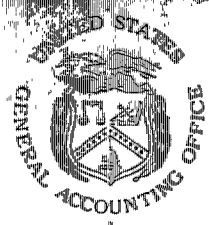


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**Follow-Up Review Of
Selected Areas Of Financial And
Property Administration
Of Federal City College,
District Of Columbia Government**

B-167006

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

089793

MARCH 15, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-167006

Dear Senator Spong:

Reference is made to your letter of September 9, 1970, requesting that we review the progress made by Federal City College in correcting the deficiencies discussed in our August 12, 1969, report. The status of the matters covered by our prior report are discussed in detail in the subsequent sections of this report.

ADMINISTRATION OF CERTAIN FUNDS

In our prior report, we stated that three bank accounts had been opened in commercial banks in the name of the Federal City College. We took the position that the enabling legislation for the college required the funds that were deposited in two of the accounts to be deposited in the U.S. Treasury and the funds deposited in the other account to be controlled and accounted for in the same manner as other obligations and disbursements of the District of Columbia. During our current review, we found that the college has not changed its administration of these accounts as discussed below.

The Federal City College: Urban Higher Education Fund

In our prior report, we stated that the Board of Higher Education authorized the establishment of an account in a commercial bank (The Federal City College: Urban Higher Education Fund) into which gifts were deposited. We concluded that the Board of Higher Education did not have the legal authority to authorize the deposit of gifts to the college in a private commercial bank account.

The Chairman of the Board of Higher Education initially agreed with our conclusion, but has subsequently changed his position. In commenting on our prior report, by letter to you dated September 26, 1969, he stated that this fund is a wholly separate and independent corporation chartered in the District of Columbia on December 30, 1968. He stated also that the Board of Higher Education did not authorize the creation of the corporation, but it did welcome it, and permitted the corporation to use the name of the college in its corporate name and members of the Board to serve on the corporation's Board of Directors. Further, he stated that this corporation is similar in purpose and structure to foundations associated with many major universities and colleges and that

monies deposited into the fund were not the college's, but monies given to the corporation.

Our review of the corporation's charter showed that the President of Federal City College is also the corporation's President and that the former Chairman of the Board of Higher Education is the Secretary of the corporation. The purposes of the corporation are to (1) seek gifts and grants of money, (2) make gifts and grants to the college, (3) sponsor, promote, and carry out educational functions of the college, and (4) establish fellowships, scholarships, and grants at the college.

The President of Federal City College informed us that when an individual desires to contribute to the college, the individual is told that he can have his gift deposited in either the corporation's fund account or the college's Treasury trust account. We noted that the college has two active Treasury trust accounts--one for specific purposes and one for unspecified purposes--into which gifts are deposited.

Also, the president informed us that to date no formal solicitation program has been initiated by the college or the corporation. He indicated that in the near future the corporation is planning an organized solicitation campaign but that no such plans are now being made by the college.

Section 103a (9) of the District of Columbia Public Education Act, as amended, approved November 7, 1966, 31 D.C. Code 1603a (9), states:

"The Board is vested with the following powers and duties:

* * * * *

"To accept services and moneys, including gifts or endowments, from any source whatsoever, for use in carrying out the purposes of this title. Such moneys shall be deposited in the Treasury of the United States to the credit of a trust fund account which is hereby authorized and may be invested and reinvested as trust funds of the District of Columbia. The disbursement of the moneys from such trust funds shall be in such amounts, to such extent, and in such manner as the Board, in its judgment, may determine necessary to carry out the purposes of this title."

It is readily admitted by the Board that one of the purposes of the corporation is to attract prospective donors who desire to assist the college but who wish to contribute to a fund that is not supervised by the District or Federal Government. In enacting Section 103a (9), the Congress prescribed the method by which gifts might be received, deposited, and expended by the Board of Higher Education to help meet the financial needs of the Federal City College which, under the same statute, was placed under the control of the Board. Thus, the Congress has restricted by statute the manner in which gifts may be accepted by the college. The acceptance of such gifts in the name of the corporation is at cross purpose with the statute and, therefore, should not be continued.

Student Government Association Fund

Section 103a (7) of the District of Columbia Public Education Act, as amended, states:

"The Board is vested with the following powers and duties:

* * * * *

"To fix, from time to time, fees to be paid by students attending the Federal City College. Receipts from such fees shall be deposited into a revolving fund in a private depository in the District, which fund shall be available, without fiscal year limitation, for such purposes as the Board shall approve. The Board is authorized to make necessary rules respecting deposits into and withdrawals from such fund."

