

Audit Report

**Dutchess Community College
DCC South Renovations Capital Project**

Audit Report

Dutchess Community College South Renovations Project

Comptroller's Summary

Background

In 2008, Dutchess County passed Legislative Resolution #207208 approving Dutchess Community College's (DCC) South Renovations for \$350,000. The project consisted of renovations to DCC's leased classroom space located at the Hollowbrook Office Park in the Village of Wappinger Falls, New York. Normally, contracts, purchase orders and respective invoices for DCC capital projects are paid by Dutchess County directly to the DCC vendors. However, an agreement was made between DCC and the County to allow DCC to pay the costs to the vendors initially, and then present the bills to the County at the end of the project. A payment request was recently received by the Comptroller's Office for project expenditures.

Audit Scope, Objective and Methodology

We conducted a site visit at DCC South on March 23, 2010 and we performed a review of financial records at DCC's administrative offices on April 1, 2010. An additional meeting was held at the request of DCC on May 12, 2010 to discuss the project. Our review included DCC's:

- Claim(s) requesting payment
- Financial records
- Selected accounting procedures including purchasing policies
- DCC South Lease
- Capital Improvement Plan, DCC audited financial statements
- **Addendum I** - Capital Project Approval Process and College Chargeback Revenue
- **Exhibit I** - Resolution #207208
- **Exhibit II** - Summary of Capital Chargeback Activity 2006 – 2010

Claim Review

A claim dated February 10, 2010 for \$350,000 was submitted to the Comptroller's Office with expense documentation for the time period July 2007 through March 2009.

Findings:

- The claim was not filed timely to Dutchess County. Eleven months had lapsed.
- The initial claim documentation for \$350,000 was reviewed by Comptroller's Office and discrepancies were discussed with DCC. DCC reduced the claim to \$344,746.02. The reduction was primarily due to an invoice, which belonged to another project, erroneously included in the original claim.

Recommendations:

- Claims should be filed timely.
- Additional oversight prior to claim submission should be exercised to ensure accuracy.

DCC's centralized purchasing policies and procedures for processing expenditure check payments were reviewed for adherence. The majority of items were purchased from State Bids and DCC purchase orders were issued to the vendors for payment. In addition, expenditures were traced to original source documentation.

Findings:

- To indicate goods are received, DCC utilizes a receiving Purchase Order. We noted some forms were signed but not dated.
- Vendor packing slips were not retained. DCC staff stated it is not their procedure to retain packing slips.

Recommendations:

- All receiving Purchase Order forms should be dated.
- Since packing slips are original source documents, DCC should consider retention.

Site Visit

A site visit was performed on March 23, 2010 for review of all major purchases. Approved expenses included flooring, computer equipment, a phone system, security

system, in-door recycling waste stations, as well as, furniture and electronic equipment for classrooms.

Lease

DCC leases 38,500 square feet at the Hollowbrook Office Park in the Village of Wappinger Falls. The term of the lease commenced on September 1, 2007 and terminates on August 31, 2017. The monthly rent for the premises includes the following: \$39,173.75 (12.21 per square foot) for the first five years and \$41,130.83 (\$12.82 per square foot) for the second 5 years. In addition, the lease agreement includes a monthly payment of \$6,666.67 which covers the costs incurred by the landlord for renovations for DCC. Per the agreement, the landlord incurred \$800,000 in renovations for DCC resulting in the amortization of costs over the 10 year lease period.

Resolution and Funding Review

Dutchess County Legislative Resolution #207208 attached as **Exhibit I** approves the estimated funding of \$350,000 and states the funding would be provided by \$175,000 State Share appropriations and \$175,000 Sponsor's Share (DCC) chargeback revenue. We reviewed DCC's audited financial statements in conjunction with DCC's documentation regarding chargeback revenue. **Addendum I** contains additional detail.

Observations:

- While the Resolution stated capital charge-back funds were available, a review of the 'Capital Chargeback Fund' Analysis (*prepared by DCC staff*), DCC's audited financial statements, and our previous audit of DCC Student Chargeback Revenue (released 1/08) reported a deficit in the chargeback fund. The DCC audited financial statements acknowledged funds were overdrawn and that the deficit was expected to be covered by capital chargeback funds to be received in future years. Attached as **Exhibit II** is a summary of Capital Chargeback Activity for the time period 2006 - 2010.

Addendum 1

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.

DCC submits the capital plan and 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 1st.

DCC submits the state plan and the projects for approval by the SUNY (State University of New York) Board of Trustees. The projects are then included in the state budget for funding which is available as of April.

Once the projects are submitted and approved, the College proceeds with the projects. Locally, the College Board of Trustees must pass a resolution approving the Project. Then a resolution is submitted to the County for Project approval. To establish the project with SUNY, both the College and County resolutions are submitted with a project application to SUNY.

College Chargeback Revenue

Pursuant to New York State Education Law, 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-county charge) by presenting a Certificate of Residence to the college they wish to attend. 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. DCC bills and receives the chargebacks from other colleges.

SUNY promulgates two types of chargeback rates: Operating and Capital.

- Operating rates support the instructional programs of the college.
- Capital rates reduce the colleges indebtedness incurred for capital costs. Capital funds are restricted in use.

