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STATE OF COLORADO
METROPOLITAN STATE COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 1984

TOGETHER WITH

AUDITORS' REPORT AND COMMENTS

DATED

NOVEMBER 21, 1984

ASHBY, ARMSTRONG & Co.

CERTIFIED PUBLIC ACCOUNTANTS

**STATE OF COLORADO
METROPOLITAN STATE COLLEGE**

FINANCIAL STATEMENTS

JUNE 30, 1984

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**STATE OF COLORADO
METROPOLITAN STATE COLLEGE**

FINANCIAL STATEMENTS

JUNE 30, 1984

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STATE OF COLORADO
METROPOLITAN STATE COLLEGE

FINANCIAL STATEMENTS

JUNE 30, 1984

AUDIT REPORT DIGEST

Purpose and Scope of Audit

The purpose of this audit was to express an opinion on the financial statements of Metropolitan State College for the year ended June 30, 1984. In addition, we reviewed compliance with relevant laws and regulations pertaining to the financial activities of the College.

Summary of Major Audit Comments

The current year findings include general organization and control policies, segregation of duties, control of physical assets, purchasing procedures, data processing procedures and such other matters as came to our attention during the course of our work.

Summary of Progress in Implementing Prior Audit Recommendations

The disposition of recommendations made at June 30, 1983, was as follows:

Implemented	4
Not Implemented	<u>1</u>
	<u>5</u>



ASHBY, ARMSTRONG & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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AUDITORS' REPORT ON METROPOLITAN STATE COLLEGE

November 21, 1984

Members of Legislative Audit Committee

We have examined the balance sheets of METROPOLITAN STATE COLLEGE as of June 30, 1984, and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Metropolitan State College for the year ended June 30, 1983, were examined by other auditors whose opinion dated October 31, 1983, on those statements was qualified because of a change mandated by statute in the method of accounting for annual and sick leave, a change with which those auditors concurred.

In our opinion, the 1984 financial statements referred to above present fairly the financial position of Metropolitan State College at June 30, 1984, and the changes in fund balances and the current fund revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination has been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cedric Armstrong & Co.

ASHBY, ARMSTRONG & CO.



STATE OF COLORADO
METROPOLITAN STATE COLLEGE
BALANCE SHEETS, ALL FUNDS

JUNE 30, 1984

WITH COMPARATIVE FIGURES AT JUNE 30, 1983

<u>ASSETS</u>	<u>1984</u>	<u>1983</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>1984</u>	<u>1983</u>
CURRENT FUNDS:			CURRENT FUNDS:		
Unrestricted:			Unrestricted:		
Cash and Certificates of Deposit	\$ 480,250	\$ 482,099	Accounts Payable	\$ 167,614	\$ 123,736
Cash on Deposit with State Treasurer	1,978,742	1,686,701	Payable to Banks	202,974	-
Amounts to be Provided			Accrued Expenses	16,286	23,411
by State General Fund	859,399	418,174	Due to Other State Agencies and Funds	2,147	373,123
Accounts Receivable (less allowances			Due to Consortium of State Colleges	615,616	356,853
of \$1,305,458 and \$1,061,010,			Deferred Revenue (Note A)	1,546,208	1,640,136
respectively, for doubtful accounts)	54,954	224,833	Compensated Absence Liability (Note D)	546,717	519,540
Due from Auraria Higher Education Center	-	610,104			
Other Assets	4,484	3,679	Fund Balances (Deficits):		
			Allocated for Compensated		
			Absence Liability (Note D)	(546,717)	(519,540)
			Unallocated	826,984	908,331
Total Unrestricted Fund	<u>3,377,829</u>	<u>3,425,590</u>	Total Unrestricted Fund	<u>3,377,829</u>	<u>3,425,590</u>
Restricted:			Restricted:		
Cash on Deposit with State Treasurer	19,312	1,590	Accounts Payable	138,013	86,344
Amounts to be Provided			Accrued Expenses	20,996	45,905
by State General Fund	35,221	26,263	Due to State Treasurer	2,268	25,313
Accounts Receivable	141,176	145,328	Fund Balance	34,432	15,619
Total Restricted Fund	<u>195,709</u>	<u>173,181</u>	Total Restricted Fund	<u>195,709</u>	<u>173,181</u>
TOTAL CURRENT FUNDS	<u>\$3,573,538</u>	<u>\$3,598,771</u>	TOTAL CURRENT FUNDS	<u>\$3,573,538</u>	<u>\$3,598,771</u>

(continued)

**STATE OF COLORADO
METROPOLITAN STATE COLLEGE**

BALANCE SHEETS, ALL FUNDS

JUNE 30, 1984

WITH COMPARATIVE FIGURES AT JUNE 30, 1983

<u>ASSETS</u>	<u>1984</u>	<u>1983</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>1984</u>	<u>1983</u>
LOAN FUNDS:			LOAN FUNDS:		
Cash on Deposit with State Treasurer	\$ 38,240	\$ 18,370	Fund Balances:		
Loans Receivable (less allowances of \$610,277 and \$741,031, for doubtful loans)	<u>3,320,363</u>	<u>3,067,784</u>	U.S. Government Grants Refundable	\$2,847,044	\$2,424,837
			Other Loan Funds	<u>511,559</u>	<u>661,317</u>
TOTAL LOAN FUNDS	<u><u>\$3,358,603</u></u>	<u><u>\$3,086,154</u></u>	TOTAL LOAN FUNDS	<u><u>\$3,358,603</u></u>	<u><u>\$3,086,154</u></u>
PLANT FUNDS:			PLANT FUNDS:		
Invested in Plant:			Invested in Plant	\$3,430,806	\$2,879,271
Equipment	\$3,370,906	\$2,819,371			
Land and Buildings	<u>59,900</u>	<u>59,900</u>			
TOTAL PLANT FUNDS	<u><u>\$3,430,806</u></u>	<u><u>\$2,879,271</u></u>	TOTAL PLANT FUNDS	<u><u>\$3,430,806</u></u>	<u><u>\$2,879,271</u></u>
AGENCY FUNDS:			AGENCY FUNDS:		
Cash on Deposit with State Treasurer	\$ 93,121	\$ 163,127	Deposits Held in Custody for Others	\$ 93,121	\$ 163,127
TOTAL AGENCY FUNDS	<u><u>\$ 93,121</u></u>	<u><u>\$ 163,127</u></u>	TOTAL AGENCY FUNDS	<u><u>\$ 93,121</u></u>	<u><u>\$ 163,127</u></u>

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1984
WITH COMPARATIVE FIGURES AT JUNE 30, 1983

