is used for recruiting and other general purposes associated with coaching and athletic director responsibilities. My two assistants use this car often for these duties.

I drive this car back and forth to school from my house, which is 1.5 miles, and local travel. This car is never driven on family business, which includes vacations, etc. The Board asked me to maintain the car by keeping it clean and ready to be used.

My wife keeps excellent records and I have enclosed two W-2 forms from 1987 and 1988 when the college asked me to document my personal usage of the car. The fringe benefits were $415 for 1987 and $102 for 1988. After this, apparently this was not considered significant and I quit logging the mileage.

12. Computer Security

The college does not have a formal disaster recovery plan for its computer system/data and does not always store backups of current data at an off-site location.

A. A formal disaster recovery plan has not been developed to help the college resume normal business operations and promptly restore computer operations in the event of a disaster or other disruptive event. The college's information system personnel indicated there are several colleges in St. Louis and Springfield that use the same computerized system and they have good relationships with those colleges so they could recover and access information through the systems at those colleges. However, the college does not have any agreements (either formal or informal) with any of the other colleges, nor does it have any sort of recovery plan that includes any of those colleges. Because of the college's degree of reliance on the computer system, the need for contingency planning is evident.

A formal written disaster recovery plan should specify recovery actions required to reestablish critical computer operations and include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. In the case of a disaster, such documentation can reduce confusion and provide a framework for the uninterrupted continuance of operations. Once a disaster recovery plan has been developed and approved, it should be periodically tested and reviewed.

B. Backups of data on the college's computer system are not always stored at an off-site location. An automated backup of the system is performed every night and the college maintains a week's worth of backup data on-site. Information system personnel indicated they try to have the most recent backup tape taken to an offsite location on a monthly basis; however, this is not always done. Storing backup data offsite provides protection for important electronic data.

A minimum level of backup information, together with records of the backup copies and documented restoration procedures, should be stored at a secure off-site location on a regular and timely basis. These procedures would help allow the college to maintain business operations or to recover rapidly from most disruptions to or failure of the college's computer system.

WE RECOMMEND Three Rivers Community College:

A. Develop a formal disaster recovery plan. The plan should be periodically tested and evaluated to ensure business operations can continue in the event of a disruption to normal operations.

B. Ensure backups of the college's electronic data are stored at a secure off-site location on a regular and timely basis.

AUDITEE'S RESPONSE

A. TRCC is working on a formal disaster recovery plan and will periodically evaluate and test it to ensure business operations can continue.

B. TRCC will review and revise its procedures to ensure backups of TRCC's electronic data are stored at a secure location on a regular and timely basis.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THREE RIVERS COMMUNITY COLLEGE
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Three Rivers Community College was established as a result of a public election on April 5, 1966, in accordance with enabling legislation by the Missouri General Assembly (Section 178.770, RSMo). The district was given the legal designation, the Three Rivers Junior College District. Its main campus is located in Poplar Bluff. The geographic boundaries of the district include the counties of Butler, Carter, Ripley and Wayne, as well as portions of the counties of Madison, Reynolds, and Stoddard. The residents within the district pay a property tax to support the operations of the college.

The college first opened for classes in the fall of 1967 in a former high school building. As the college grew, it eventually spread to 13 other buildings. In 1968, 40 acres of land were donated to the college and an additional 30 acres were purchased with donated monies. The first building was constructed in 1979 using economic development funds. The remaining buildings have resulted largely from private benefactors.

In addition to the main campus in Poplar Bluff, the college has satellite centers located within the district in Doniphan, Piedmont, and Van Buren, and similar centers located outside the boundaries of the district in Campbell, Kennett, Malden, Portageville, and Sikeston. Classes are also offered at various other sites throughout Southeast Missouri, including many high schools. In addition, the college offers a wide variety of courses on-line. Bachelor's degrees are also available on the main campus through various 4-year institutions which rent classroom space from the college.

In the fall of 2008, 2007, and 2006, the college's student enrollment totaled 3,120, 3,190, and 3,002, respectively. However, due to numerous part-time students, the full-time equivalent student enrollment totaled 2,213, 2,287, and 2,074, in each of those years, respectively. The college employed approximately 177 full-time and 160 part-time employees in the fall of 2008.

The college is governed by a 6-member Board of Trustees, who are elected by the voters in the district. The trustees serve 6-year terms. These individuals serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties.