Exhibit I

**Budget, Finance, and Personnel
RESOLUTION NO. 207208**

RE: APPROVING CAPITAL PROJECTS FOR DUTCHESS COMMUNITY COLLEGE

Legislators KELLY, REILLY, and MC CABE offer the following and move its adoption:

WHEREAS, the Office of the State University Construction Fund has notified the College that a capital project with a total estimated cost of \$350,000 has been approved, and

WHEREAS, the State funds are available to cover the state share of 50 percent of this projects, and

WHEREAS, this project is included in Dutchess County's approved Capital Improvement Program for 2003-07, and

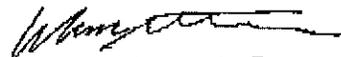
WHEREAS, the Dutchess Community College Board of Trustees has approved this project by resolution 2007-30 on May 22, 2007, and

WHEREAS, capital chargeback funds are available to fund the remaining 50 percent of this project, now, therefore, be it

RESOLVED, that the following capital project is hereby authorized and approved in the amount indicated below:

Project Number	Project Name	Estimated Total Cost	State's Share (Appropriation)	Sponsor's Share (Chargeback Revenue)
08X10	DCC South Renovations	\$350,000	\$175,000	\$175,000

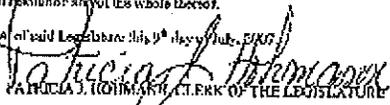
APPROVED


WILLIAM R. STEINHAUS
COUNTY EXECUTIVE

Date July 23, 2007

STATE OF NEW YORK
COUNTY OF DUTCHESS

This is to certify that the undersigned Clerk of the Legislature of the County of Dutchess have compared the foregoing resolution with the original resolution as on file in the office of said clerk, and which was adopted by said Legislature on the 22nd day of July, 2007, and that the same is a true and correct transcript of said original resolution as follows whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of said Legislature this 23rd day of July, 2007.

PATRICIA J. TOMMASI, CLERK OF THE LEGISLATURE

Created by: ckr/fjs
Created on 5/25/2007 9:48:00 AM

Exhibit II Capital Chargeback Activity

	PY Fund Balance	<u>(\$1,467,539.00)</u>
2006/2007	Chargeback Revenue	\$297,692.00
	DCC South Renovations Receivable	\$178,599.00
	DCC South Renovations Expenses Paid	(\$52,436.00)
	Vouchers Payable Year End	(\$126,163.00)
	Write Off Prior Year Receivable	(\$380.00)
	Debt Service	(\$100,000.00)
	Capital Project Reimbursements	(\$265,347.00)
	CBI Roof	\$3,750.00
	Drumlin Hall	\$123,770.14
	CBI HVAC/Roof Units	\$137,826.57
	Capital Project Reimbursements-Network	<u>(\$352,731.00)</u>
	2006/2007 FB	<u>(\$1,888,305.00)</u>
	Adjusting Audit Entry-DCC South Receivable	(\$89,000.00)
	2006/2007 Adjusted FB	<u>(\$1,977,305.00)</u>
2007/2008	Chargeback Revenue	\$301,819.00
	DCC South Renovations Receivable	\$85,401.00
	DCC South Renovations Expenses	(\$289,711.00)
	Vouchers Payable Year End	\$117,763.00
	Write Off Prior Year Receivable	(\$2,283.00)
	Adjustments-Vouchers Payable	\$59,486.00
	Items included in prior year vouchers payable were paid during the current year and expensed against the current year budget line therefore the funds had to be reclassified.	
	Debt Service	(\$100,000.00)
	Bonding Costs Paid	<u>(\$4,639.00)</u>
	2007/2008 FB	<u>(\$1,809,469.00)</u>
2008/2009	Chargeback Revenue	\$311,815.00
	DCC South Renovations Expenses	(\$2,599.00)
	Debt Service	(\$100,000.00)
	SUNY Reinvestment Study	(\$10,425.00)
	Reimbursement from DC for SUNY Reinvestment Study	\$10,425.00
	Vouchers Payable Year End	<u>\$8,400.00</u>
	2008/2009 FB	<u>\$1,591,853.00</u>
2009/2010	Chargeback Revenue	\$356,680.00
	Debt Service	(\$100,000.00)
	DCC South Renovations Receivable	(\$175,000.00)
	DCC South Renovations Reimbursement	<u>\$344,746.00</u>
	2009/2010 FB as 4/21/10	<u>(\$1,165,427.00)</u>
	Anticipated CCB Summer 2010	\$25,000.00
	Reimbursement to County for DCC South	(\$172,373.00)
	Transfer of Funds from Technology Fees for Network per Resolution	<u>\$352,731.00</u>
	Anticipated Year End 2009/2010 FB	<u>(\$960,069.00)</u>

Source: DCC

DUTCHESS COMMUNITY COLLEGE

June 1, 2010

James Coughlan
Comptroller
Dutchess County
22 Market Street
Poughkeepsie, NY 12601

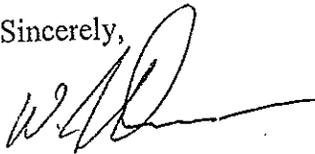
Dear Mr. Coughlan:

In am writing in response to the draft audit findings for the Dutchess Community College South Renovations Capital Project.

- The College acknowledges that the claim was not processed in the timeliest manner and future claims will be submitted on time.
- The initial claim submitted for \$350,000 included an invoice for a purchase order that was split and therefore, \$5,253.98 for library materials was inadvertently included. We agree the claims will be reviewed prior to submission.
- All receiving copies of Purchase Orders will be dated from now on.
- The capital chargeback account normally receives approximately \$350,000 in revenue per year.

We appreciate your patience in this audit process. Thank you for your help and assistance.

Sincerely,



W. John Dunn
Vice President and Dean of Administration