	Current Funds							Loan Fund		Plant Fund	
	1984					1983		1984	1983	1984	1983
	State Appropriated Funding	Auxiliary and Self-Funded	Total Unrestricted	Restricted	Total	Total	Total				
Revenues and Other Additions:											
Unrestricted Current Fund Revenues	\$29,475,985	\$ 989,346	\$30,465,331	\$ -	\$30,465,331	\$28,410,272	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	70,789	76,988	147,777	3,130,274	3,278,051	2,842,414	-	-	-	-	-
State Grants and Contracts	-	16,254	16,254	1,715,762	1,732,016	1,516,732	-	-	-	-	-
Private Gifts, Grants and Contracts	-	246,797	246,797	86,839	333,636	63,103	4,230	4,299	-	-	-
U.S. Government Advances	-	-	-	-	-	-	153,515	189,616	-	-	-
Interest Income	-	-	-	-	-	-	50,966	62,453	-	-	-
Provisions for Doubtful Student Loans	-	-	-	-	-	-	118,692	-	-	-	-
Donated Property	-	-	-	-	-	-	-	-	-	8,262	3,377
Expended for Plant Facilities	-	-	-	-	-	-	-	-	-	584,949	243,242
Proceeds from the Transfer of the Bookstore to the Auraria Higher Education Center	-	-	-	-	-	223,745	-	-	-	-	-
Total Revenues and Other Additions	29,546,774	1,329,385	30,876,159	4,932,875	35,809,034	33,056,266	327,403	256,368	593,211	246,619	
Expenditures and Other Deductions:											
Education and General Expenditures	28,958,335	1,410,732	30,369,067	4,792,259	35,161,326	32,352,265	-	-	-	-	-
Indirect Costs Recovered	-	-	-	70,789	70,789	68,218	-	-	-	-	-
Cancellation of Loan Principal and Interest	-	-	-	-	-	-	25,446	223,706	-	-	-
Administrative Costs Reimbursed	-	-	-	33,957	33,957	32,913	25,041	27,015	-	-	-

(continued)

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1984
WITH COMPARATIVE FIGURES AT JUNE 30, 1983

	Current Funds									
	1984					1983				
	State Appropriated Funding	Auxiliary and Self-Funded	Total Unrestricted	Restricted	Total	Total	Loan Fund		Plant Fund	
							1984	1983	1984	1983
Transfers Among Funds and Other Additions (Deductions):										
Mandatory Transfers:										
Loan Fund Matching Grant	-	-	-	(17,057)	(17,057)	(20,220)	17,057	20,220	-	-
Transfer to the Consortium of State Colleges	(615,616)	-	(615,616)	-	(615,616)	(356,853)	-	-	-	-
Total Transfers Among Funds	(615,616)	-	(615,616)	(17,057)	(632,673)	(377,073)	17,057	20,220	-	-
Net Increase (Decrease) for Year	(27,177)	(81,347)	(108,524)	18,813	(89,711)	225,797	272,449	(7,669)	551,535	(31,771)
Cumulative Effect of Recognizing Compensated Absence Liability for Prior Years (Note D)	-	-	-	-	-	(421,756)	-	-	-	-
Net Increase (Decrease) After Recognizing the Cumulative Effect of Compensated Absence Liability for Prior Years	(27,177)	(81,347)	(108,524)	18,813	(89,711)	(195,959)	272,449	(7,669)	551,535	(31,771)
Fund Balances at Beginning of Year	(519,540)	908,331	388,791	15,619	404,410	600,369	3,086,154	3,093,823	2,879,271	2,911,042
Fund Balances at End of Year	\$ (546,717)	\$ 826,984	\$ 280,267	\$ 34,432	\$ 314,699	\$ 404,410	\$3,358,603	\$3,086,154	\$3,430,806	\$2,879,271

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
STATEMENTS OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1984
WITH COMPARATIVE FIGURES AT JUNE 30, 1983

	Unrestricted				Restricted		Total	
	1984		Total	1983	1984	1983	1984	1983
	State Appropriated Funding	Auxiliary and Self-Funded		Total				
REVENUES								
Tuition	\$10,784,708	\$ -	\$10,784,708	\$ 9,702,884	\$ -	\$ -	\$10,784,708	\$ 9,702,884
Fees	-	779,046	779,046	748,831	-	-	779,046	748,831
State Appropriations	18,661,996	-	18,661,996	17,311,493	-	-	18,661,996	17,311,493
Federal Grants and Contracts (Note F)	70,789	76,988	147,777	137,490	3,064,752	2,781,545	3,212,529	2,919,035
State Grants and Contracts	-	16,254	16,254	18,155	1,702,721	1,562,164	1,718,975	1,580,319
Private Gifts, Grants and Contracts	-	246,797	246,797	299,357	75,800	41,649	322,597	341,006
Other Sources	29,281	210,300	239,581	192,062	-	-	239,581	192,062
Total Revenues	29,546,774	1,329,385	30,876,159	28,410,272	4,843,273	4,385,358	35,719,432	32,795,630
EXPENDITURES AND MANDATORY TRANSFERS								
Expenditures:								
Instruction	15,928,158	102,988	16,031,146	14,651,245	1,091,910	995,349	17,123,056	15,646,594
Research	-	-	-	-	7,031	7,196	7,031	7,196
Public Service	109,719	136,625	246,344	205,250	285,591	251,040	531,935	456,290
Academic Support	3,986,416	24,145	4,010,561	3,622,174	5,226	35,921	4,015,787	3,658,095
Student Services	1,760,877	1,023,197	2,784,074	2,585,717	417,137	382,555	3,201,211	2,968,272
Institutional Support	3,930,401	123,777	4,054,178	3,718,454	382,624	209,214	4,436,802	3,927,668
Operation and Maintenance of Plant	3,242,764	-	3,242,764	3,257,420	-	-	3,242,764	3,257,420
Scholarships and Grants	-	-	-	-	2,636,697	2,483,863	2,636,697	2,483,863
Total Expenditures	28,958,335	1,410,732	30,369,067	28,040,260	4,826,216	4,365,138	35,195,283	32,405,398
Mandatory Transfers:								
Loan Fund Matching Grant	-	-	-	-	17,057	20,220	17,057	20,220
Transfer to the Consortium of State Colleges	615,616	-	615,616	356,853	-	-	615,616	356,853
Total Mandatory Transfers	615,616	-	615,616	356,853	17,057	20,220	632,673	377,073
Total Expenditures and Mandatory Transfers	29,573,951	1,410,732	30,984,683	28,397,113	4,843,273	4,385,358	35,827,956	32,782,471

OTHER ADDITIONS (DEDUCTIONS)
 From (Deficiency) of Restricted

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1984

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The financial statements of the College are presented in accordance with fund accounting guidelines set forth in the American Institute of Certified Public Accountants' industry audit guide, Audits of Colleges and Universities, and the National Association of Colleges and University Business Officers' publication, College and University Business Administration.
2. The financial statements of the College have been prepared on the accrual basis. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.
3. Accounting and reporting activities for resources are performed within funds established based upon the activities and purposes for which the resources are to be used. A separate group of self-balancing accounts is used for each fund; however, in the accompanying financial statements, funds having similar characteristics and purposes have been combined and reported upon as groups of funds.
4. Within each group of funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Within the restricted group of funds, revenue is recognized only to the extent that expenditures are made. Resources received in excess or deficiency of expenditures made are recorded as "Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue" in the Statement of Current Fund Revenues, Expenditures and Other Charges.
5. Plant Fund assets are recorded at acquisition cost or fair value at date of acquisition. Depreciation on these assets is not recorded. When Current Funds are used to finance additions and normal replacement of movable equipment in Plant Fund assets, the acquisition costs are accounted for as expenditures in Current Funds.
6. Summer session tuition and expenditures are deferred to the subsequent year's operations.
7. Interest on loans to students is recognized as income when received.
8. The College is an agency of the State of Colorado. Its operations and activities are funded primarily through state appropriations. Earned revenues in excess of augmenting revenue earning requirements are transferred to the Consortium of State Colleges.