Section 105 of the act states:

"All obligations and disbursements for the purpose of this title shall be incurred, made, and accounted for in the same manner as other obligations and disbursements for the District of Columbia and, except as provided in paragraph (9) of section 103 of this title, under the direction and control of the Commissioners."

In our prior report, we stated that the Board of Higher Education authorized the Student Government Association to charge a student activity fee no higher than \$7.50 per student per quarter. The Board authorization concerning the charging of student activity fees made no reference to procedures for the collection or disbursement of the fees.

We stated that it appears that obligations and disbursements of student activity fees were not incurred, made, and accounted for by the Student Government Association in the same manner as other obligations and disbursements for the District of Columbia and under the control of the Commissioner.

Although the Chairman of the Board of Higher Education originally agreed with our finding and indicated that an accounting system to control the fees and a resolution to regulate the proper expenditure of such monies was needed, he subsequently reversed this position in his letter to you dated September 26, 1969. The chairman stated that he has serious doubt that the Congress intended section 105 to be applicable to the funds in question. He stated that neither the Board of Higher Education nor the administration has deemed it necessary or appropriate to specify or regulate the purposes for which the funds are spent.

During our current review, we examined the accounting records of the Student Government Association and found that the records consisted of check books, canceled checks, bank statements, and paid and unpaid invoices. A formal set of books was not maintained. We were informed by the Student Government Association accountant that there was no record of obligations incurred and that disbursements were made on the basis of invoices and were not supported by purchase orders or receiving reports.

We discussed these matters with the college president who indicated a willingness to help the students establish adequate accounting records but did not agree that the funds should be under the control of the Commissioner. He stated that he has requested the District's Office of Municipal Audits to perform an audit of the Student Government Association fund.

Subsequent to our discussion with the president, we were informed by the District's Associate Director for Municipal Audits that before his office could start its audit, most of the existing records were stolen and, therefore, the audit was not made. On January 14, 1971, we were informed by a college official that all financial activities of the Student Government Association have been temporarily assumed by the college's finance office pending a policy decision of the Chairman of the Board of Higher Education as to their disposition.

We found nothing in the legislative history of the act that shows that an exception was intended for funds accumulated under subsection 103a (7). Moreover, section 105 imposes this requirement for all funds

with one exception--gifts made to the college under subsection 103a (9)--and it must be assumed that in making one specific exception the Congress intended to limit exceptions to the one specifically provided for.

Thus, under the language of section 105 of the act, the Student Government Association Fund must be accounted for in the same manner as other obligations and disbursements of the District of Columbia and must be under the direction and control of the Commissioner.

Federal City College Extension--Community Education

In our prior report, we stated that on February 20, 1969, the Board of Higher Education approved a fee to be charged for extension courses based on the number of hours that the class meets. We found that extension course fee receipts have been deposited in a private bank account and disbursements have been made for the purpose of paying the salaries of extension course instructors and classroom expenses. We took the position that fees charged for attending extension courses were in fact tuition and should have been deposited in the General Fund of the District of Columbia in the U.S. Treasury, as provided by subsection 103a (6) of the District of Columbia Public Education Act, as amended.

The Chairman of the Board of Higher Education initially agreed with our position. However, in his September 26, 1969, letter to you he (1) stated that these courses are a service to the community which the college administers but the participants bear the costs and (2) concluded that the payments would be more properly considered fees than tuition. He indicated that if the payments were required to be deposited in the Treasury, they would be unavailable to pay the expense of the courses since the conjectural nature of the courses would make requests for appropriations for them very difficult, thus, making it virtually impossible to provide this community service.

On April 28, 1970, the District Corporation Counsel issued an opinion on this matter which stated that these extension course payments are tuition and should be deposited in the U.S. Treasury.

During our review we discussed this matter with the President of Federal City College who stated that the college does not agree with the position of the District Corporation Counsel. He stated that the funds in question are being kept in the private bank accounts pending the outcome of a recent request for another decision from the District Corporation Counsel.

We are in agreement with the position taken by the District Corporation Counsel that the charges imposed in these programs are tuition rather than fees and are, therefore, for deposit into the Treasury. The term "tuition" is defined as a fee charged a student at a college or university for (1) the privilege of attendance at the institution and (2) the price of or payment for instruction. If there is no express intent to the contrary, words used in a statute are intended to be given their common meaning. Accordingly, it is our view that payments made to the college for instruction in extension courses are tuition payments and as such are for deposit to the General Fund of the District of Columbia pursuant to subsection 103a (6) of the act.

