

**Audit Report**

**Dutchess Community College  
Student Chargeback Revenue**

# Audit Report

## Dutchess Community College Student Chargeback Revenue

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## **Audit Report**

### **Dutchess Community College Student Chargeback Revenue**

## **Comptroller's Summary**

### ***Background/Organization***

Pursuant to New York State Education Law, the State University of New York (SUNY) established the form of billing called "College Chargebacks". A student who attends a Community College outside the county of their legal residence may be charged a lower rate (In state charge) by presenting a Certificate of Residence to the college they wish to attend. (Addendum I) The college may then charge to and collect from the county where the non-resident student resides a portion of the college's operating and capital costs. Dutchess Community College (DCC) bills and receives chargeback rates from other counties.

There are two types of chargeback rates which are set and approved by SUNY:

- Operating rates support the instructional programs of the college. These rates differ with each college. DCC's approved rate for the audit period was \$2,140.00 for a full-time equivalent (FTE) student. The rate of a part time student is charged on a per credit basis.
- Capital rates support capital projects at the college. Capital funds are restricted in use. The capital charges are set by New York State at \$300.00 per year. The part time student rate is \$10.00 per credit.

### ***Audit Scope, Objective and Methodology***

For the period September 1, 2006 – August 31, 2007 a total of \$2,375,385.44<sup>1</sup> was received: \$2,077,693.50 in operating and \$297,691.94 in capital revenue. The audit included a review of:

- Certificate of residence forms

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<sup>1</sup> Per DCC's Trial Balance

- Billings, receipts and accounts receivables
- Capital receipts and expenditure process

## Summary of Findings

Records reviewed for Dutchess Community College Chargebacks were in good order. DCC should pursue their uncollected accounts receivable for prior year chargebacks.

### *Detailed Findings*

#### Chargeback Billing Process

Dutchess Community College provided the following numbers which represent estimates of students billed to outside counties. *Addendum I provides additional information regarding Certificates of Residence.*

**Number of Students Billed**

Fall 2006	1,334
Summer 2007	533
Spring 2007	1,266

A random sample of residence forms (200) from the fall, spring and summer semesters was examined. Each non-resident student form was reviewed for:

- The billing to the county of residence
- The receipt from the County billed
- The deposit into the bank account
- The ledger entry into the proper operating and capital fund

The process for billing another county is as follows:

- 1) The student registers for class(es)
- 2) This information is entered into DCC's computer system which generates a tuition bill. Once the certificate is presented the computer system will also generate a chargeback bill to the county of residence. The billing includes all students from the respective county, the number of credits for each student, and the approved SUNY FTE rates for the operating and the capital charges.
- 3) This initial billing generates an entry into the detail ledger.

- 4) All other billings are manually prepared and entered into the detail ledger as journal entries. These billings include students who register for more classes or who change classes.

Findings:

- No discrepancies were found in the sample of billings and the receipt of operating charges.
- All certificates not billed were a result of students dropping classes or changing semesters. The student can submit a certificate 60 days before the start of classes. Exceptions for capital charges not received were in accordance with the following acceptable conditions.
- Putnam County does not pay capital charges for students who attended DCC classes in Putnam County.
- Daytop did not pay capital charges for students attending classes at their facility.

### **Accounts Receivable**

In addition to the generated entries, DCC maintains a manual listing of billings and receipts. Each month the manual listing is balanced to the computerized, generated accounts receivable. DCC's process is to re-bill a county if a receipt is not received. The manual ledger, the generated AR and the process to collect were reviewed. As of August 2007, a total of \$26,534.85 was due to DCC.

Finding:

- There were accounts receivable amounts carried from 1998 to the present and there was no documentation on file pursuing the collection of the accounts receivables.

Recommendation:

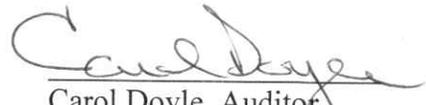
- DCC should implement the process to document, review and write-off uncollectible accounts receivable.

## Capital Chargeback

A total of \$297,691.94 was recorded as capital chargeback revenue for 2006/2007. The Capital chargeback funds are separately accounted for within DCC's restricted net asset class. All Capital Project Reimbursements, as shown in Addendum II were traced to the respective county capital fund records. Addendum II provides additional information regarding DCC's Capital Chargebacks.