9. Certain reclassifications have been made to the balances at June 30, 1983, as previously reported to conform with the presentation at June 30, 1984. Such reclassifications had no effect on the net increases or decreases in fund balances as previously reported.

B. CAMPUS SHARED COSTS

Details of the College's portion of Campus Shared Costs for the Auraria Campus on which the College is located for the fiscal years ended June 30, 1984 and 1983, respectively, are as follows:

	<u>Year Ended June 30,</u>	
	<u>1984</u>	<u>1983</u>
Administration of Auraria Higher Education Center and Operation and Maintenance of Plant	\$3,215,647	\$3,217,836
Library and Media Center	1,798,205	1,760,843
Computer Services	<u>461,816</u>	<u>593,797</u>
	<u>\$5,475,668</u>	<u>\$5,572,476</u>

These Campus Shared Costs have been included in the functional expenditure categories of the Statement of Revenues, Expenditures and Other Changes as follows:

	<u>Year Ended June 30,</u>	
	<u>1984</u>	<u>1983</u>
Operation and Maintenance of Plant	\$3,215,647	\$3,217,836
Academic Support	1,798,205	1,760,843
Institutional Support	<u>461,816</u>	<u>593,797</u>
	<u>\$5,475,668</u>	<u>\$5,572,476</u>

C. RETIREMENT PROGRAM COSTS

All qualifying employees of the College are enrolled in the Colorado Public Employees Retirement Association (PERA) as a condition of employment. Costs of this program were \$2,149,242 and \$1,971,704 for the years ended June 30, 1984 and 1983, respectively.

D. COMPENSATED ABSENCE LIABILITY

Prior to June 30, 1982, the College followed the common practice of accounting for the costs of employees' annual and sick leave in the period when paid. Effective July 1, 1982, the College changed from the cash to the accrual basis of accounting for such leave to comply with Financial Accounting Standards Board Statement No. 43.

Recording the liability for compensated absences results in fund balance deficits which will be funded by state appropriations, federal funds or other funding sources available in future years when the liability is to be paid. Expenditures for the year ended June 30, 1984, include \$27,177 representing the increase in the estimated compensated absence liability.

College employees may accrue annual and sick leave based on length of service, but subject to certain limitations on the amount which will be paid upon termination. The estimated cost of compensated absences for which employees are vested is as follows:

	<u>Annual Leave</u>	<u>Sick Leave</u>	<u>Combined</u>
June 30, 1984	\$535,302	\$11,415	\$546,717
June 30, 1983	\$512,577	\$ 6,963	\$519,540

E. METROPOLITAN STATE COLLEGE FOUNDATION, INCORPORATED

Metropolitan State College Foundation, Incorporated (the "Foundation") is a not-for-profit corporation formed to promote the welfare, development, growth and well-being of Metropolitan State College. The Foundation engages in activities that may be beyond the scope of the Trustees of the Consortium of State Colleges in Colorado.

The Foundation is a separate entity from Metropolitan State College and no public funds are allocated directly for budgetary support. Affairs and management of the Foundation are controlled by a Board of Directors and an executive committee. Accounting records of the Foundation are maintained by the College's accounting personnel.

The accompanying financial statements do not include the accounts of the Foundation, whose accumulated total assets were approximately \$175,500 and \$141,000 at June 30, 1984 and 1983, respectively.

No significant transactions have occurred between the Foundation and the College during the years ended June 30, 1984 and 1983.

F. CONTINGENT LIABILITIES

Amounts expended under the terms of certain federal grants are subject to audit and possible adjustment by agencies of the federal government.

SUPPLEMENTARY INFORMATION

STATE OF COLORADO
METROPOLITAN STATE COLLEGE

RECONCILIATION OF ALLOCATED APPROPRIATION FUNDING
SOURCES TO FINANCIAL STATEMENT REVENUES
FOR THE YEAR ENDED JUNE 30, 1984

	General Fund	Cash Fund	Total Unrestricted Funds	Sponsored Programs and Other Restricted Funds	Total
Allocated Appropriation Funding	\$18,254,416	\$11,161,034	\$29,415,450	\$ -	\$29,415,450
Sponsored-Program Allocation from Consortium of State Colleges	10,800	-	10,800	-	10,800
General Fund and Augmenting Revenue Supplemental Appropriations	396,780	-	396,780	-	396,780
State Grants and Contracts	-	16,254	16,254	1,702,721	1,718,975
Federal Contracts and Grants	-	76,988	76,988	3,064,752	3,141,740
Under Realized Augmenting Revenue	-	(276,256)	(276,256)	-	(276,256)
Student Fees	-	779,046	779,046	-	779,046
Other Student Activity Sources	-	210,300	210,300	-	210,300
Private Gifts, Grants and Contracts	-	246,797	246,797	75,800	322,597
Financial Statement Revenues	<u>\$18,661,996</u>	<u>\$12,214,163</u>	<u>\$30,876,159</u>	<u>\$4,843,273</u>	<u>\$35,719,432</u>

STATE OF COLORADO
METROPOLITAN STATE COLLEGE

SCHEDULE OF ALLOCATED APPROPRIATIONS, EXPENDITURES AND TRANSFERS
FOR THE YEAR ENDED JUNE 30, 1984

	Allocated Appropriation	Supplemental Appropriations and Adjustments	Total Appropriation	Expenditures
Professional Staff	\$15,899,525	\$(15,470)	\$15,884,055	\$15,671,498
Support Staff	1,732,489	-	1,732,489	1,696,863
Other Current Expenses	797,640	-	797,640	763,934
Travel	65,284	-	65,284	53,636
Administration	1,946,597	45,000	1,991,597	1,984,459
Student Services	2,031,614	25,000	2,056,614	2,031,386
ADP Operations	723,651	10,000	733,651	699,156
Public Services	109,684	-	109,684	109,735
Consortium Programs	-	10,800	10,800	9,480
Capital Outlay	398,896	78,360	477,256	462,520
Campus Shared Costs (Note B)	5,710,070	(22,365)	5,687,705	5,475,668
Total Allocated Appropriations	\$29,415,450	\$131,325	\$29,546,775	
Total Appropriated Expenditures				28,958,335
Non-Appropriated Expenditures:				
Student Activities				972,417
Sponsored Programs				438,315
Transfers to Consortium of State Colleges				615,616
Total Expenditures and Transfers - Current Unrestricted Fund				<u>\$30,984,683</u>

AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL

November 21, 1984

Members of Legislative Audit Committee

We have examined the financial statements of the METROPOLITAN STATE COLLEGE for the year ended June 30, 1984, and have issued our report thereon dated November 21, 1984. As a part of our examination, we made a study and evaluation of the College's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the College's financial statements. For the purpose of this report, we have classified the significant internal accounting controls into the following categories:

Cycles of the College's Activity:

- . Treasury/financing
- . Revenue/receipts
- . Purchases/disbursements
- . External financial reporting

Our study included all of the control categories listed above. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the College is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

This report is intended solely for the use of the Department of Administration and members of the Legislative Audit Committee, and should not be used for any other purposes. This restriction is not intended to limit distribution of this report which, upon release by the Legislative Audit Committee, is a matter of public record.

