

State audit challenges OCC fiscal management

By LYNN ORR

A 58-page state auditor's report levels several charges of sloppy financial management at Oakland Community College.

Inconsistent financial aid awards, lack of security in computer operations, inadequate cash control, and the use of general fund money for capital improvements are some of the areas in which OCC needs to clean up its act, according to the report.

OCC trustees will have their first chance to comment tonight on the controversial six-year audit of the college conducted by the state auditor's office. College officials have been reluctant to discuss the audit, issued in June, which recommends numerous changes — some for the second time — in OCC fiscal policies. Leo Kujala, assistant auditor general, said his office cannot force OCC to comply with the state recommendations.

"It's up to the agency or community college to make any changes. We cannot force them to do anything," Kujala said of the audit which he terms a "management audit."

The Department of Education and the state legislature receive copies of the audit, he added.

ANTHONY JARSON, OCC controller and treasurer, said the college would be implementing "very little" of the audit recommendations, but he refused to comment directly on the majority of the recommendations.

"At this point, it's too technical for the press," he said. "I don't have enough time to give a complete answer to any of their (the state auditors) comments."

Jarson did reply to the recommendation aimed at reducing OCC's 44 percent delinquency rate on National Direct Student Loans.

"It's just about the national average. When students leave a community college and move out of state, they don't notify us and they don't feel an obligation to pay."

The state auditors "didn't come up with one good recommendation" to change that picture, Jarson said.

Replying to the audit's comments about inconsistent financial aid

awards, Jarson said "We don't agree with their comments at all."

Financial aid awards are not as "cut and dried" as the auditor general's office assumes, Jarson said.

The audit claims "the lack of a current written packaging policy has resulted in overawards, underawards, and students with similar financial need receiving different amounts and types of aids."

"We could not locate documentation to justify these apparent inconsistencies," the audit states.

The audit recommends a uniform packaging policy for the college-administered financial aid program. The policy should provide a consistent basis for awarding a combination of scholarships and/or loans, as well as documentation of deviations from the policy.

THE AUDIT also takes a close look at financial investments. The college would have earned an additional \$29,170 over a one-year period if general fund money in excess of \$1 million had been invested in certificates of deposit (CDs) rather than a savings account, the audit says.

The audit also recommends funds be invested in prime commercial paper, in addition to savings accounts and CDs. Commercial paper is an unsecured corporate I.O.U., such as those issued by General Motors and Ford Motor Co.

"If the college had invested the maximum allowable amount in prime commercial paper, it would have earned an additional \$11,687.50 for a six-month period," the audit says.

OCC Board Chairwoman Lila Johnson says the board has been reluctant to invest in commercial paper "because some commercial paper is quite a bit more risky than CDs. The safety of the money was quite important to us and worth a little loss of interest on it."

Area schools districts have been investing in commercial paper since 1976 when the state law was changed to allow such investments. Commercial paper investments, in addition to earning higher interest, allow shorter term investments than CDs.

NON-COMPLIANCE with the state appropriations act provided another recommendation. The audit states that

"We strongly recommend that the college comply with the appropriations acts and discontinue using general fund monies to finance capital outlay projects."

— State audit report

at the end of fiscal year 1977-78, \$225,000 was transferred from the general fund to the building and site fund for maintenance, replacement and insurance accounts. The college is using

these monies to finance the B and F classroom modification project at the Orchard Ridge campus. "We strongly recommend that the college comply with the appropriations

acts and discontinue using general fund monies to finance capital outlay projects," the audit says, quoting the legislative appropriations act which forbids state appropriations being used for construction of buildings.

Irregularities in bidding procedures and appraisals for land purchases prompted the state auditor to recommend establishment of policies governing those areas.

OTHER RECOMMENDATIONS of the audit are based on the following:

analysis and lack of security in computer operations.

- Lack of environmental/fire control system in computer section.
- Inadequate cash control and unentered liabilities.
- Absence of a written agreement with banks regarding charge cards.

- Lack of disclosure of amounts of year-end encumbrances in financial statements.
- Inadequate internal control of equipment inventory.
- Lack of verification of monthly telephone bills.

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