Dutchess Community College provided a description of the Capital Project Approval Process which is attached as Addendum III.

  
Diane Jablonski, Comptroller

  
Carol Doyle, Auditor

## **Addendum I**

### **Certificate of Residence Forms**

A student who resides outside of Dutchess County is charged a higher tuition rate than the student who resides in Dutchess County unless the Chief Fiscal Officer of the county of residence provides the student with a Certificate of Residence. The certificate is issued to prove a student is a resident in New York State for one year as well as county resident for six months.

By presenting a certificate of residence form to Dutchess Community College, the student is eligible for the lower tuition rate. In addition, the college can bill the county of residence a portion of the college's operating and capital costs (chargeback).

Certificate of residence forms are good for one year. The student has up to 30 days after the start of classes to present the certificate and the college has up to 45 days to bill the county of residence for the chargeback rate.

## Addendum II

### Capital Chargeback Fund

DCC's audited financial statements reflect a deficit in the net assets restricted for capital projects of approximately (\$1,467,539.00) for the audited time period 2005/2006. According to the notes to DCC's financial statements this deficit is a result of expending capital chargeback funds in advance of the revenue being earned and is expected to be covered by capital chargeback funds to be received in future years.

Historically, annual payments to Dutchess County from DCC to cover debt service are \$100,000.00. However, during the 2004/2005 time period \$600,000.00 was assessed by Dutchess County and paid to Dutchess County for debt service. (DCC resolution #2005-19)

In addition to the \$297,692.00 capital chargeback revenue and the \$100,000.00 debt service assessment, DCC reported the following activity during the 2006/2007 time period:

2005/2006 Capital Fund Balance	\$(1,467,539.00)
Chargeback Revenue	297,692.00
DCC South Renovation Receivable	178,599.00
DCC South Renovations Expenses	(178,599.00)
Write Off Prior Year Receivable	(380.00)
Debt Service	(100,000.00)
Capital Project Reimbursements –DCC Share	
HC0325 Bowne Hall	(3,750.00)
HC0351 Drumlin Hall	(123,770.00)
HC0357 DCC Emergency CBJ- HVAC	(137,827.00)
HC0352 Technology Program- Network Upgrade	*(352,731.00)
2006/2007 Capital Fund Balance	<u>\$(1,888,305.00)</u>

\*Per Resolution #204259 reimbursement will be made from DCC Technology Fee funds. This will reduce the deficit by \$352,731.00 when the entry is posted.

## **Addendum III**

### **Capital Project Approval Process**

Each year the College is requested to submit a five year capital plan to the state and the county. This typically occurs in June. The most important projects are those that are in the first year.

The County plan is submitted and the college meets with the County's Capital Committee to review the projects. After which the County adopts the five year plan and passes a resolution in December for the projects to start on January 1<sup>st</sup>.

The state plan is submitted and the projects are approved by the SUNY Board of Trustees. The projects are then put into the state budget for funding which is available as of April.

Once the projects have been submitted and approved the College proceeds with the projects. First the College Board of Trustees must pass a resolution approving the Project. Then a resolution is submitted to the County for Project approval. Both these resolutions along with a project application must be submitted to SUNY. This establishes the project.

The college then puts out an RFP for architectural services and the construction services are bid. The College Board of Trustees passes a resolution to approve the successful candidates for the project. The College/County issues contracts to the successful candidates.



Office of the  
Dean of Administration

January 2, 2008

Diane Jablonski, Comptroller  
Dutchess County Office Building  
22 Market Street  
Poughkeepsie, NY 12601

RE: Audit of Dutchess Community College Student Chargeback Revenue

Dear Mrs. Jablonski:

I have carefully examined your audit report of the Dutchess Community College Student Chargeback Revenue. Please see our response to your finding below:

- Finding: There were accounts receivable amounts carried from 1998 to the present and there was no documentation on file pursuing the collection of the accounts receivables.
- Recommendation: DCC should implement the process to document, review and write-off uncollectible accounts receivable.
- Response: DCC will review the uncollected accounts receivable procedures and put the appropriate process in place.

It was a pleasure to work with your staff. If you have any future questions please feel free to contact me at 845-431-8066.

Sincerely,

Donna Rocap  
Associate Dean of Administration

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COMPTROLLER'S OFFICE  
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