Cashby Armstrong & Co.

ASHBY, ARMSTRONG & CO.

STATE OF COLORADO
METROPOLITAN STATE COLLEGE

FINDINGS AND RECOMMENDATIONS
REGARDING INTERNAL ACCOUNTING AND ADMINISTRATIVE
CONTROLS AND COMPLIANCE

JUNE 30, 1984

1. Policy and Procedures Manual

Finding

The College's Policy and Procedures Manual is incomplete and out of date. In some instances certain departments have updated policies relating to their areas of responsibility, but these have not been gathered into a central manual. None of the College's departments have procedures in writing.

Recommendation

We recommend the College prepare a manual with the policies and procedures of the administrative staff of the College.

College's Response

"The Business and Finance area of the College is formulating a policy manual to be completed by July 1, 1985. Also, this area is in the process of upgrading all its accounting and financial reporting systems. Procedures manuals will be prepared as these new systems are implemented."

2. Lack of a Detailed Organization Chart

Finding

The College, with the exception of the Department of Business and Finance, does not have a detailed organizational chart.

Recommendation

We recommend that the College prepare an organizational chart showing the lines of authority and positions of the administrative staff.

College's Response

"Will be implemented."

3. Duplicate In-house Purchasing System

Finding

The College maintains an in-house purchasing system for the Self Maintaining Fund's and for College Services' purchases. This in-house system duplicates the Auraria Higher

Education Center (AHEC) Purchasing System, yet it may process fewer than two dozen purchase orders in a month.

Recommendation

We recommend that AHEC take over purchasing for the Self Maintaining Funds and for the College Services Funds.

College's Response

"Upper administration of the College wishes to continue an in-house purchasing system for Self-Maintaining Funds and College Services. The State Division of Purchasing has deemed that the purchasing needs of Metropolitan State College in the Self-Maintaining Funds and College Services areas are of a specialized nature and require a purchasing authority working with its programs beyond the scope of the Auraria's purchasing operations.

"Metropolitan State College's Purchasing Department is best able to work closely with these programs to meet their total needs, i.e., purchasing, contracting, maintenance of equipment, property control, etc. Metropolitan State College's purchasing is in a position to be aware of and to work within Federal grant regulations and restrictions and work closely with the Controller for Contracts and Grants to see that purchases are made on a timely basis and prioritized according to grant deadlines which vary for each grant."

4. Lack of Segregation of Duties in Self Maintaining Funds

Finding

The Department of Grants and Contracts is responsible for the accounting of funds in the Self Maintaining Funds (SMF) and authorizes disbursement from the SMF. All important steps in the accounting cycle are performed within this department, including processing documentation, preparing vouchers, reviewing and signing vouchers, reconciling various logs to computer-generated reports, preparing and approving the journal entries required to enter SMF activity in the general ledger, and preparing the necessary reports for federal and state agencies. Since so many important steps in the accounting cycle are performed within Grants and Contracts, there is inadequate segregation of duties in the accounting for the SMF.

Recommendation

We recommend that disbursements from the SMF be integrated into the system used for Current Fund disbursements. This change would allow the Controller of Grants and Contracts to account for SMF activity without also functioning in the role of Treasurer.

College's Response

"As part of the implementation of a new Accounts Payable system, this recommendation will be reviewed. However, upper administrative positions, such as the Controller for Contracts and Grants, will by necessity have control and responsibility over several accounting functions. The College does not feel the concept of 'segregation of duties' applies at this level."

5. Internal Auditor

Finding

The College is operating without the benefit of an Internal Auditor. The Internal Auditor would be responsible for determining whether each department:

- a. Has a clear understanding of its assignment;
- b. Is adequately staffed;
- c. Maintains good records;
- d. Protects the College's assets;
- e. Cooperates harmoniously with other departments;
- f. In general, effectively carries out the mission of the College.

Recommendation

We recommend that the Trustees establish and fund the position of Internal Auditor. To insure independence, the Internal Auditor should report directly to an audit committee of the Board of Trustees of the Consortium of State Colleges.

College's Response

"Implemented. The Central Office of the Consortium of State Colleges hired an internal auditor as of January 2, 1985."

6. Payroll Distribution Procedures

Finding

The College's Treasurer is responsible for the Payroll Department. If an employee wishes to have his check mailed to him, the Treasurer's office is responsible for mailing the paycheck. In addition, unclaimed payroll checks are returned to the Treasurer's office by the cashiers after about two months.

Recommendation

We recommend the cashiers be provided with a list of employees who wish to receive their payroll checks through the mail. The payroll checks should be delivered to the cashiers who will compare the payroll checks to the list, and then be responsible for mailing the checks. We also recommend that the cashiers maintain control of unclaimed payroll checks until after they are voided, if necessary.

College's Response

"Upper administrative positions, such as the Treasurer, will by necessity have control and responsibility over several accounting functions. The College does not feel the concept of 'segregation of duties' applies at this level. However, the Treasurer's office is planning to implement an electronic fund transfer system for payroll by March 1985. After this date, checks will no longer be mailed. In the future, cashiers will maintain control of unclaimed payroll checks until they are voided. Therefore, in essence, this recommendation will be implemented."

7. Responsibility for Journal Entries

Finding

The journal entries to enter accounting data are generally approved by personnel from the department that accounts for the data. Also, each department is responsible for submitting its journal entries in a timely manner. There is no single individual responsible for the propriety of the general ledger.

Recommendation

We recommend that an individual not associated with departments that account for transactions and prepare journal entries be required to review and approve general ledger journal entries. In addition, one person should be assigned responsibility for determining that general ledger journal entries are submitted in a timely manner.

College's Response

"First sentence of recommendation will be implemented by March 31, 1985. The Assistant Controller for several years has been assigned responsibility for determining that general ledger journal entries are submitted in a timely manner."

8. Cash Receipts

Finding

The College does not make daily deposits of cash receipts.

Recommendation

We recommend the College institute a policy requiring that cash receipts be deposited daily.

College's Response

"Implemented. Effective July 19, 1984, the College initiated daily deposits with certain exceptions for peak periods, sick days, and the backup cashier."