TUITION COLLECTION

In our prior report, we stated that the college did not exercise the control necessary to provide reasonable assurance that the correct amount of tuition was paid. We found that the amount of tuition due from each student was determined at the time of registration and was based on the number of hours applied for. Generally, this amount was paid by the student. At the time of payment a tuition payment record and receipt card was prepared.

After registration, a summary listing was prepared showing courses and credit hours for each student. This listing, however, was not later adjusted to show the credit hours added and dropped nor was the amount of tuition paid reconciled to the listing. Also, the tuition payment record and receipt cards were not prenumbered and tuition deposits did not list either the individual payers or the amounts paid. Further, we found that the tuition was waived in at least 24 instances.

Subsequent to our prior report, Federal City College has made some progress in improving the control over tuition collection and further corrective actions are planned. For the fall 1970 quarter, the tuition payment record and receipt cards were prenumbered and the tuition deposit tickets showed the payer and the amount paid. College officials informed us that tuition is no longer waived and during our review, we found no evidence that waivers had been granted.

Also, for the fall quarter, the college prepared a consolidated computer listing showing courses, credit hours, and total payment for each student. This listing showed cases where the total tuition had been deferred. However, the listing did not show a comparison of the amount of tuition owed with the amount paid. Also, at the time of our

review, we were informed by a college official that the listing had not been revised to show courses added and dropped.

Our examination of 100 randomly selected student tuition payment record and receipt cards showed that the computer listing contained numerous errors. For example, some students for which there were record and receipt cards were not shown in this listing and other students were shown in the listing as having paid no tuition when in fact they had.

Since the listing contained many errors and included only a total for fees collected--tuition, student activity fee, and health insurance payments--it was not practicable for the college or for us to ascertain whether all tuition due was actually collected.

We were informed by college officials that many changes in tuition collection procedures are planned for the registration for the next quarter. They stated that the students will be required to preregister after which the college will bill the student. The officials indicated that the amount billed will have to be paid regardless of course changes. They indicated also that the method of handling course changes has not been determined. Also, we were informed that the computer listing prepared for this quarter will compare the amount of tuition owed and the amount paid.

THE ACCOUNTABILITY FOR
SUPPLIES AND EQUIPMENT

In our prior report, we stated that the college did not maintain adequate accounting control over its supplies and equipment. We pointed out that (1) equipment asset control accounts had not been established, (2) reliable inventories of supplies and equipment had not been taken, and (3) a listing of persons authorized to requisition supplies had not been prepared.

Our current review showed that a listing of persons authorized to requisition supplies had been made. Copies of this listing were on hand at the two storage locations. Our examination of all requisitions for supplies for the period August 21, 1970, through September 28, 1970, showed that out of a total of 29 requisitions 20, or about 69 percent, were signed by persons not on the authorized list. All of the unauthorized individuals were employees of the college.

In December 1970, a contract was awarded to a private firm to take an inventory of the supplies and equipment. The officials indicated

that after the inventory is established, they will be able to maintain adequate control over inventories.

Based on our current review, we conclude that the college has not, at this time, established adequate control over its supplies and equipment. We further conclude that until such control has been established, the amount of future losses, if any, cannot be identified.

OTHER MATTERS

In our prior report, we stated that the District of Columbia Office of Municipal Audits made a review of the status of the college's appropriated funds and the procedures for controlling such funds. Their report stated that the college's control of allotted funds are inadequate because (1) the responsibility for controlling obligations against allotments was not clearly fixed, (2) obligations were incurred without knowledge as to availability of funds, (3) monthly financial plan and status reports were not maintained, and (4) established procedures for obligating funds were not followed.

We were informed by an official of the Office of Municipal Audits that his office had not determined whether any actions have been taken by the college on these deficiencies. Our current review showed that, as recommended in the internal audit report, the college had established budgetary and fund controls to correct the deficiencies noted. Although we did not examine into the application of these controls, we believe that the system established is adequate to control appropriated funds.

The practice, as noted in our prior report, of providing financial assistance to students attending neighboring colleges has been discontinued.

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We did not request District comments on this report. Since the administration of certain funds by the college is not in accordance with the enabling legislation, we suggest that the report be furnished to the Commissioner, District of Columbia Government and the Chairman, Board of Higher Education, for appropriate corrective action.

B-167006

We plan to make no further distribution of this report unless copies are specifically requested, and then only after your agreement has been obtained or public announcement has been made by you concerning its contents.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Rosten".

Comptroller General
of the United States

The Honorable William B. Spong, Jr.
United States Senate