The Board of Trustees as of June 30, 2008, consisted of the following members:

Name	Position	Term Ends	
Stephen Cookson	Chairman	April 2010	
Bill G. Hollida, Sr.	Vice Chairman	April 2010	
Marion L. Tibbs	Secretary	April 2012	
Wilbur Thornton	Treasurer	April 2014	
James E. Grassham	Member	April 2012	(1)
Randy Winston	Member	April 2014	

(1) James E. Grassham passed away in January 2009, and was replaced on the board by his son, Randy Grassham, for a period of 1 year. A special election will be held in 2010 to fill the balance of this term.

The Board of Trustees appoints a President to serve as the college's Chief Executive Officer. Four Vice Presidents have been appointed to oversee Academic Affairs, Student Affairs and Information Technology, Administration and Governmental Affairs, and College Advancement.

The individuals who served in these top administrative positions and their annual compensation as of June 30, 2008, were as follows:

Name	Position	Annual Compensation	
Dr. John F. Cooper (1)	President	$ 141,296	(2)
Dr. J. Larry Kimbrow	Executive Vice President/Vice President for Academic Affairs	99,735	
Joseph T. Rozman	Vice President for Student Affairs and Information Technology	86,462	
Robert L. Myers	Vice President for Administration and Governmental Affairs	62,050	
Judith W. Scott	Vice President for College Advancement	45,043	

(1) Dr. John F. Cooper was terminated by the Board of Trustees as of July 3, 2008, and Joseph T. Rozman was appointed Interim President. Mr. Rozman served in this capacity until September 2008, when he was appointed President of the college. Mr. Rozman retired on June 30, 2009, and on July 1, 2009, Dr. Devin Stephenson became the new President of the college.

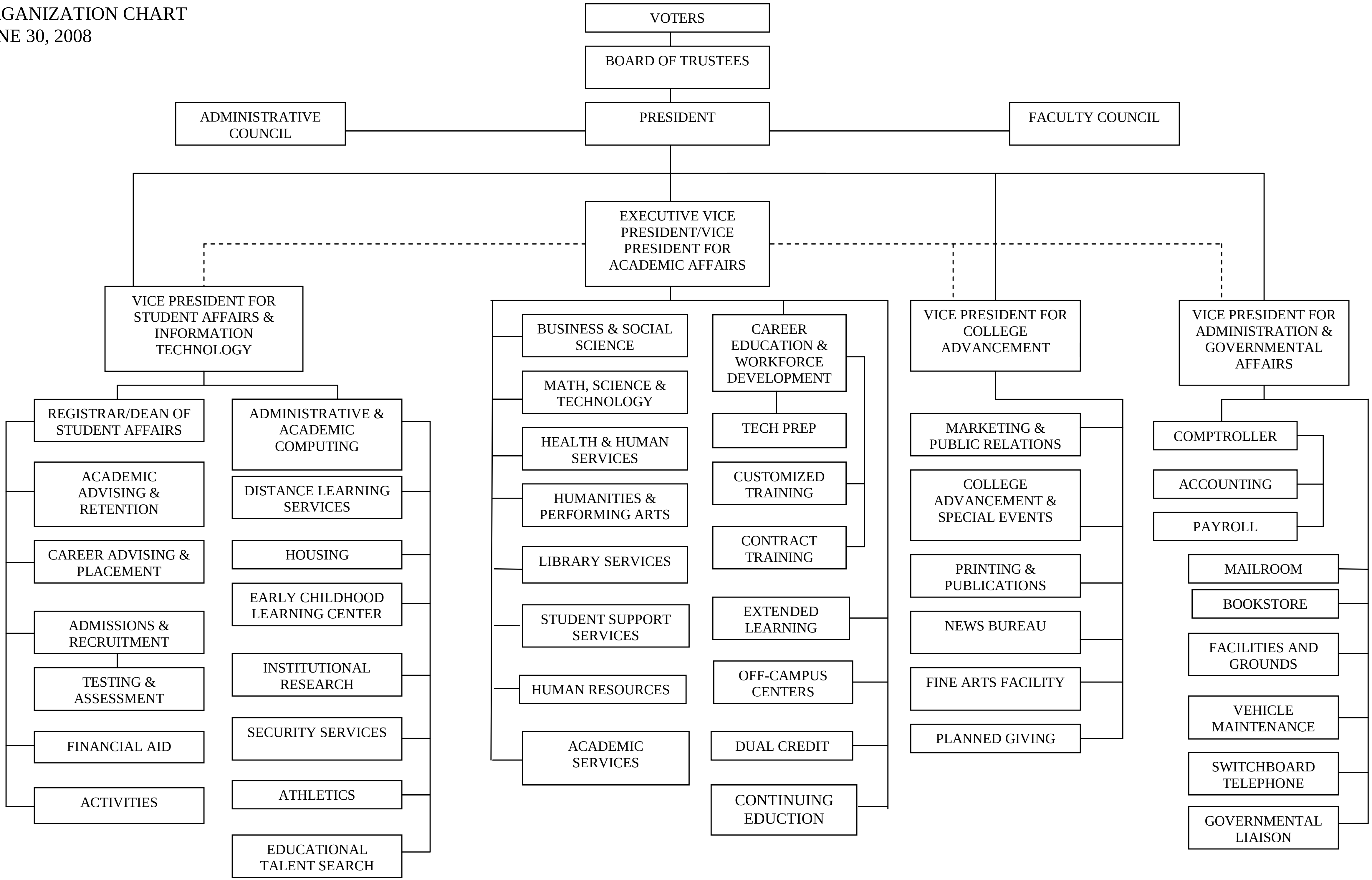
(2) In addition to Dr. Cooper's annual base salary, his contract provided for an additional payment of $5,000 annually to his public school retirement system account and the unrestricted use of a college-provided vehicle, including the cost of gasoline, insurance, and maintenance.