9. Annual Inventory of Fixed Assets

Finding

The College has established a procedure to conduct an annual inventory of fixed assets. Under the College's inventory system, each department receives a listing of the fixed assets thought to be located in its area. The department is responsible for updating the listing and returning it to the appropriate department.

Under the College's method of conducting inventory, no one has effective overall responsibility for the accuracy of inventory procedures and the resulting inventory records.

Recommendation

The College should establish and fund the position of Property Control Clerk in Business Services. This individual would be responsible for conducting an annual inventory and would record additions and deletions to the fixed assets records during the year.

College's Response

"We agree in theory with this comment; however, the College does not have budget or FTE for this position because of a legislative cap on administrative FTE. When additional funding and FTE are available, and provided more pressing needs have been satisfied, the College will establish this position."

10. Accounts Receivable

Finding

The State of Colorado requires the College to refer tuition accounts receivable with a minimum balance of \$25.00 to the State Controller for collection when the account is ninety days past due. This requirement may be waived if alternate written procedures are approved by the State Controller. However, the College does not routinely submit delinquent accounts to the State Controller after ninety days, nor has a written waiver been obtained.

Recommendation

The College should either adopt policies and procedures to insure accounts are referred to the State Controller after being delinquent for ninety days, or a written waiver to the requirement should be obtained.

College's Response

"Implemented. The College received a written waiver on January 2, 1985."

11. Computer System and Programming Documentation

Finding

The College's computer system and programming documentation is inadequate and incomplete in the following respects:

- a. Program specifications and user manuals are almost nonexistent.
- b. There are no standards for programming specifications developed by an analyst to be followed by the programmer.
- c. There may be no programming specifications created for a change. The Maintenance Request Form becomes the only documentation of the nature of the change.

Recommendation

- a. We recommend the College adopt policies, procedures and documentation standards for (1) system specifications and runstream flowcharts showing input files, output files, input/output files and output reports for each program and (2) program specifications which define input file, output file and input/output file record layouts for all files processed by the program, report layouts for all printed outputs created by the program and a narrative description of the complete processing logic to be performed by the program.

- b. We further recommend that a system freeze be implemented immediately whereby no system development or system modification effort may be performed until such policies, procedures and standards have been developed, published and distributed to all Computer Services personnel, accompanied by a directive from the Director of Computer Services requiring that the policies, procedures and standards be followed.

College's Response

"a. To be implemented.

"b. Recommendation rejected. The College is close to finalizing policies and procedures to adequately document its new systems that are to be implemented over the next eighteen months. A freeze has been tried previously and only locked the College into antiquated, hard to maintain systems. The most timely and efficient method of upgrading our current outmoded systems is for the College to put its efforts into developing and installing new systems instead of wasting its time maintaining and documenting obsolete systems. Three of the new systems (Payroll, financial reporting, and accounts payable) are purchased software packages and will not require a great deal of effort to implement."

12. Policies, Procedures and Automated Data Systems Documentation Manual

Finding

Computer Services has prepared a manual covering policies, procedures and documentation. As of the date of this report, the manual is still in draft form. Program standards are deficient in the following instances:

- a. Standard #3 - The REMARKS entry should be used in the body of the program to document program "logic, symbols, switches, etc."

Deficiency: Modification documentation is better placed in program specifications for the program rather than source code.

- b. Standard #6 - Internal COBOL sorts will not be used.

Deficiency: The SORT verb gives excellent documentation, as opposed to a utility sort which provides no documentation. In addition, this standard should allow for the use of input procedure and output procedure options.

- c. Standard #8 - Programmers should not use the SPECIAL NAMES feature, but should use AFTER ADVANCING PAGE instead.

Deficiency: SPECIAL NAMES gives excellent documentation when properly used.

- d. Standard #10 - ALTERS and nested or compound IFs will not be used.

Deficiency: Structured COBOL requires nested IF statements. This generally provides excellent logic documentation and generates efficient object code.

- e. Standard #12 - PERFORMS should use the THRU option.

Deficiency: If the programming logic within a paragraph is sound, this procedure is not required. However, adherence to this programming standard wastes valuable memory.

- f. Standard #17 - Code level 88's for documentation of switching and indicators may be used as desired.

Deficiency: The word "may" should be changed to "shall".

- g. Standard #23 - COMP SYNC fields should be used for all subscripts.

Deficiency: Index usage is much faster in execution.

- h. EDP - In addition to the above noted deficiencies, the standards should be revised to prohibit the use of the READ. . INTO option due to its waste of memory.
- i. EDP - Also, programs are not sequence checking incoming files, and counters for various types of records, valid and erroneous, are not being used.
- j. EDP - New and modified programs do not incorporate structured design concepts. The results are that (1) programs take an inordinate amount of time to develop, debug and maintain and (2) programmer productivity is low.

Recommendation

- a. We recommend that Computer Services revise the draft of its policies, procedures and documentation manual to correct the deficiencies noted in this finding.
- b. We further recommend that a programming freeze be implemented immediately whereby no program development or program modification may be performed until these deficiencies have been corrected, the corrected manual published and distributed to all Computer Services personnel, accompanied by a directive from the Director of Computer Services requiring that the programming standards be followed.

College's Response

"a. The College plans to phase out the COBOL Programming Language with the implementation of a college Data Base Management System using ADABAS with NATURAL and/or a fourth generation 'user friendly' language becoming the primary programming language. During this phase out period, Metropolitan State College will adapt the Programming Guidelines published by the Division of Automated Data Processing (DADP) and General Government Computer Center (GGCC). The College does not feel it cost beneficial to change its manual for these suggestions.

"b. Recommendation rejected. See response to 11. b. and 12. a. above."

13. Third Party Review of New Programs and Programming Changes

Finding

The initial request for a programming change or for a new program must be approved by the user's department head and the Director of Computer Services.

Recommendation

Both the user's department manager and the Director of Computer Services have a vested interest in approving programming changes and the creation of new programs. MSC should establish a third-party review of the cost-benefit implications of software revisions and of proposed new programs.

College's Response

"The establishment of a third party review for software revisions and new programs would require additional FTE and impose another level of overhead bureaucracy without improving productivity or service to end users. However, the College has generally followed the three levels of review described below.

"Level 1 - Less than three man months of effort -- approved by User and Director of Computer Services.

"Level 2 - Major System Revision exceeds three man months. Approval level is Data Base Steering Committee.

"Level 3 - New Automated systems or replacement of existing system requires approval by GGCC if on-line, DADP using DADP Application Software Request (ASR) or DADP Equipment Transaction Request (ETR) as applicable and State Controller for accounting systems.

"In the future, these will be followed and this recommendation will be implemented as described above."

14. Program Documentation and Coding

Finding

The Computer Center has inadequate quality control over program documentation and coding. Under MSC's system of quality control, programs are not reviewed for such attributes as:

- a. The presence of fixed values in financial transfer routes.
- b. The presence of predefined outcomes in financial or evaluation testing routines.
- c. The presence of instructions which cause organizational data to be erroneously modified or destroyed if specific conditions are met.
- d. Edits which allow the processing of only that data which is of the proper class and has a value which appears reasonable for the given data item.

Rather, procedures tend to focus on whether:

- a. Programs perform the required tasks.
- b. Programs have the desired logic (i.e., no nested IF statements and no SORT verb usage).

The apparent reason for this deficiency is that according to the Computer Center's organizational chart, there is a group of analysts and a group of programmers with no

positions such as Systems Manager or Supervisor of Programmers responsible for quality control. Instead, programmers are assigned to analysts for specific projects. Their work is reviewed by an analyst with informal authority, and final review is by the Director of Computer Services.

By having certain programs and systems or application areas assigned to specific analysts, MSC has a system that is very person-dependent with less than adequate documentation and a territorial-ownership attitude. This approach also fosters self-review since the analyst does not have his/her work reviewed by a supervisor. Also, only an analyst reviews the programmers work, not a programming supervisor.

Recommendation

The Computer Center should have a systems group and a programming group, each with its own supervisor. The supervisor of each working group would be responsible for project management, personnel scheduling and acting as team leader, trainer and quality control person. The systems person would then be responsible for developing program specifications of a quality acceptable both to his/her supervisor and to the programming supervisor. Similarly, the programming supervisor would review the programmer's code on general criteria and also evaluate the operations and/or user instructions developed by the programmer.

College's Response

"Data processing organizational structures vary by environmental considerations, numbers of Programmers and Analysts, management philosophies and types of systems — batch, on-line, data base management systems. These factors influence the manager's decision on how to function as efficiently as possible within these constraints.

"We concur with the recommendation that improved quality control is needed and will strive toward that goal and will reorganize the Computer Services Department with one Systems Analysts/Programmer Manager rather than a separate manager for each function."

15. Access to Programs and Data Bases

Finding

Access to programs and data bases is too easy. General Governmental Computing Center (GGCC) allows access to be controlled by:

- a. Password
- b. Terminal identification
- c. Time of day

MSC is using only password protection.

Recommendation

MSC should utilize the additional controls available at GGCC.

College's Response

"Implemented. As of January 1, 1985, MSC began using TOP SECRET which is GGCC security software package."

16. Disaster Plan and Back-up Facility

Finding

There is no disaster plan or back-up facility for GGCC. MSC is totally dependent on GGCC for computer services.

Recommendation

GGCC should be required to develop a disaster plan and make arrangements for a back-up facility.

College's Response

"This recommendation will be implemented when the College installs its own computer. MSC will use GGCC and the Colorado Department of Guarantee Student Loans as back up facilities as agreed upon by the director of DADP. The capability of running at these back-up sites will be tested periodically."

17. Maintenance Request Forms

Finding

Maintenance Request Forms, used to request program changes, are filed chronologically within a major area. Therefore, determining the current capabilities of a program would call for retrieving all Maintenance Request Forms pertaining to a given program.

Recommendation

The Computer Center should maintain a file of Maintenance Request Forms by program. Also, the documentation standards for system specifications and runstream flowcharts and program specifications should contain a section on configuration management. This section should require that all relevant documentation contain an effective date and be revised to reflect any system and/or program changes before such changes may be granted production status.

College's Response

"College concurs with the recommendation and will develop a procedure to maintain a cross reference list on programs and maintenance request forms."

18. Testing of Modified Programs

Finding

Modified programs are tested only to see if the desired modifications work.

Recommendation

Since PANVALET identifies all revisions by iteration, the reviewer should evaluate all changes made. All new code should be subjected to the same quality control standards as for a new program.

College's Response

"Will be implemented. The College will improve our procedures for both program and system testing prior to implementation of modifications to programs."

19. Control Over Data

Finding

In order for data to be properly controlled in a computer environment, data must be properly controlled by both the user departments and the programs processing the data. The following deficiencies were noted in the processing of MSC data:

- a. User departments are not putting a document count number on transmittal forms.
- b. User departments are not verifying that the record count from data entry agrees with the number of source documents received by the data entry area.
- c. Programs do not uniformly create record counts. As a result, there is often no procedure for verifying that the record count from the data entry area agrees with the record count created by the program which processed the records.
- d. There is no procedure for verifying that the number of each type of record processed by the program agrees with the record types indicated by the source documentation.
- e. There is no procedure for verifying that the relationship between the counts for old master records read, valid addition records processed, valid deletion records processed, and new master records written is correct.
- f. There is no procedure for verifying that any erroneous records found were counted and displayed to the user with a clear description of the nature of the error detected.
- g. Programs which process sequential files do not perform sequence checking to assure that records are in order.
- h. Many of MSC's programs do not record counts of:
 - . Old master records read.
 - . Transaction/update records read by various types (i.e., additions, deletions, revisions, transactions)
 - . New master records written.
 - . Erroneous records detected and not processed by type (i.e., additions, deletions, revisions, transactions).

Recommendation

We recommend that the College develop policies and procedures to ensure that deficiencies in the processing and control of data are corrected.

College's Response

"Will be implemented."

20. Computer Staffing and Systems Development

Finding

The College employs seventeen computer programmers and systems analysts in three separate departments: Computer Services (13), Academic Computing (2), and Admissions and Records (2), which indicates the College devotes about 34,000 hours annually to computer system development and maintenance. The College has an on-line registration system in place, has its own payroll software run by an outside State agency, and is in the process of purchasing a software package that has general ledger, accounts payable and budgetary functions. It appears from reviewing the maintenance requests, that ongoing maintenance is routine, and should not require extraordinary efforts to perform. The College is developing in-house a software package for accounts receivable.

The College is developing its computer systems without adequately considering the cost of its projects against the benefits received. For example, the accounts receivable system will take five years to complete and is being developed by classified personnel, which results both in immediate and long-term payroll costs. Yet, the College has not adequately considered the alternative of purchasing already developed software packages.

Recommendation

- a. The College should review its plan relating to computer system development. The plan should consider both costs and expected benefits of in-house development and the purchase of software from an outside vendor.
- b. Computer personnel in Admissions and Records should be placed under the control of Computer Services to allow for central management of the College's administrative computing resources.

College's Response

- "a. It should be noted that the Academic Computing Resource Center is a separate organizational element with responsibilities devoted fully to instructional computing for students and faculty. While we cooperate in our limited personnel resources by sharing knowledge on Micro Computers, Administrative Computing has completely separate functions.

"Workload is very dependent on systems, programs and job stream changes which originate from internal and external users of the College's data. Currently, staff must exert extraordinary efforts to maintain old obsolete systems while at the same time must work on the development and implementation of new systems. College has put restrictions on changes to old systems. However, until new systems are implemented, the College must maintain these systems and programs in an operational mode.

"In deciding between in-house development and the purchase of software packages, MSC's plan is often influenced by external controls at state level. However, in all cases, the College has looked at purchased software applications to replace existing obsolete systems. Following is a summary of this activity:

"Purchased software:

- "- IAI's Financial Reporting System approved 9/10/84 by State DADP and Controller for purchase to replace Budget Reporting System, Accounts Payable and General Ledger — contract currently being negotiated.
- "- Payroll system to be replaced by ISI Personnel/Payroll purchased by the State Controller. MSC participated in the selection of the software in 1984. Implementation date tentatively January 1986.