The assessed valuations and tax rates (per $100 assessed valuation) of the district for 2008, 2007, and 2006 were as follows:

	2008	2007	2006
Assessed valuation	$ 741,065,779	$ 721,692,571	$ 687,996,647
Tax rate:			
General revenue	$ 0.2319	$ 0.2319	$ 0.2327

An organization chart and financial information follow.

THREE RIVERS COMMUNITY COLLEGE
ORGANIZATION CHART
JUNE 30, 2008



Appendix

THREE RIVERS COMMUNITY COLLEGE
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

		Year Ended June 30,	
OPERATING REVENUES	2008	2007	2006
Student tuition and fees	$ 2,167,827	1,590,579	1,645,950
Federal assistance for students- Pell grants and other	5,100,080	4,144,469	3,696,778
Scholarships	303,270	304,126	325,824
Auxiliary enterprises			
Housing	414,377	442,309	517,441
Bookstore	1,261,440	920,078	632,338
Student and other activities	295,055	205,344	280,290
Other operating revenue	85,345	171,789	140,481
Total Operating Revenues	9,627,394	7,778,694	7,239,102
OPERATING EXPENSES			
Instruction	6,340,349	5,640,744	5,426,837
Student services	2,107,637	1,794,708	1,735,576
Libraries	555,219	515,513	524,204
General administration	3,066,291	2,683,499	2,656,535
Operation and management of plant	1,636,987	1,494,647	1,316,091
Financial aid and scholarships	703,740	686,377	767,213
Auxiliary enterprises			
Housing	215,608	197,416	221,694
Bookstore	683,504	629,921	640,543
Student activities	1,321,371	1,185,772	1,213,870
Depreciation and amortization	1,295,446	1,270,714	1,302,863
Total Operating Expenses	17,926,152	16,099,311	15,805,426
Operating Loss	(8,298,758)	(8,320,617)	(8,566,324)
NON-OPERATING REVENUES (EXPENSES)			
Lewis & Clark Discovery Initiative	2,000,000	0	0
Property taxes	1,744,074	1,606,914	1,559,837
State aid and grants	5,352,913	5,013,428	4,653,777
Federal grants and contracts	1,210,213	1,243,864	1,086,347
Interest income	173,912	92,179	115,635
Contributions	249,971	23,021	59,556
Interest expense	(351,094)	(420,348)	(368,967)
Total Non-Operating Revenues (Expenses)	10,379,989	7,559,058	7,106,185
CHANGES IN NET ASSETS	2,081,231	(761,559)	(1,460,139)
NET ASSETS, Beginning of Year	11,516,372	12,277,931	13,738,070
NET ASSETS, End of Year	$ 13,597,603	11,516,372	12,277,931

Souce: The TRCC's audited financial statements.