"Purchase of software disapproved by State:

- "- Personnel/Payroll Software Package Requirements defined to draft RFP level in 1978. DADP disapproved sending out the RFP because the State was developing its own system.

"In-house development:

- "- Accounts Receivable — IAI's Billing Receivable System was reviewed by user and Computer Services personnel as implemented at CU - Boulder (1982). Batch mode was not meeting user requirements at CU and was not compatible with MSC's on-line registration system.
- "- Financial Aid — IAI's Financial Aid System was reviewed in 1983-84. Funds were not available to purchase this package. The current plan is to use "in-house" Micro Computers to meet some requirements and thereby reducing manual workloads.

"The College currently performs the functions recommended by Item 20.

- "b. Recommendation rejected. There is no question that moving the Admissions and Records Student Information Systems Analyst would allow for central management; however, modern management doctrine is moving toward decentralized management where people are familiar with the local setting and, therefore, are able to respond quickly and efficiently to a constantly changing situation. It must be remembered that the State of Colorado required Colorado University and Metropolitan State College to use a common registration which, due to changes in academic procedures at both schools, necessitated an intricate understanding of the system.

"The Metropolitan State College Student Information system is considered to be one of the most efficient systems of its kind in the country, and prior to such a recommendation, the auditor might have found it worth his time to visit with areas impacted by such comments."

21. Purchase of Computer System for Administrative Computer Center

Finding

The College is in the process of acquiring a major computer system to be utilized in the Administrative Computer Center, in addition to a DEC VAX 11/780 (2MB) that is being purchased for the Academic Computing Center.

When attempting to acquire computer hardware, the most effective method is to define:

- a. Which applications will be computerized;
- b. What file sizes are required (i.e., what quantity of records are projected for each application area);
- c. What transaction volumes are projected for each application area;
- d. What response time for on-line updates and/or inquiries is desired; and
- e. What compilers and other support software are desired.

If specifications for hardware are approached in this manner, the onus is then placed upon vendors to design a hardware configuration to meet these processing needs. The vendor selected to install the hardware and software will be contractually bound to meet the requirements stated in the request for proposal. If the vendor's hardware configuration falls short of these requirements, he will then be obligated to correct any deficiencies at no additional cost.

The College has not used this approach in the acquisition of its hardware. Rather, the College's approach has placed the onus for configuration design on the College, which does not have personnel available who do configuration design as a profession. If the selected configuration proves to be inadequate, the College may incur additional expense.

The configuration and hardware requirements defined by the College in its Invitation to Bid (dated August 24, 1984), also limits the number of potential bidders by defining items with IBM frames of reference. If **processing requirements** instead of **operating characteristics** would have been defined, many other vendors could have responded to the Invitation to Bid.

Based on our review of the College's computer operations, the College will not be qualified to install, manage or utilize its own computer facility until the following conditions, at a **minimum**, are corrected:

- a. Lack of documentation of existing systems;
- b. Lack of standards for systems documentation;
- c. Lack of standards for program specifications;
- d. Lack of standards for program design;
- e. Lack of standards for program development, including naming conventions;

which imply the additional conditions of:

- f. Lack of qualified system design management personnel and
- g. Lack of qualified programming management personnel.

Since MSC has never had its own in-house computer, another deficiency is:

- h. Lack of qualified computer operations management personnel or operations procedures.

Recommendation

- a. The College should delay the purchase of an in-house computer system until such time as the noted deficiencies are corrected. Until this happens, the College should continue to utilize the services of GGCC.
- b. If the College is able to justify the purchase of an in-house computer system after its deficiencies are corrected, it should prepare a request for proposal based on processing requirements rather than operating requirements in order to allow for true competitive bidding by potential vendors.

College's Response

- "a. The College rejects the recommendation of Item 21. a. The functions being added include Computer operations and operating system software (which is planned to be handled by contract). The DEC VAX 11 780 (8MB) is not applicable to this audit comment as that computer is installed to meet instructional computing support for students and faculty.

"The systems to be processed at MSC are operating now at GGCC in a relatively satisfactory manner with the documentation that exists and, therefore, documentation is not relevant to MSC purchasing its own hardware. All personnel in Computer Services (except the Director) have met the qualifications under the Colorado Department of Personnel job specifications.

"The College's evaluation of our data processing staff based on the opinions of MSC's Director of Computer Services (who has 25 years of data processing experience), the consultants who have worked with our data processing staff in preparing the bid for new hardware, the Data Base Administrator at GGCC, as well as top level administrators of the College, is that they are well qualified and as a group function at a very acceptable level.

"The Computer Operations staff is in the process of being hired. We will be hiring fully qualified experienced Senior Operators and Senior Software Programmers in accordance with Colorado Department of Personnel specifications. The Director of Computer Services has over five years of experience as a Computer Operations Manager which involved the installation of several computer systems. Therefore, he will provide the essential management expertise.

- "b. This recommendation is rejected. MSC did define Items a. through e. of the findings. A consulting firm performed these functions by extracting our workload from GGCC's IBM 3033 internal records. The management's decision to accept responsibility for the hardware configuration size was a planned action. The professional level of personnel to perform this function was obtained from the firm of International Consulting & Education, Inc. This action was completed and documented by letter July 18, 1984. The Invitation to Bid (IFB) CS1002 dated August 24, 1984, defined IBM items or equivalent intentionally to avoid the high costs of conversion of software programs currently in use. Hardware compatible to IBM and ADABAS software used at GGCC was defined in the IFB as mandatory. The IFB was coordinated in draft with personnel from the Colorado Division of Data Processing (DADP) and AHEC Purchasing as representing State purchasing. This overall plan was approved by the State Legislature in the Long Bill in the Fiscal Year 1983-84 appropriations as Footnote 36. All actions taken to date were coordinated with a DADP representative. Therefore, we feel the audit comments pertaining to the acquisition process inappropriate.

"Please see attached letter from Leland Sidwell, President of International Consulting & Education, Inc." (See pages 30 and 31.)



INTERNATIONAL CONSULTING & EDUCATION, INC.
P.O. Box 182 Parker, Colorado 80134 (303) 841-0443

February 4, 1985

Mr. Curt Wright
Vice President of Business
and Finance
Metropolitan State College
1006 11th Street
Box 15
Denver, CO 80204

SUBJECT: STATE AUDIT REPORT OF METRO STATE COLLEGE

Dear Curt:

This letter is the response you requested from ICE on item #21 a & b of subject audit report.

The audit was conducted approximately eleven months prior to the target system install date. At this time, there was an overall plan that encompassed further detailed systems and application planning, personnel skills upgrading through hiring and training, and general target dates for completing the conversion. It would be impractical to have all the detailed plans in place one year prior to installation or even prior to system approval. As of this writing, the detail of each of these plans is being developed and in some cases the plans are being implemented. ICE consultants are assisting in both planning and implementation whenever and wherever needed to ensure a complete and timely conversion. ICE will also provide backup support in areas where the skills of the college staff have not yet been upgraded.

The computer requirements specifications were established using the following information: peak and average processing periods over a one year period for all major applications; CICS requirements: transaction activity, CPU load response times, virtual and real storage, and data base; TSO and Natural: user activity, real and virtual storage requirements, response times, CPU load, and disk storage; Disk space and tape and usage (evaluated 13 months of data by application by data set): Tape to disk migration candidates, data set size and blocking considerations, ICO activity and interference considerations, data set placements, tape mounts and backup and recovery. This information was obtained from CICS PARS, RMF II and SMF sources that are accepted throughout the industry. ICE was also assisted by the GGCC staff in both obtaining and interpreting the data.

The resulting information was then used to establish the base computer needs for a stand alone system at the college. The growth considerations of both current and new application were then projected onto this base to provide the overall systems requirements for the IFB.

It is assumed that the information derived from the ICE evaluation, including the plan and methodology, was not used or considered in this "audit", as the data was not requested. It would seem to have been prudent to have included this type of information in a thorough DP audit.

Sincerely,



Leland Sidwell
President

LS:ls

cc: Bill Vickers
Chuck Norick

STATE OF COLORADO
METROPOLITAN STATE COLLEGE

PRIOR YEAR RECOMMENDATIONS AND DISPOSITION

JUNE 30, 1984

Recommendations	Disposition
(1) The tuition receivable data processing program should be changed to eliminate University of Colorado students.	Recommendation implemented.
(2) A. A detailed action plan should be prepared for management's use to monitor the progress of the the conversion to an in-house computer system. This plan should include activities to be completed, estimated completion dates and the assignment of responsibilities. Major activities should include: <ul style="list-style-type: none">. Hiring personnel. Training new personnel and retraining current personnel.. Developing operating procedures and controls.. Conversion of each application.. Vendor equipment contract negotiation and approval.. Preparing the facility.. Installing and testing equipment. B. User department managers should participate in planning for the conversion by performing the following procedures: <ul style="list-style-type: none">. Review and approval of back-up and recovery procedures to be implemented.. Management and control of data file conversions.. Testing the converted applications on the new equipment.	Recommendation implemented.
(3) The Director of the Computer Service Department should review the circumstances in which GGCC operators take unauthorized actions and establish a policy which permits this action only in circumstances the Department determines to be acceptable. A formal agreement should be established with GGCC to reflect the policy of the College.	Recommendation implemented.
(4) The College should consider adopting a standard methodology for managing the systems development process which includes a project team organization. For example, each system development effort is a project.	Recommendation implemented.

Recommendations

Disposition

Each project should have a project team, a project director and a project work plan. Members of the team should be assigned to the project during a project's life and, for the project responsibilities, should report to the project director. The project director should have authority for defining the responsibilities of the team members and directing their day-to-day project activities, for developing the project work plan and for managing the project to completion.

- (5) A. User departments and their assigned systems analysts should develop written contingency plans for each computer application. The plans should identify the back-up computer files available for recovery processing, the transactions to be reprocessed and their location, and the control procedures to be used to ensure the accuracy and completeness of reprocessing.
- B. The contingency plans should be tested at least once each year to ensure that changes in manual or data processing operations have not made them unworkable.

Not implemented.
See current year
comment #16.

STATE OF COLORADO
METROPOLITAN STATE COLLEGE
ORGANIZATION AND FUNCTIONS
YEARS ENDED JUNE 30, 1984

Role and Mission of the College

Colorado Revised Statutes 1963, Section 23, Article 54, paragraphs 1-5, provide for the creation of Metropolitan State College (MSC) as part of the State's college system. The Statutes clearly define MSC as a four-year, undergraduate institution offering degree programs in a variety of arts and sciences and professional and semi-professional areas. They also stipulate that the institution is "to serve the needs for higher education in the Denver metropolitan area, as well as the State of Colorado generally."

Since its original chartering, MSC has become a large scale, comprehensive, urban undergraduate college that offers, in addition to its traditional programs in the arts, sciences and professional fields, an opportunity for the non-traditional student to further his or her education. Together with the Community College of Denver-Auraria, MSC continues to develop programs so these students may be able to overcome their particular learning disabilities and to perform at college level.

It is the College's role and mission to provide a variety of academic opportunities to the urban student, and to offer both enrichment and special courses as a member of both the Consortium of State Colleges - the governing Board of the College -and the Auraria Higher Education Center. Further, the College is called upon to provide resident instruction throughout the four counties that comprise metropolitan Denver.

Check Appropriate Boxes
(* Include Date) (** If Checked - Explain in Comments)

Report Page Ref.	No.	Metropolitan State College Current Year Recommendations	See Comments	Requires Legislative Action**	Imple- mented*	To Be Imple- mented*	Deferred **	Reject **
14	1.	The College should prepare a complete policies and procedures manual.	X			07/01/85 & 07/01/86		
14	2.	The College should prepare a detailed organization chart.	X			07/01/85		
14	3.	AHEC should take over purchasing for the Self Maintaining Funds and the College Service Funds.	X					X
15	4.	The College should integrate Self Maintaining Funds disbursements into the Current Funds disbursements system.	X				X	
16	5.	The College should establish and fund the position of Internal Auditor.	X		01/02/85			
16	6.	The College should require that cashiers be responsible for mailing payroll checks to employees who wish to receive checks by mail. Cashiers should maintain control of unclaimed payroll checks.	X			04/01/85		
17	7.	An individual not associated with the department that accounts for a specific transaction should review and approve the journal entries, and one person should be responsible for determining all general ledger journal entries are submitted in a timely manner.	X			03/31/85		
17	8.	The College should require that cash deposits be made daily.	X		07/19/84			
17	9.	The College should establish and fund the position of Property Control Clerk.	X				X	

Check Appropriate Boxes
(* Include Date) (** If Checked - Explain in Comments)

Report Page Ref.	No.	Recommendations	Metropolitan State College Current Year Recommendations	See Comments	Requires Legislative Action**	Imple- mented*	To Be Imple- mented*	Deferred **	Reject **
18	10.	The College should either adopt policies and procedures to insure accounts are referred to the State Controller for collection after being delinquent for 90 days, or should obtain a written waiver to the state requirement to do so.		X		01/02/85			
18	11.	a. The College should adopt policies and procedures to adequately document its computer system. b. A freeze on system development and modification should be implemented until the College adopts policies and procedures to adequately document its system.		X		07/01/86			X
19	12.	a. Computer Services should revise the draft of its policies, procedures and documentation manual to correct program standard deficiencies. b. The College should implement a freeze on programming until a corrected manual is published and distributed.		X					X
20	13.	The College should establish a third-party review of cost benefit implications of software revisions and proposed new programs.		X		04/01/85			
21	14.	The Computer Center should have a systems group and a programming group, each with its own supervisor.		X					

To be partially
implemented 07/01/85

